PRESS RELEASE

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BOARD OF DIRECTORS OF MUNICIPALITY FINANCE PLC PROPOSES A SHARE ISSUE

The Board of Directors of Municipality Finance Plc has decided, at their meeting on 3 February 2009, to propose a share issue during the first half of 2009 at the 12 March 2009 annual general meeting. The objective of the issue is to raise at least MEUR 30 in new capital. The share subscription period is to be started as soon as possible after the annual general meeting.

The share issue will be primarily targeted to the municipal sector. In addition, the Finnish government has decided to participate in the issue with a maximum investment of MEUR 20. However, the government's ownership of shares subscribed for in the share issue is not to exceed 70 percent. The funds to be acquired in the planned share issue will support the strong growth in the company's business volume in the next few years.

The significance as the primary source of funding for municipalities is increased

Municipality Finance's customers are municipalities, municipal federations, municipality-controlled entities, and non-profit associations identified by the Central Governmental entities and the Housing Finance and Development Centre of Finland (ARA). The company is the single greatest operator in its customer segment and is, therefore, a very important actor in municipal financing. The excellent credit rating of the company and its active operations in capital markets have ensured that the lending for municipalities has been handled reliably, cost-effectively, and competitively.

Once the general market conditions changed during 2008, demand for Municipality Finance's lending has further increased. Other financial institutions have significantly reduced their activity levels in the municipal sector, at the same time as the need for funding in municipalities has increased. The intention of Municipality Finance is to meet the increased need in the municipal sector and to be able to handle municipalities' financial needs with competitive terms in the future as well.

The planned share issue allows a significant increase in lending by Municipality Finance during the next few years, thus supporting, among other things, social housing construction projects and employment in the construction industry in Finland. Municipality Finance sees strengthening its capital structure using a share issue as important. This ensures the excellent credit rating and, therefore, low funding costs during a strong growth phase. In addition, the company's future position in the funding market is improved by the Finnish government becoming a significant shareholder.

"Municipality Finance is currently the most important, and practically the only, funding provider in the municipal sector. Securing the capital adequacy of the funding system of municipalities is so important for Finnish municipalities' finances that the Board of Directors of Municipality Finances fully supports the strengthening of the capital structure of the company and hopes that a large number of municipalities will participate in the project. The financial crisis affects everyone, thus ensuring that funding for the municipalities is of utmost importance", states **Asko Koskinen**, Chairman of the Board of Directors of Municipality Finance.

"We have already enquired about the willingness of some of our largest shareholders to strengthen the company's balance sheet with a greater contribution. This initiative, which we feel is important, has received positive feedback from them", says **Pekka Averio**, CEO of Municipality Finance.

"The government is going to participate in Municipality Finance's share issue with an investment of MEUR 20. The intention of the investment is to secure the increasing funding for rental housing construction subsidised by the government. Investing in interest-subsidised housing construction is particularly important for employment right now, says **Jan Vapaavuori**, Minister of Housing. "Resources becoming available from private housing production can be directed to government-subsidised rental unit production. There is plenty of demand in the rental unit market and the current economic downturn has only increased it. Levelling the economic downturn threatening the construction industry is a responsibility shared by both the government and municipalities", continues Vapaavuori.

Municipality Finance Plc

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Municipality Finance Plc is a local government credit institution owned by Finnish municipalities and the Local Government Pensions Institution and is the parent company of the Municipal Finance Group. The company's mission is to ensure top-value financial services for the municipal sector, to be efficient and to grow profitably. The company's balance sheet totalled EUR 9,609 million on June 30, 2008. The company offers market-based funding to municipalities and municipal federations, to municipality-controlled entities and non-profit housing corporations. The company's funding, which is guaranteed by the Municipal Guarantee Board, is obtained from international capital markets and domestic investors. Funding provided by the company goes into social and non-profit service projects, such as schools, housing and hospitals. The Group includes Financial Advisory Services Inspira Ltd, which offers financial advisory services for investments, financial and asset arrangements, asset management and various analysis services.