Kuntarahoitus
MUNICIPALITY FINANCE

INTERIM REPORT
Jan 1 – Jun 30, 2007

CONTENTS

Kuntarahoitus
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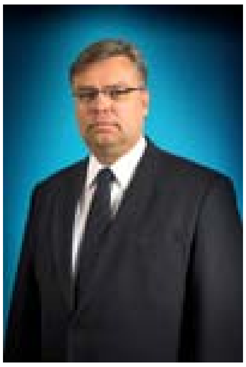

The first half of Municipal Finance Plc's present financial year has continued to be lively. Municipality Finance transferred to IFRS accounting practice on January 1, 2007.

Smooth transfer to IFRS accounting practice

The most significant effect of IFRS for Municipality Finance is on the fair value measurement of all derivative instruments. Because the company's main principle is the hedging of risks associated with funding activities, the changes in the fair value of derivative contracts are a hedge against changes in the fair value of balance sheet items. For this reason the transfer to the IFRS accounting practice did not bring as dramatic a change as was feared at one stage, and its effect on the profit was smaller than expected. The transfer to IFRS accounting practice, however, has been a long, three-year process that has required a great deal of work and will continue to do so.

Profit target exceeded

The transfer to the new practice has an effect on the profit and balance sheet. We can be satisfied with the financial profit for the period, because the company's net operating profit for January - June (EUR 7.1 million) showed a clear increase over the previous corresponding period (June 30, 2006 IFRS-adjusted: EUR 4.4 million), thus exceeding the budget. The operating profit for the whole of 2007 is expected to be better than that for 2006, mainly as a result of the good trend in the net income from financial operations and the moderate rise in expenses. The balance sheet total rose in this period to EUR 7,519 million, compared with an adjusted figure for one year earlier of EUR 6,606 million.

More diversified funding

During January – June the company acquired long-term funding amounting to EUR 1,068 million (June 30, 2006: EUR 795 million). The company's entire funding at the end of the period totalled EUR 6,293 million, compared with EUR 5,763 million one year earlier.

The funding was diversified during the period. Its main emphasis was still on the Japanese market, and it was also acquired in countries such as Germany, Switzerland, Denmark and Norway. A new opening was made during this period in Australia, where Municipality Finance was the first Finnish financial institution to issue a bond, the value of which was AUD 200 million.

During the period four Municipal Bonds were issued.

Uncertainty on financial markets

Municipality Finance's long-term lending at the end of June totalled EUR 5,444 million, whereas the corresponding figure a year earlier was EUR 4,826 million. The loan portfolio has increased by 7.4% since the end of last year and by 14.2% since the corresponding period in the previous year.

Nervousness increased on the fixed income markets in July and risk margins rose in bank and corporate bonds compared with government bonds. The reason for the nervousness lies in problems with the USA mortgage market. In recent years mortgages have been granted to households whose ability to repay is not up to European standards (sub-prime loans).

Although competition on the loan market has increased and there is slight turbulence on the general financial markets, the outlook for the company for the second half of the year is good and the position stable, for which we have to thank our customers, partners and our old and new shareholders.

We are all looking forward to a lively autumn.

Helsinki, August 30, 2007

Pekka Averio
CEO and Managing Director

Municipality Finance transferred to observing IFRS accounting policies on January 1, 2007. Municipality Finance's financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by the EU. The statements also observe the Act on Credit Institutions and the Finnish Financial Supervision Authority's standards.

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 Municipality Finance balance sheet total at the end of June was EUR 7,519 million (June 30, 2006: EUR 6,606 million). The net operating profit for January - June was EUR 7.1 million (January 1 – June 30, 2006: EUR 4.4 million). The company's long-term loan portfolio stood at EUR 5,444 million. The loan portfolio increased by 7.4% over the 2006 year-end figure.

Operating result

Municipality Finance's net operating profit for January - June was better than in the previous year. The net operating profit before taxes for the period January 1 – June 30, 2007 came to EUR 7.1 million (January 1 – June 30, 2006: EUR 4.4 million). The valuation of financial instruments at fair value resulted in EUR 1.6 million (January 1 – June 30, 2006 EUR 1.3 million) being recorded in the income statement.

Income increased by 33% to EUR 12.1 million (EUR 9.1 million January 1 – June 30, 2006), whereas expenses went up by 7.1% to EUR 5.0 million (EUR 4.6 million January 1 – June 30, 2006).

The net interest income in January-June was EUR 10.1 million (January 1 – June 30, 2006: EUR 7.6 million). The net income of EUR 1.2 million from available-for-sale financial assets comprises sales profits from the sale of debt securities and income from measurement (January 1 – June 30, 2006: EUR 0.7 million). Any advance funding is invested in debt securities until the money is granted as loans to customers.

Lending

The Municipality Finance long-term loan portfolio at the end of June totalled EUR 5,444 million (June 30, 2006: EUR 4,826 million). The loan portfolio increased by 7.4% from the end of 2006 and 14.2% from the end of June 2006.

Long-term loans amounting to EUR 653 million were withdrawn in January – June (January 1 – June 30, 2006: EUR 430 million). At the end of June there was also about EUR 348 million in approved offers (June 30, 2006: EUR 228 million).

The company did extremely well in fierce competition, being able to increase its market share to above 60%. Customers raised their borrowing in the first half of the year by a record EUR 653 million. Lending has gone up by 7.4% since the year-end and 14.2% since the corresponding period in 2006.

The interest rate distribution remained almost the same as in the previous year. Almost half the loans withdrawn were tied to floating rates, Municipality Finance's 6-month reference rate being clearly the most popular. More than a third were tied to either fixed or long-term reference rates. Structured rates also retained their popularity.

Funding

The funding takes place on 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	500,000,000

The company acquired a total of EUR 1,068 million (January 1 – June 30, 2006: EUR 795 million) in long-term funding in January – June. A total of EUR 707 million was issued in short-term Treasury Bills in January – June (January 1 – June 30, 2006: EUR 690 million). The company's total funding at the end of June was EUR 6,293 million (June 30, 2006: EUR 5,763 million). Of this 44.8% was denominated in euros and 55.2% in other currencies.

During the present year four Municipal Bonds have been issued.

Municipality Finance's acquisition of funding in the first half of the year was very lively. As in previous years, most of it came from international markets. Compared with the previous year, however, the geographical spread of funding sources was wider. Asia is still an extremely important area for Municipality Finance's funding. However, the company has managed a considerable increase in activity on the Danish and German capital markets in particular. In

March Municipality Finance issued the first Finnish bond on the Australian market. It sold extremely well, meeting the targets for price and investor-distribution.

Risk Management and Internal Control

The general principles of risk management at Municipality Finance are decided by the Board of Directors and implemented by the Managing Director assisted by the Board of Management. Practical risk management and the related supervisory functions have been separated from each other. The company's risk standing is monitored regularly by the Board of Management and the Board of Directors.

Credit risk
Loans can be granted directly to municipalities and municipal federations without separate collateral. For other loans, an absolute guarantee or deficiency guarantee issued by a municipality or a municipal federation, or a State deficiency guarantee, is acceptable. Because such security is required, the loans granted are calculated as zero-risk for the purpose of calculating the credit institution's capital adequacy.

In terms of credit risk evaluation, principles and limits approved by the Board of Directors and based on external ratings are applied in the selection of counterparties. Credit risk is monitored according to the fair value method.

Further measures to control higher credit risks include Credit Support Annexes with major derivatives counterparties. The company currently has 30 Credit Support Annexes in force.

Market risk
For hedging against market risks, the company uses derivatives contracts. The company hedges itself against all exchange rate risks.

The Municipality Finance Board of Directors has set limits on the following market risks:

- currency position
- refinancing/sustainability of financing
- refinancing gap
- interest rate risk based on duration
- minimum and maximum amounts of liquid assets
- Value-at-Risk

In addition to this, the management receives monthly interest rate sensitivity analyses and profit and loss figures.

The company has access altogether to EUR 140 million in liquidity back-up facilities in the form of credit limit arrangements.

Operational risk
The management of operational risks has been dealt with by separating work duties, by creating a system of staff substitution and by charting work duties and processes. The professional skill of the personnel is maintained through training. The company monitors the materialization of operational risks and reports on them to the Board of Directors.

Internal audit
Internal auditing has been outsourced to Deloitte & Touche Oy. The internal audit reports to the audit committee and Board of Directors.

Own funds and capital adequacy

Municipality Finance's capital adequacy ratio on June 30, 2007 was 33.40%. The company's share capital stood at EUR 42.6 million on June 30, 2007. Its own funds totalled EUR 118.3 million.

From the beginning of 2007 the company transferred to calculating its capital adequacy by using the method based on the Basel II regulations. The capital requirement for the credit and counterparty risk is calculated by using the Standardized Approach and the capital requirement for the operational risk by using the Basic Indicator Approach. The capital adequacy calculation for the market risk takes into account only exchange rate risks, because the company has no trading nor any equity or commodity positions.

The growth in Municipality Finance's capital adequacy ratio results from an increase in the share capital. The Basel II calculation method both reduced and increased the capital requirement. Advance funding has been invested in debt securities, and the application of Basel II caused reductions in risk classifications of the investment portfolio. On the other hand, Basel II also calls for a capital requirement for operational risk.

The company had no non-performing receivables or credit losses during its operations.

Own funds and capital adequacy

EUR 1,000	**IFRS June 30, 2007 Basel II**	**FAS June 30 , 2006 Basel I**	**FAS Dec 31, 2006 Basel I**
Own funds			
Equity capital	42,583	16,522	16,522
Share issue	0	0	26,486
Reserve fund	277	277	277
Retained profit	30,654	929	929
Profit for the financial year		0	-925
Capital loans	11,177	23,845	23,845
Voluntary provisions	0	25,375	28,912
Share issue receivables	0	0	-25,364
Non-tangible assets	-701	-593	-742
Total primary own funds	83,990	66,355	69,940
Fair value fund	-3,224	-2,774	-2,603
Upper-tier subordinated liabilities included in secondary own funds	35,000	35,000	35,000
Lower-tier subordinated liabilities included in secondary,A64 own funds	2,500	0	0
Total secondary own funds	34,276	32,226	32,397
Total own funds	118,266	98,581	102,337
Risk-weighted assets			
Credit risk, standardized approach	332,029	355,605	377,648
Own funds, minimum requirement			
Credit risk, standardized approach	26,563	28,448	30,212
Operational risk, basic indicator approach	1,765	0	0
Total	28,327	28,448	30,212
Capital adequacy, primary capital, %	23.72 %	18.66 %	18.52 %
Capital adequacy, %	33.40 %	27.72 %	27.10 %

The unaudited profit that has accumulated during the accounting period and is shown in the interim report for June 30, 2007 has not been included in primary funds.

Because of the new capital adequacy standards (Basel II) and the introduction of IFRS, June 30, 2007 is not comparable with the information in other periods.

Credit ratings

The company's credit ratings have been confirmed the best possible:

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

Annual General Meeting

The Municipality Finance Annual General Meeting held on March 27, 2007 approved the proposal by the Board of Directors for the distribution of a dividend for 2006, according to which a dividend of EUR 0.07 per share would be paid. The dividend was paid on April 2, 2007.

The following were elected to the Board of Directors by the Annual General Meeting: Juhani Alanen, Tapio Korhonen, Asko Koskinen, Eva Liljeblom, Simo Lämsä, Mikko Pukkinen, Kari Nars, Jari Sokka and Tuire Santamäki-Vuori. The term of office for a member of the Board of Directors lasts two years.

At an extraordinary meeting of shareholders on May 21, 2007 Sisko Seppä was elected to take the place of Tuire Santamäki-Vuori, who had resigned.

Personnel and administration

The total number of the personnel at Municipality Finance is 36.

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

- Asko Koskinen, Chairman, (Director, City of Tampere)
- Jari Sokka, Vice Chairman, (Executive Director, Statistics and Actuarial Affairs, Local Government Pensions Institution)
- Juhani Alanen (Deputy Mayor, City of Mikkeli)
- Tapio Korhonen (Finance Director, City of Helsinki)
- Eva Liljeblom (Professor, Swedish School of Economics and Business Administration, Helsinki)
- Simo Lämsä, (LL.M., Helsinki)
- Kari Nars (D.Sc.(Econ.), Helsinki)
- Mikko Pukkinen (Lord Mayor of Turku)
- Sisko Seppä (Secretary General, SDP parliamentary group)

On May 29, 2007 the Board of Directors selected Kari Nars (chairman), Tapio Korhonen and Simo Lämsä as members of the audit committee.

At its meeting on May 29, 2007 the Board of Directors decided to set up a compensation committee, confirm its rules of procedure and select as its members Asko Koskinen (chairman), Jari Sokka and Eva Liljeblom.

The company's Board of Management comprises:

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

The company auditor is KPMG Oy Ab, with Raija-Leena Hankonen, Authorized Public Accountant, as accountable auditor.

Kuntarahoitus
MUNICIPALITY FINANCE

Income statement

EUR 1,000	Jan 1-June 30, 2007	Jan 1-June 30, 2006	Jan 1-Dec 31, 2006
Interest income	137,121	85,709	198,092
Interest expenses	-127,046	-78,113	-181,908
NET INTEREST INCOME	**10,075**	**7,596**	**16,184**
Commission expenses	-1,183	-1,205	-2,462
Net income from securities and foreign exchange transactions	-5	-9	-5
Net income from available-for-sale financial assets	1,232	667	124
Net result from hedge accounting	616	687	552
Other operating income	192	115	291
Administrative expenses	-2,584	-2,259	-5,105
Depreciation and write-downs on tangible and intangible assets	-198	-275	-513
Other operating expenses	-1,014	-908	-2,012
NET OPERATING PROFIT	**7,131**	**4,409**	**7,054**
PROFIT BEFORE TAXES	**7,131**	**4,409**	**7,054**
Income taxes	-1,854	-1,154	-1,871
PROFIT FOR THE FINANCIAL YEAR	**5,277**	**3,255**	**5,183**

Kuntarahoitus
MUNICIPALITY FINANCE

Balance sheet

EUR 1,000	Note	June 30, 2007	Dec 31, 2006	June 30, 2006
Liquid assets		6,131	5,236	4,256
Loans and advances to credit institutions		49,028	35,868	103,799
Loans and advances to the public and public sector entities		5,444,295	5,100,467	4,826,391
Debt securities		1,533,524	1,672,713	1,362,748
Shares and participations		5,227	5,126	5,039
Derivatives contracts	(3)	399,989	290,694	227,666
Intangible assets		701	742	593
Tangible assets		1,398	1,321	1,044
Share issue receivables		0	25,364	0
Other assets		395	618	0
Accrued income and prepayments		77,178	95,831	73,666
Deferred tax assets		1,133	648	675
TOTAL ASSETS	(2)	7,518,999	7,234,628	6,605,877
Liabilities to credit institutions		375,175	395,896	401,520
Liabilities to the public and public sector entities		493,617	501,418	480,002
Debt securities issued		5,454,091	5,345,415	4,901,973
Derivatives contracts	(3)	867,985	736,755	616,202
Other liabilities		219	692	5,628
Accrued expenses and deferred income		182,456	111,020	85,870
Subordinated liabilities		57,284	59,149	58,823
Deferred tax liabilities		12,605	10,769	10,413
TOTAL LIABILITIES	(2)	7,443,432	7,161,114	6,560,431
EQUITY				
Share capital		42,583	42,583	16,522
Reserve fund		277	277	277
Fair value reserve		-3,224	-1,843	-1,923
Retained earnings		30,654	27,315	27,315
Profit for the financial year		5,277	5,182	3,255
TOTAL EQUITY CAPITAL		75,567	73,514	45,446
TOTAL LIABILITIES AND EQUITY		7,518,999	7,234,628	6,605,877

Cash flow statement

EUR 1,000	Jan 1-June 30, 2007	Jan 1-June 30, 2006	Jan 1-Dec 31, 2006
Liquid assets at the start of the period	**1,128,137**	**862,011**	**862,011**
Cash flow from operations			
Net operating profit	7,131	4,409	7,054
Taxes	-1,854	-1,154	-1,871
Change in claims and liabilities	-44,783	125,181	233,643
Cash flow from operations	**-39,506**	**128,436**	**238,825**
Cash flow from investments	**-36**	**180**	**-246**
Cash flow from financing	**-1,865**	**1,159**	**27,546**
Changes in operating capital	**-41,407**	**129,775**	**266,126**
Liquid assets at the end of the period	**1,086,730**	**991,786**	**1,128,137**

Calculation of changes in equity capital

EUR 1,000	Share capital	Reserve fund	Fair value fund	Retained profit	Total equity capital
Equity capital January 1, 2006	**16,522**	**277**	**-1,080**	**929**	**16,648**
IFRS adjustments to opening balance sheet					
IAS 39			177	1,366	
Dissolution of general credit loss provision				25,375	
Deferred taxes			235	-355	
IFRS adjustments to opening balance sheet, total	**0**	**0**	**412**	**26,386**	**0**
Equity capital January 1, 2006 IFRS	**16,522**	**277**	**-668**	**27,315**	**43,446**
Share issue	26,061				
Profit for financial year				5,182	
Net change in available-for-sale financial assets			-1,175		
Equity capital December 31, 2006 IFRS	**42,583**	**277**	**-1,843**	**32,497**	**73,514**
Dividends paid for 2006				-1,843	
Profit for financial year				5,277	
Net change in available-for-sale financial assets			-1,381		
Equity capital June 30, 2007 IFRS	**42,583**	**277**	**-3,224**	**35,931**	**75,567**

IFRS adjustments

	June 30,2007	June 30, 2006	Dec 31, 2006	Jan 1, 2006
Equity capital FAS	**44,349**	**14,958**	**42,529**	**16,648**
IAS 39	3,620	2,300	2,036	1,543
Dissolution of general credit loss provision	30,155	25,375	30,155	25,375
Deferred taxes	-3,689	-355	-1,854	-355
Tax adjustments in fair value fund	1,132	675	648	235
Equity capital IFRS	**75,567**	**42,953**	**73,514**	**43,446**

Kuntarahoitus
MUNICIPALITY FINANCE

Notes to the interim report

Note 1. Accounting policies

Municipality Finance transferred to observing IFRS accounting policies on January 1, 2007. Municipality Finance's financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by the EU. The statements also observe the Act on Credit Institutions and the Finnish Financial Supervision Authority's standards.

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

The effects of the transfer to IFRS on the opening balance sheet as at January 1, 2006 and on the comparative information for 2006 were presented in a press release issued on May 30, 2007 that can found on Municipality Finance's website at www.munifin.fi

Changes in accounting policies

The standards having the greatest effect on the company's financial statements are IAS 39 Financial Instruments: Recognition and Measurement and IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The most significant change in the accounting policies caused by IAS 39 Financial Instruments: Recognition and Measurement is the fair value measurement of all derivative contracts. Municipality Finance applies fair value hedging to fixed-interest lending, lending tied to long-term reference rates and funding, which were recognized under periodized acquisition cost in the FAS financial statements. In hedge accounting, the hedged item (loan granted or funding arrangement) is measured at fair value in the same way as the hedging instrument.

The voluntary credit loss provision under FAS does not meet the recognition requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which is why the provision has been dissolved and recognized under equity. In the opening balance sheet, a deferred tax liability has been recognized on the dissolved credit loss provision in accordance with IAS 12 Income Taxes.

Measurement of financial assets and liabilities

The market value of debt securities measured at fair value is calculated on the basis of price quotations from the market. Publicly quoted interest and exchange rates and measurement methods established on the markets are used for calculating the fair value of financial assets and liabilities and derivative contracts.

Hedge accounting

In addition to derivative contracts, items coming under hedge accounting measure lending at fixed rates, lending tied to long-term reference rates and lending based on structured interest rate conditions hedged with derivatives, and funding hedged with derivative contracts at fair value through profit/loss. The hedging performance is calculated as the ratio of the change in the value of the derivative instrument to the change in the value of the hedged item. Hedging is effective if the hedging performance is at least 80% and at most 125%. The effectiveness of hedging is verified when a contract is recorded as a fair value hedge accounting item and subsequently at least semi-annually.

Changes in the fair value of derivative contracts covered by hedge accounting and the balance sheet items hedged with them are recognized in the income statement under the item Net income from hedge accounting.

Classification of financial instruments

The company's financial assets and liabilities are classified and measured as follows on the basis of the IAS 39 standard Financial Instruments: Recognition and Measurement:

<u>Loans and other receivables</u>
The items are measured at effectively amortized cost. However, loans under hedge accounting are measured at fair value for the hedged risk.

<u>Available-for-sale financial assets</u>
The item contains advance funding invested in debt securities.

Debt securities are measured at fair value and the change in fair value is recognized in the fair value reserve under equity in the balance sheet. The fair value option applies to part of the debt securities, changes to the fair value of which are recorded in the income statement.

<u>Held-to-maturity investments</u>
The item contains investments in debt securities to be held to maturity. These financial assets are handled in the bookkeeping at amortized cost.

<u>Financial assets and liabilities measured at fair value through profit/loss</u>
Derivatives are measured at fair value through profit/loss, and derivative contracts are recognized in the balance sheet. Positive fair value changes recognized in the balance sheet for derivative contracts are recorded under the balance sheet asset item 'Derivative contracts' and negative fair value changes under the balance sheet liability item 'Derivative contracts'.

The fair value option applies to debt securities hedged with interest rate derivatives.

<u>Financial liabilities</u>
The items are measured at effectively amortized cost. Funding covered by hedging is measured at fair value for hedged risk.

Note 2: Classification of balance sheet assets and liabilities

EUR 1,000

June 30, 2007 **Assets**	**Loans and other receivables**	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Items measured at fair value through profit / loss**	**Hedging derivative contracts**	**Total**
Liquid assets	6,131	0	0	0	0	6,131
Loans and advances to credit institutions	49,028	0	0	0	0	49,028
Loans and advances to the public and public sector entities	2,622,199	0	0	2,822,096	0	5,444,295
Debt securities	203,617	1,275,484	10,298	44,125	0	1,533,524
Shares and participations	0	5,227	0	0	0	5,227
Derivative contracts	0	0	0	102,465	297,524	399,989
Intangible assets	701	0	0	0	0	701
Tangible assets	1,398	0	0	0	0	1,398
Other assets	395	0	0	0	0	395
Accrued income and prepayments	77,178	0	0	0	0	77,178
Deferred tax assets	1,133	0	0	0	0	1,133
Total	**2,961,780**	**1,280,711**	**10,298**	**2,968,686**	**297,524**	**7,518,999**

June 30, 2007 **Liabilities**	**Other financial liabilities**	**Items measured at fair value through profit / loss**	**Hedging derivative contracts**	**Total**
Liabilities to credit institutions	249,553	125,622	0	375,175
Liabilities to the public and public sector entities	24,115	469,502	0	493,617
Debt securities issued	820,351	4,633,740	0	5,454,091
Derivative contracts	0	100,520	767,465	867,985
Other liabilites	219	0	0	219
Accrued expenses and deferred income	182,456	0	0	182,456
Subordinated liabilities	23,677	33,607	0	57,284
Deferred tax liabilities	12,605	0	0	12,605
Total	**1,312,976**	**5,362,991**	**767,465**	**7,443,432**

Note 3: Derivative contracts

EUR 1,000 June 30, 2007	Assets Fair value	Liabilities Fair value	Nominal value total
Hedging derivative contracts			
Interest rate derivatives	90,468	55,689	6,912,197
Currency derivatives	207,056	711,775	3,824,581
Equity-linked contracts	0	0	0
Other derivative contracts	0	0	0
Total	**297,524**	**767,464**	**10,736,778**
Other derivative contracts			
Interest rate derivatives	22,375	20,361	621,000
Currency derivatives	1,329	1,399	130,098
Equity-linked contracts	72,341	72,341	941,106
Other derivative contracts	6,420	6,420	153,014
Total	**102,465**	**100,521**	**1,845,218**
Total derivative contracts			
Interest rate derivatives	112,843	76,050	7,533,197
Currency derivatives	208,385	713,174	3,954,679
Equity-linked contracts	72,341	72,341	941,106
Other derivative contracts	6,420	6,420	153,014
Total	**399,989**	**867,985**	**12,581,996**

Note 4: Off-balance-sheet commitments

EUR 1,000	June 30, 2007	June 30, 2006	Dec 31, 2006
LIABILITIES AND COLLATERAL			
Bonds pledged to Local Government Pensions Institution	0	39,002	35,000
Bonds pledged to Municipal Guarantee Board	5,477,393	4,759,876	5,063,679
Debt securities pledged to Municipal Guarantee Board	1,339,448	1,140,301	1,412,073
BINDING CREDIT COMMITMENTS	601,666	432,778	369,096

Municipality Finance Plc - Key financial indicators

	June 30, 2007	June 30, 2006	Dec 31, 2006
Turnover, EUR m	139.2	87.2	199.1
Net operating profit, EUR m	7.1	4.4	7.1
% of turnover	5.12 %	5.06 %	3.54 %
Balance sheet total, EUR m	7,519	6,606	7,235
Return on equity (ROE), %	24.11 %	25.22 %	15.35 %
Return on assets (ROA) %	0.14 %	0.10 %	0.15 %
Yield-expense ratio	0.41	0.51	0.59

The total turnover comprises net interest income , income from leasing operations, commissions, net income from securities and foreign exchange transactions, net income from available-for-sale financial assets and hedge accounting, and other operating income

The return on assets (ROA) ratio is calculated as follows:

$$\frac{\text{net operating profit - taxes}}{\text{balance sheet total (average of year-beginning and year-end)}} * 100$$

The return on equity (ROE) ratio is calculated as follows:

$$\frac{\text{net operating profit - taxes}}{\text{equity (average of year-beginning and and year-end)}} * 100$$

Yield-expense ratio

$$\frac{\text{commission expenses + administrative expenses + depreciation + other operating expenses}}{\text{net financial income + commission income + net income from securities and foreign exchange transactions + net income from available- for- sale assets + net income from hedge accounting + other operating income}}$$