INTERIM REPORT

JUNE 30, 2008

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CEO'S REVIEW

The first two quarters of the current financial year have continued briskly and successfully for Municipality Finance Plc. The company's basic business operations have continued as in the previous year. The Municipality Finance Group's net operating profit decreased slightly from that of the previous period. The volume of the parent company's lending has developed well, the loan portfolio has grown and a new, record-breaking level has been achieved in funding acquisition.

Steady pace

The Municipality Finance Group's balance sheet for January-June totalled EUR 9,609 million, last year's corresponding figure being EUR 7,519 million. The Group's net operating profit underwent a slight decrease during the period, concluding with EUR 5.9 million. The corresponding figure last year was EUR 7.1 million.

The increase in the net operating profit arises from unrealized, negative fair value changes recorded in accordance with the IFRS. The operational result for the entire year is anticipated to be better than in 2007.

Record-breaking funding

The parent company, Municipality Finance Plc, acquired a total of EUR 2,171 million in long-term funding in January-June (January 1 – June 30, 2007: EUR 1,068 million). The parent company's entire funding amounted to EUR 8,149 million at the end of the period, with the corresponding figure in the previous year being EUR 6,293 million.

The increase in this period's funding acquisition has been unprecedented, because the company has benefited from having the best possible credit rating in an unfortunately unstable economic situation. Funding acquisition over the first half of the year has equalled the total of the previous financial year, both in the amount of money acquired and in the number of new debt instruments.

Funding acquisition has continued to focus on the international markets, particularly the Asian markets. Municipality Finance also entered the market in New Zealand by making its very first arrangement there. Moreover, three Municipal Bonds were issued during the period.

Due to the difficult market situation and lack of confidence among banks, there has been a decrease in the market values of the company's debt instruments that have been acquired through advance funding. However, the change in value is purely imputed, because there is no need to realize investments with a negative impact on profits, thanks to the active liquidity management.

Success in fierce competition

Municipality Finance's long-term loan portfolio totalled EUR 6,245 million at the end of June, the corresponding figure a year earlier being EUR 5,444 million. The loan portfolio has increased by 6.8% from the end of last year and 14.7% from the end of June 2007.

The company has done extremely well in tightening competition, as its market share at the end of June clearly exceeded that at the end of 2007 (65%). Over the first two quarters of the financial year, the unstable economic situation has translated into a significant increase in the loan margins of various financial institutions. Municipality Finance has managed to keep its margins unchanged for the time being. The situation indicates that the system, created for securing lending to municipalities, is working in accordance with its objectives.

Municipalities have continued to take loans as last year due to their investment needs. Despite the disruptions in the financial market, the company's outlook for the rest of the year is good. In other words, there is every reason to be confident about the future.

Looking forward to a lively autumn,

Helsinki, 29 August 2008

Pekka Averio
Managing Director

The Municipality Finance Group consists of Municipality Finance Plc and its subsidiary Financial Advisory Services Inspira Ltd.

The role of Municipality Finance Plc (the parent company) is to offer market-based funding to municipalities, municipal federations, municipality-controlled entities and non-profit corporations by acquiring funding from capital markets at competitive costs.

Financial Advisory Services Inspira Ltd (Inspira) offers expert financial services to the public sector. The company's services include alternative forms of funding for the clients' investments, their analysis and arrangement. In addition, Inspira offers its services for different public sector ownership arrangements by planning them, making value assessments and assisting in contract negotiations. Inspira helps the public sector to arrange its services more effectively and to invest more economically.

The financial statements of the Municipality Finance Group have been drawn up in accordance with the International Financial Reporting Standards (IFRS). The financial statements also conform to the Act on Credit Institutions and the standards of the Finnish Financial Supervision Authority.

This interim report observes the EU approved standard IAS 34 *Interim Financial Reporting*. The comparison figures have been drawn up using the same principles.

The Municipality Finance Group's balance sheet totalled EUR 9,609 million at the end of June (June 30, 2007: EUR 7,519 million). The net operating profit for January–June was EUR 5.9 million (January 1 – June 30, 2007: EUR 7.1 million). The parent company's long-term loan portfolio stood at EUR 6,245 million, with an increase of 6.8% from the end of 2007.

OPERATING RESULT

The Group's net operating profit for January-June was slightly lower than in the previous year. The net operating profit before taxes for the period January 1 – June 30, 2008 was EUR 5.9 million (January 1 – June 30, 2007: EUR 7.1 million).

The net interest income in January-June was EUR 14.0 million (January 1 - June 30, 2007: EUR 10.1 million), which includes profits from the repurchase of the company's own debt securities. The net income from securities trading and available-for-sale financial assets include EUR 5.3 million unrealized negative fair value changes recorded in accordance with the IFRS accounting policies (January 1 – June 30, 2007: EUR 1.0 million).

The operational result for the entire year 2008 is anticipated to be better than in 2007. The main contributors to this positive development were the good development of the net interest income and the moderate increase in expenses.

The turnover of Financial Advisory Services Inspira Ltd has increased. The company has seen positive income development in the early stages of its operations, and the keen demand for the company's services is likely to continue for the rest of the year.

LENDING

Municipality Finance's long-term loan portfolio at the end of June amounted to EUR 6,245 million (June 30, 2007: EUR 5,444 million). The loan portfolio increased by 6.8% from the end of 2007 and 14.7% from the end of June 2007.

Long-term loans amounting to EUR 697 million were withdrawn in January-June (January 1 – June 30, 2007: EUR 653 million). At the end of June, there were also accepted offers amounting to approximately EUR 491 million (June 30, 2007: EUR 348 million).

The parent company did extremely well in fierce competition. At the end of 2007, Municipality Finance had a market share of 65%, which it has then successfully increased over the first half of 2008.

The interest rate distribution remained almost the same as in the previous year. More than half of the loans withdrawn were tied to floating reference rates, Municipality Finance's six-month reference rate being by far the most popular. More than a third were tied to either fixed or long-term reference rates. There was a slight increase in the demand for structured loans.

FUNDING

The company's funding acquisition takes place in several capital markets mainly within the framework of the following debt programmes:

EMTN	EUR 8,000,000,000
Domestic debt programme	EUR 800,000,000
Treasury Bill programme	EUR 800,000,000
Australian debt programme	AUD 1,000,000,000

The parent company acquired EUR 2,171 million (January 1 – June 30, 2007: EUR 1,068 million) in long-term funding in January-June. A total of EUR 486 million was issued in short-term debt instruments under the Treasury Bill programme in January-June (January 1 – June 30, 2007: EUR 707 million). The parent company's total funding at the end of June amounted to EUR 8,149 million (June 30, 2007: EUR 6,293 million), of which 31% was denominated in euros and 69% in other currencies.

Three Municipal Bonds were issued during the present year.

Insecurity in the international financial markets has persisted in 2008. Municipality Finance has clearly benefited from the situation as an issuer with the best possible credit rating. Over the first half of the year, the parent company's funding acquisition was livelier than ever before. During the first half of 2008, new funding equalled the entire amount of money acquired in 2007. Also, the number of new debt instruments over the period under review corresponded to that in the previous year. Funding acquisition focused, as before, on international markets. The geographical focus continues to be on Asia, where Municipality Finance has maintained its excellent position among institutional investors and significantly increased its market share in the Japanese Uridashi market targeted at private investors. The parent company entered a new market by making its first arrangement in New Zealand.

INVESTMENT

Municipality Finance acquires adequate advance funding to secure good liquidity and lending in all market situations. Assets are invested in financial instruments with a good credit rating as well as short-term money market deposits. Adequate liquidity is increasingly important in the current market situation.

At the end of June, investments totalled EUR 2,191 million (June 30, 2007: EUR 1,534 million). At the beginning of the year, the parent company reclassified EUR 179 million from available-for-sale financial assets to those held to maturity. The securities in question were originally acquired to be held to maturity. The aim is to keep the amount of securities in the advance funding portfolio at approximately 20-25% of the balance sheet total.

At the end of June, 58% of the securities in the advance funding portfolio had an AA- or higher credit rating and 38% had a rating between A+ and A-. In addition, 96% of money market investments had the best possible short-term credit rating.

The parent company's liquidity continues to be excellent as a result of successful funding acquisition. The main emphasis in Municipality Finance's new investments has clearly been on those of a very liquid, short-term nature. The negative change in the fair value reserve is due to the difficult market situation and lack of confidence between financial institutions. Thanks to the active liquidity management, the parent company has no need to realize its investments, which would have a negative impact on profits.

POST INTERIM REPORT EVENTS

The operations of the parent company have continued as planned after 30 June 2008. No material changes have taken place in the company's financial position subsequent to the Interim Report date.

CREDIT RATINGS

The best possible credit ratings have been confirmed for the parent company:

	Long-term funding	Short-term funding	Outlook
Moody's Investerors Service	Aaa	P1	stable
Standard & Poor's	AAA	A-1+	stable

RISK MANAGEMENT AND INTERNAL CONTROL

The general principles, limits and benchmarks for risk management at the Municipality Finance Group are decided by the Board of Directors of the parent company. The purpose of risk management is to make sure that the risks associated with lending, funding acquisition, investment and other business operations remain within the established limits.

The Treasury unit is responsible for applying counterparty limits in the parent company's investment operations and for implementing practical risk management in regard to market and financing risks.

Supervisory and reporting functions related to investment, counterparty risks and market risks have been segregated and are now under the control of the Risk Assessment and Financial Planning unit. The parent company's risk position and limit utilization are reported to the Board of

Management and Board of Directors on a regular basis.

Municipality Finance Plc applies very conservative principles to its risk management. The objective is to minimize open risk positions and to keep the overall risk status at such a low level that the parent company's good credit rating (Aaa/AAA) is not compromised. In its lending, the parent company has undertaken to grant only loans that do not include a legal requirement about the amount of own funds in order to secure the parent company's capital adequacy. Advanced methods are used to assess and measure risks.

The Group performs regular analyses of different risk areas with the aim of identifying changes that have taken place since the previous charting and new risks, and of prioritizing risks and their management based on the results of the analyses.

CAPITAL MANAGEMENT PLAN

Municipality Finance has an internal capital adequacy assessment process (ICAAP). The equity objectives of Municipality Finance Plc relating to the parent company's risk taking and operating environment are defined in connection with annual planning. The planning horizon is approximately three years. The Board of Directors approves the capital management plan and monitors it.

The parent company has set its capital adequacy ratio target higher than the minimum required by the authorities. As the parent company's advance funding is invested in debt instruments, investment decisions and the selection of counterparties play a significant role in the development of the capital adequacy ratio.

Municipality Finance Plc's own funds were reinforced in March by issuing a loan of EUR 40 million. The loan is classified under the parent company's Upper Tier II Capital.

STRATEGIC RISKS

Strategic risk means that the company has chosen the wrong strategy for financially profitable operations or that the company fails to adapt the chosen strategy to changes in the operating environment.

The Group's management of strategic risks is based on continuous monitoring and analyses of the clients' needs, forecasts of market trends, and changes in the competition and the operating environment. Risks and their significance are assessed annually in connection with the preparation of the business plan. The Group's current strategy extends to 2012.

CREDIT RISK

Credit risk is the risk that the counterparty might default on its obligations to the company.
The parent company may grant loans without a separate security only directly to municipalities and municipal federations. For others, loans must be secured with an absolute guarantee or deficiency guarantee issued by a municipality or municipal federation, or a State deficiency guarantee. Because such security mitigates the credit risk, all granted loans are classified as zero-risk in calculating Basel II capital adequacy.

Credit risks are caused by financial and investment instruments, interest rate and currency forwards, interest rate and currency swaps and other derivative contracts. In terms of credit risk assessment, the Board of Directors of the parent company approves the principles and limits, based on external credit rating, to be applied in the selection of counterparties. Credit risk is monitored with the fair value method.

The parent company has not had any non-performing assets or credit losses during its operations.

The fair value method is used to calculate a credit countervalue for each derivatives counterparty, taking netting into account. The parent company limits the credit risk with ISDA Credit Support Annexes in case of major derivatives counterparties. The parent company has 36 valid Credit Support Annexes.

MARKET RISK

Market risk means that the company suffers a loss when the market price or its volatility undergo a change unfavourable to the company. Market risks include those related to interest rates, exchange rates, share prices and other prices.

The parent company hedges against interest rate risks by using derivative contracts to change the fixed-rate cash flows from lending and funding acquisition into floating-rate ones.

A 69% share of the parent company's funding is foreign currency denominated. The company hedges against exchange rate risks by using derivative contracts to swap all foreign currency denominated funding into euros.

Derivative contracts are also used to hedge against other price risks. However, derivative contracts may only be made for hedging purposes.

The Board of Directors of the parent company has set the following limits on market risks:
• currency position
• interest rate risk based on duration
• Value-at-Risk

In addition to the above benchmarks, monthly reports are made to the management on the parent company's sensitivity to interest rates and calculations concerning changes in the balance sheet market value.

FINANCING RISK

Financing risk refers to the risk that the company is unable to handle its payment obligations, arising from the implementation of funding agreements or other funding operations, on the due date.

The Board of Directors of Municipality Finance has set the following limits on financing risks:
- refinancing/sustainability of financing
- refinancing gap
- minimum and maximum amounts of liquid assets

For securing liquidity, the parent company has access to a total of EUR 140 million in the form of credit limit arrangements.

MARKET LIQUIDITY RISK

Market liquidity risk means that the company may fail to realize or cover its position at the current market price, because the market lacks depth or is not functioning due to disruption.

The parent company constantly monitors market and product liquidity. In addition, established market standards are observed when derivative contracts are made.

OPERATIONAL RISK

Operational risk is the risk of loss caused by inadequate or failed internal processes, personnel, systems or external factors.

The parent company has managed operational risks by segregating duties related to trading, risk management, risk monitoring, back-office work, documentation and bookkeeping and by creating a system of staff substitution.

Key duties and processes have been charted and described. The descriptions are updated regularly, at least once a year. The expertise of the personnel is maintained and improved by preparing a training plan in connection with the annual development discussions.
The materialization of operational risks is monitored with systematic loss reporting, which is used to update processes where necessary. Loss notifications are reported to the Board of Management and the Board of Directors. Operational risks have not had a significant impact on profits during the financial year.

The parent company has a contingency plan for situations where business operations are interrupted. The plan will help the parent company to continue functioning and limit its losses in different disruptive situations.

INTERNAL AUDIT

Internal auditing has been outsourced to Deloitte & Touche. Its tasks include monitoring the reliability and correctness of Municipality Finance's financial and other management information. The tasks also include making sure that the parent company has adequate and properly organized manual and IT systems for its operations and that the risks associated with the operations are being managed adequately. The internal audit reports to the audit committee and the Board of Directors.

CORPORATE GOVERNANCE

On 11 February 2005, the Board of Directors of the parent company confirmed its Corporate Governance rules, which conform to the Helsinki Stock Exchange Recommendation in all material parts. The Recommendation is aimed at issuers of listed shares and does not therefore concern the parent company directly, as it issues bonds. The parent company's shares are not subject to public trading and can only be owned by the parties mentioned in the Articles of Association. However, the parent company wanted to compile its own Corporate Governance rules on the basis of the Stock Exchange Recommendation. The Board of Directors is responsible for making sure that the parent company complies with the Corporate Governance rules and is committed to developing them further.

The purpose of Corporate Governance is to set a framework for responsible operations that produce added value for clients and owners and to reinforce the confidence of all stakeholders in the management and operating policies of the organization.

The Corporate Governance rules are available online on the parent company's website (www.munifin.fi).

OWN FUNDS AND CAPITAL ADEQUACY

Municipality Finance's capital adequacy ratio on June 30, 2008 was 26.30% (June 30, 2007: 33.40%). The parent company's share capital stood at EUR 42.6 million on June 30, 2008. Its own funds totalled EUR 135,3 million.

From the beginning of 2007, the parent company has calculated its capital adequacy by using the method based on the Basel II regulations. The capital requirement relating to the credit risk is calculated using the standard method, and that relating to the operational risk using the basic method. The capital adequacy accounting for market risk takes into account only exchange rate risks, because the parent company does not have trading stocks or shares, or commodity positions.

EUR 1,000	30.6.2008 group*)	30.6.2007 parent
Own funds		
Equity capital	42,583	42,583
Minority interest	36	0
Reserve fund	277	277
Retained profit	35,136	30,654
Planned dividend distribution (estimated)	-2,370	0
Capital loans	11,177	11,177
Intangible assets	-598	-701
Total primary own funds	**86,241**	**83,990**
Fair value reserve	-25,978	-3,224
Subordinated liabilities in upper Tier 2	40,000	0
Subordinated liabilities in lower Tier 2	35,000	37,500
Total secondary own funds	**49,022**	**34,276**
Total own funds	**135,263**	**118,266**
Risk-weighted assets		
Credit risk, standardized approach	**486,232**	**332,029**
Minimum requirement for own funds		
Credit risk, standardized approach	38,899	26,563
Market risk	0	0
Operational risk, basic indicator approach	2,251	1,765
Total minimum requirement for own funds	**41,150**	**28,328**
Capital adequacy ratio, %	**26.30**	**33.40**
Tier 1 Capital ratio, %	**16.77**	**23.72**

*) Municipality Finance has reported at group level as from December 31, 2007

$$\text{Capital adequacy ratio-\%} = \frac{\text{Total own funds}}{\text{Total minimum own funds requirement}} * 8$$

KEY INDICATORS

	30.6.2008	30.6.2007	31.12.2007
Turnover, EUR million	195.6	139.2	308.0
Net operating profit, EUR million	5.9	7.1	8.8
% of turnover	3.00 %	5.12 %	2.90 %
Balance sheet total, EUR million	9,607.0	7,519.0	8,913.2
Return on equity (ROE), %	24.61 %	24.11 %	15.20 %
Return on assets (ROA), %	0.16 %	0.14 %	0.13 %
Expense-yield-ratio	0.46	0.41	0.56

The turnover comprises intrest income, commission income, net income from securities and foreign exchange transactions, net income from available-for-sale financial assets, net income from hedge accounting and other operating income.
The profit before appropriations and taxes is taken directly from the income statement.

Return on assets (ROA) is calculated as follows:

net operating profit - taxes
--- * 100
balance sheet total (average of year beginning
and year end)

Return on equity (ROE) is calculated as follows:

net operating profit - taxes
-- * 100
equity and minority interest+appropriations - deferred tax liabilities
(average of year beginning and year end)

Expense-yield-ratio:

commission expenses + administrative expenses + depreciation + other operating expenses
----
interest income + commission income + net income from securities and foregn exhange transactions +
net income from available-for-sale financial assets + net income from hedge accounting and other
operating income

ANNUAL GENERAL MEETING

Municipality Finance Plc's annual general meeting held on 26 March 2008 approved the proposal of the Board of Directors for the distribution of a dividend for 2007. It was agreed that a dividend of EUR 0.10 would be paid per share. The dividend was paid on 10 April 2008.

Juhani Alanen, Tapio Korhonen, Asko Koskinen, Eva Liljeblom, Simo Lämsä, Mikko Pukkinen, Kari Nars, Sisko Seppä and Jari Sokka continued as members of the Board of Directors. The term of office for a member of the Board of Directors is two years, ending in 2009.

MUNICIPALITY FINANCE GROUP'S PERSONNEL AND MANAGEMENT

The Municipality Finance Group's personnel totals 41, of which 36 work for the parent company.

In accordance with the Articles of Association, the Board of Directors of the parent company has nine members. The Board of Directors (main job outside the company given in brackets):

- Asko Koskinen, Chairman (Managing Director, Medilaser Ltd, Tampere)
- Jari Sokka, Vice Chairman (Planning Director, Local Government Pensions Institution)
- Juhani Alanen (Provincial Councillor, Mikkeli)
- Tapio Korhonen (Finance Director, City of Helsinki)
- Eva Liljeblom (Professor, Swedish School of Economics and Business Administration, Helsinki)
- Simo Lämsä (President of Provincial Government, Helsinki)
- Kari Nars (D.Sc.(Econ.), Helsinki)
- Mikko Pukkinen (City Manager, City of Turku)
- Sisko Seppä (Secretary General, Social Democratic Parliamentary Group)

At its meeting on 29 May 2007, the Board of Directors selected Kari Nars as Chairman and Tapio Korhonen and Simo Lämsä as members of the audit committee.

The Board of Directors meeting held on 29 May 2007 selected Asko Koskinen as Chairman and Jari Sokka and Eva Liljeblom as members of the rewarding committee.

The parent company's Board of Management includes:

- Pekka Averio, CEO and Managing Director
- Esa Kallio, Executive Vice President, Deputy to the CEO
- Toni Heikkilä, Director
- Marjo Tomminen, Director
- Jarkko Vuorenmaa, Director

The parent company's auditors are KPMG Oy Ab with APA Raija-Leena Hankonen as accountable auditor.

The CEO of Financial Advisory Services Ltd is Kimmo Lehto. The subsidiary's personnel totals five.

The Board of Directors (main job outside the company given in brackets):

- Pekka Averio, Chairman (CEO and Managing Director, Municipality Finance Plc)
- Marjo Tomminen (Director, Municipality Finance Plc)
- Kimmo Lehto

Inspira's auditors are KPMG Oy Ab with APA Riitta Pyykkö as accountable auditor.

Kuntarahoitus
MUNICIPALITY FINANCE

GROUP INCOME STATEMENT

	Jan 1 - Jun 30, 2008	Jan 1 - Jun 30, 2007
Interest income	197,690,158.59	137,120,745.93
Interest expense	-183,699,017.79	-127,045,770.63
NET INTEREST INCOME	**13,991,140.80**	**10,074,975.30**
Commission income	537,148.46	177,088.15
Commission expense	-968,457.34	-1,182,518.07
Net income from securities and foreign exchange transactions	-5,059,553.13	964,622.68
Net income from available-for-sale financial assets	485,953.43	262,656.89
Net income from hedge accounting	910,054.93	615,917.85
Other operating income	12,170.49	15,095.08
Administrative expenses	-2,730,384.84	-2,584,193.38
Depreciation and impairment on tangible and intangible assets	-181,879.15	-198,247.09
Other operating expenses	-1,144,002.45	-1,014,485.54
NET OPERATING PROFIT	**5,852,191.20**	**7,130,911.87**
Income taxes	-1,634,647.99	-1,854,036.76
PROFIT FOR THE FINANCIAL PERIOD	**4,217,543.21**	**5,276,875.11**
Attributable to:		
Equity holders of the parent company	4,182,740.35	5,276,875.11
Minority interest	34,802.86	0.00

Kuntarahoitus
MUNICIPALITY FINANCE

GROUP/CONSOLIDATED BALANCE SHEET

	Jun 30, 2008	Dec 31, 2007
ASSETS		
Liquid assets	12,233,497.56	11,525,120.31
Loans and advances to credit institutions	21,966,443.17	36,092,355.00
Loans and advances to the public and public sector entities	6,245,264,533.27	5,848,664,214.62
Debt securities	2,191,396,599.05	1,916,729,381.68
Shares and participations	27,219.06	5,247,118.80
Derivative contracts	1,033,714,869.49	983,653,986.11
Intangible assets	597,594.89	643,427.31
Tangible assets	1,324,388.08	1,366,371.61
Other assets	793,998.30	1,440,566.03
Accrued income and prepayments	92,069,972.46	101,662,594.74
Deferred tax assets	9,563,033.00	6,214,482.14
TOTAL ASSETS	9,608,952,148.33	8,913,239,618.35
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	345,410,018.82	389,303,737.99
Liabilities to the public and public sector entities	602,671,636.62	595,960,927.76
Debt securities issued	7,206,641,516.33	6,565,148,179.86
Derivative contracts	982,993,079.21	914,956,748.52
Other liabilities	375,332.47	558,482.83
Accrued expenses and deferred income	316,766,428.21	324,331,210.87
Subordinated liabilities	84,456,254.22	45,245,234.90
Deferred tax liabilities	13,366,013.44	12,329,160.95
TOTAL LIABILITIES	9,552,680,279.32	8,847,833,683.68
EQUITY		
Share capital	42,583,195.49	42,583,195.49
Reserve fund	276,711.01	276,711.01
Fair value reserve	-25,977,549.00	-15,259,104.73
Retained earnings	39,329,708.65	37,768,728.21
Total equity attributable to equity holders	56,212,066.15	65,369,529.98
Minority interest	59,802.86	36,404.69
TOTAL EQUITY	56,271,869.01	65,405,934.67
TOTAL LIABILITIES AND EQUITY	9,608,952,148.33	8,913,239,618.35

Kuntarahoitus MUNICIPALITY FINANCE

CASH FLOW STATEMENT

	Jan 1 - Jun 30, 2008	Jan 1 - Jun 30, 2007
Cash flow from operating activities	**218,653,722.28**	**-51,662,304.07**
Profit for the financial period	5,852,191.20	7,130,911.87
Adjustments	6,082,683.12	25,289,535.09
Change in loans and advances to customers	-452,607,468.75	-317,056,502.36
Change in long term funding	754,426,444.77	414,171,082.28
Change in short term funding	-166,024,232.75	-246,324,045.14
Change in exchange rates, funding	70,924,104.69	65,126,714.19
Cash flow from investing activities	**-567,237,802.30**	**-218,159,901.03**
Acquisition of tangible items	-35,947.28	-206,419.79
Acquisition of intangible items	-58,115.92	-66,364.22
Change in debt securities	-567,243,739.10	-217,929,412.02
Change in shares and participations	100,000.00	0.00
Proceeds from sale of tangible items	0.00	42,295.00
Cash flow from financing activities	**37,366,835.40**	**-2,011,403.15**
Change in capital loans	40,000,000.00	-168,187.93
Dividends paid	-2,633,164.60	-1,843,215.22
Change in share capital	0.00	0.00
Net increase in cash funds	**-311,217,244.62**	**-271,833,608.25**
Cash funds at January 1	**510,135,938.26**	**422,157,975.73**
Cash funds at December 31	**198,623,501.92**	**141,697,831.80**

Cash funds include following balance sheet items:
Liquid assets, loans and advances to credit institutions and debt securities maturing within the next three months.

Adjustments include depreciation on tangible and intangible assets and the change in acrrued items.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000

	Attributable to equity holders of the parent company					Minority interest	Total equity
	Share capital	Reserve fund	Fair value reserve	Retained earnings	Total		
Equity at December 31, 2006	**42,583**	**277**	**-1,843**	**32,497**	**73,514**	**-**	**73,514**
Share issue						25	**25**
Dividends paid for 2006				-1,843	-1,843		**-1,843**
Profit for the financial period				7,115	7,115	11	**7,126**
Net change in available-for-sale financial assets			-13,416		-13,416		**-13,416**
Equity at December 31, 2007	**42,583**	**277**	**-15,259**	**37,769**	**65,370**	**36**	**65,406**
Dividends paid for 2007				-2,633	-2,633		**-2,633**
Profit for the financial period				4,183	4,183	35	**4,218**
Net change in available-for-sale financial assets			-10,719		-10,719		**-10,719**
Equity at June 30, 2008	**42,583**	**277**	**-25,978**	**39,319**	**56,201**	**71**	**56,272**

NOTES TO FINANCIAL STATEMENT

Note 1: Principles for drawing up the consolidated financial accounts

The interim report has been drawn up in accordance with the same International Financial Reporting Standards (IFRS) as in the Financial accounts on December 31, 2007.

The principles for drawing up the financial accounts have been described in the Notes to the Financial statements as per December 31, 2007.

The interim report observes the IAS 34 standard, Interim Financial Reporting (EU approved). The comparison figures have been drawn up using the same policies.

The notes to the financial statements are presented in thousands of euros.

This Interim report has not been audited.

Note 2: Derivative contracts

Jun 30, 2008	**Nominal value of underlying instrument**	**Fair value**	
		Positive	**Negative**
Contracts made for other than hedging purposes			
Interest rate derivatives			
Interest rate swaps	631,800	24,631	22,095
Currency derivatives			
Interest rate and currency swaps	111,730	1,298	1,362
Equity derivatives	514,793	128,312	128,163
Other derivatives	202,514	15,049	20,139
Total	**1,460,837**	**169,290**	**171,759**
Contracts made for hedging purposes			
Interest rate derivatives			
Interest rate swaps	6,816,602	101,378	56,758
Currency derivatives			
Interest rate and currency swaps	5,559,662	763,047	754,476
Total	**12,376,264**	**864,425**	**811,234**
All total	**13,837,101**	**1,033,715**	**982,993**

Dec 31, 2007	Nominal value of underlying instrument	Fair value Positive	Negative
Contracts made for other than hedging purposes			
Interest rate derivatives			
Interest rate swaps	672,100	18,883	17,453
Currency derivatives			
Interest rate and currency swaps	116,946	1,044	1,131
Equity derivatives	622,453	201,246	201,246
Other derivatives	200,938	11,009	11,009
Total	**1,612,437**	**232,182**	**230,839**
Contracts made for hedging purposes			
Interest rate derivatives			
Interest rate swaps	7,137,359	76,725	60,649
Currency derivatives			
Interest rate and currency swaps	3,902,294	674,747	623,469
Total	**11,039,653**	**751,472**	**684,118**
All total	**12,652,090**	**983,654**	**914,957**

Note 3: Contingent liabilities

	Jun 30,2008	Dec 31,2007
Liabilities and collateral		
Bonds pledged to the Municipal Guarantee Board	6,316,925	5,880,898
Debt securities pledged to the Municipal Guarantee Board	1,969,425	1,699,322
Total	8,286,350	7,580,220
Binding credit commitments	810,904	529,824

Note 4: Related parties

Salaries and fees for the management (EUR)	Jan 1 - Jun 30, 2008	Jan 1 - Jun 30, 2007
CEO	166,250	150,682
Executive Vice-President	119,930	104,856
Total	286,180	255,538

The members of the Board of Directors are paid an annual remuneration and meeting remuneration. The annual remuneration of the Chairman of the Board is EUR 13,500, that of the Vice Chairman EUR 10,000 and that of the other members EUR 8,000. The annual fee of the chairmen of the audit and rewarding committees is EUR 10,000. The fee per meeting is EUR 250.

Loan and other financial receivables from related parties of the credit institution:

Municipality Finance has no loan or other financial receivables or other liabilities from related parties under section 140(2) of the Credit Institutions Act.