

Press release 5 March 2013

Municipality Finance has published its annual report 2012.

Municipality Finance achieved the best result in its history in 2012

Municipality Finance's result for 2012 was the best in the company's history. Group's net operating profit was EUR 138.6 million (EUR 65.3 million in 2011). The company's lending portfolio grew by 15% and its balance sheet total by 7% to EUR 25.6 billion. The company's funding acquisition totalled EUR 6.6 billion during the year.

In the CEO's Review published today in Municipality Finance's annual report 2012, Pekka Averio, Municipality Finance's President and CEO, brings up his concern about the continuous growth of municipalities' investment needs and the simultaneous increase in their repair liabilities.

"We estimate that borrowing by municipalities will continue to grow moderately in the next few years, as municipalities still have a lot of investment needs. At the same time, repair liabilities for the municipal infrastructure will increase," writes Averio.

There are upward pressures on the financing costs of municipal investments. The growth of costs is due to changes in the regulation concerning the entire financial sector.

"A number of parallel projects are in progress which, when realised, will tighten the liquidity and capital requirements for the entire banking sector and increase the costs of regulation and control. With these developments, customers' financial expenses will also rise.

With the changes, the entire banking and financial sector – including Municipality Finance – will be forced to acquire significantly more of their own funds to maintain their operations even at the current level."

According to Averio, measures were launched at Municipality Finance in 2012 with the aim of meeting the new capital and liquidity requirements by developing the company's own operations.

Summary of Municipality Finance's year 2012

- The Group's net operating profit totalled EUR 138.6 million (2011: EUR 65.3 million). The growth was 112% year-on-year.
- Net interest income grew by 51% compared with the previous year, totalling EUR 142.4 million (2011: EUR 94.2 million).
- The balance sheet total stood at EUR 25,560 million (2011: EUR 23,842 million). The balance sheet grew by 7% compared with the end of the previous year.
- The Group's risk bearing capacity continued to be very strong, with capital adequacy ratio at 33.87% at year-end (2011: 24.13%) and the capital adequacy ratio for Tier 1 capital at 26.22% (2011: 19.04%).
- Total funding acquisition for 2012 amounted to EUR 6,590 million (2011: EUR 6,673 million). The total amount of funding grew to EUR 22,036 million (2011: EUR 20,092 million).

- Lending increased to EUR 15,700 million (2011: EUR 13,625 million). In total, 17% more loans were withdrawn than in the previous year, amounting to EUR 3,254 million (2011: EUR 2,780 million).
- Investments totalled EUR 6,224 million at the end of 2012 (2011: EUR 5,640 million).

Further information:

Municipality Finance Plc

Pekka Averio, President and CEO, tel. +358 (0)500 406 856

E-mail pekka.averio@kuntarahoitus.fi

Municipality Finance Plc is a special credit institution of the public sector, which is owned by municipalities, Keva and the State of Finland. The company is an essential part of the basic economic structure of Finnish society. Its job is to ensure as competitive funding as possible for municipal investments and state-subsidised social housing production under all market conditions.

The Municipality Finance Group also includes the subsidiary, Financial Advisory Services Inspira Ltd.

The company's customers are Finland's municipalities, municipal federations, municipally controlled companies and non-profit housing corporations. The customers use financing solutions provided by Municipality Finance to finance social and non-profit entities, such as day care centres, schools, housing and hospitals, as well as other municipal investments.

Municipality Finance has the best possible credit rating and its funding is guaranteed by the Municipal Guarantee Board. The funding for the company is primarily obtained through market-based funding acquisition on the international capital markets. The Group's balance sheet total is EUR 25,6 billion.