

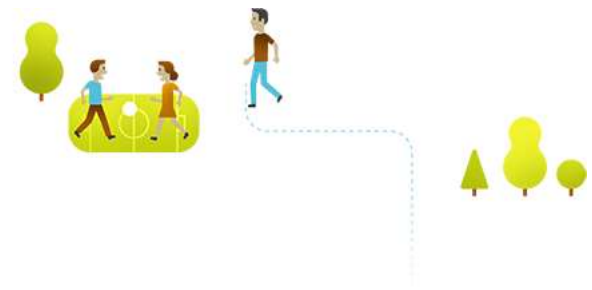
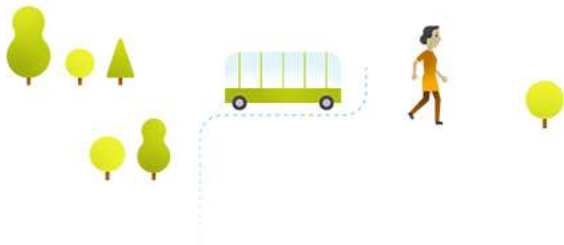


The Finnish housing finance system and the role of MuniFin

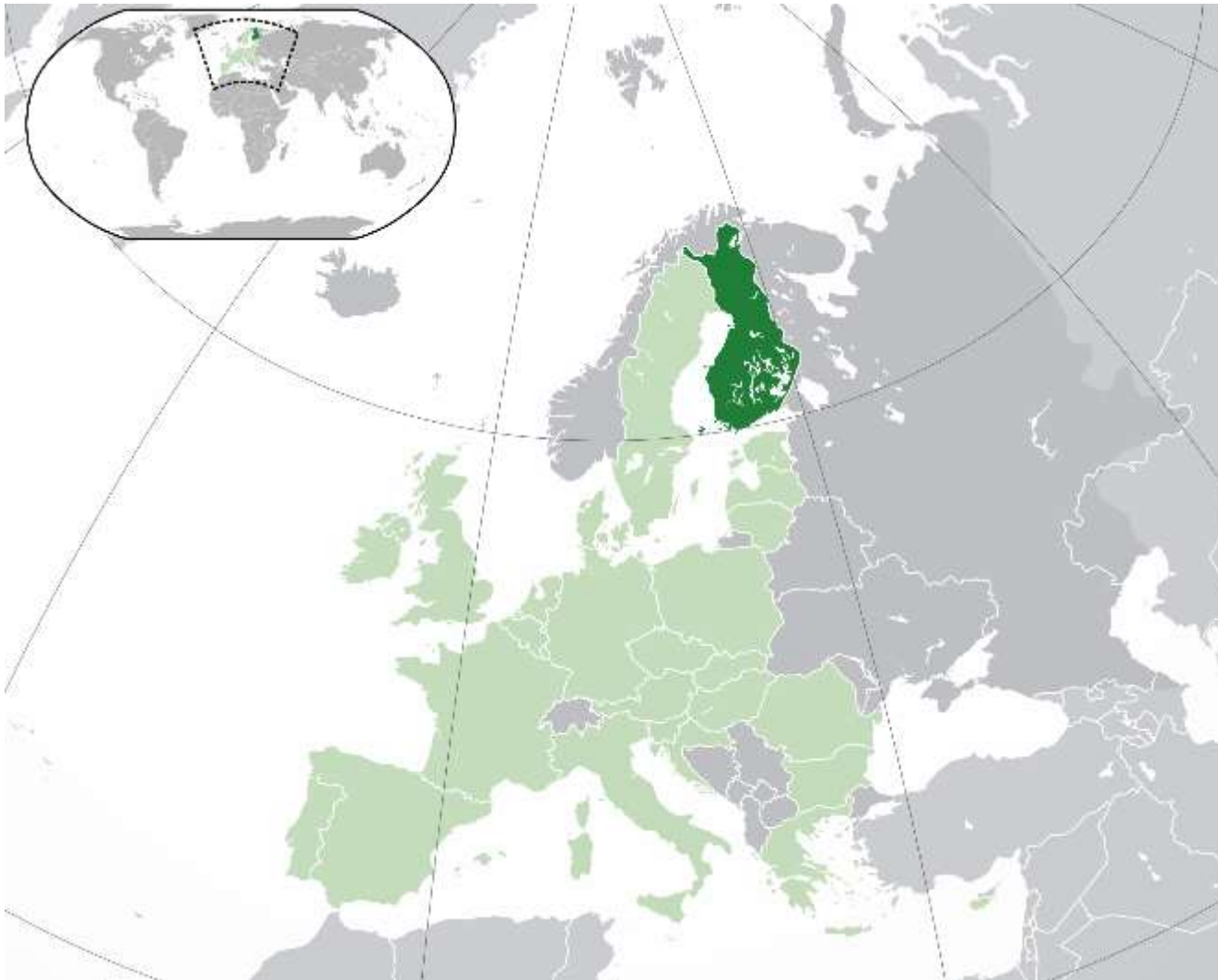
Pekka Averio, President and CEO of Municipality Finance, Finland

Contents

- Facts about Finland
- Central and local government in Finland
- The Finnish housing system
- Municipality Finance Plc – MuniFin
- The MuniFin model



Facts about Finland



Finland's
population
5.5
million

GDP per capita
37,559
€
(42,420 USD)

Great climate
contrasts

Temperature
extremes from
-39.7C to +32.4C
(-39,7F to
90,32F)

Finnish municipalities: Strong and stable revenue base

The state

- Ministry of Finance monitors the municipal sector
- Central government transfers subsidies to the municipal sector
- Ministry of the Environment is responsible for the Social Housing Policy and promoting ecologically sustainable, high-quality and reasonably priced housing



Municipalities

- 301 municipalities
- Unlimited right to levy taxes on the income of their inhabitants
- Strong revenue base
- Provide basic public services for their residents
 - social welfare and healthcare
 - education and culture
 - environment
 - technical infrastructure
 - Etc.
- Big owners of rental houses

Finnish housing system: Four alternatives

Owner-occupation

- Families finance their owned housing through Nordic commercial banks.
- Commercial banks fund themselves through deposits.
- LTV 60–70%
- No mortgage banks in Finland

Rental housing

- Private market
- Social housing
 - Low-income people
- Housing for special groups
 - Elderly people, students, homeless, refugees, the disabled ...

Right-of-occupancy housing

- Alternative to rental housing and owner-occupied housing.
- Tenant pays part of the purchase price of the apartment as a right-of-occupancy payment. The residents pay a residence charge
- Owned by municipalities, non-profit corporations and right-of-occupancy associations.

Part-ownership housing

- The resident pays a share of the purchase price of the apartment and consequently.
- Owns a corresponding share of the apartment.
- The builder of the property owns the majority share.
- Residents live in the apartment on rent. At the end of the tenancy period, residents may redeem the entire apartment.

Finnish housing system

Strongly based on owner-occupied housing

Number of all household-dwelling units:

2.6
million

Share of owner-occupied housing:

67%

Average maturity of a housing loan

17
years

Average amount of a new housing loan

114,000 €
(128,786 USD)



Housing ownership is characterized by tendency to take reasonable loans, buy small apartments and invest gradually into bigger housing units.

The central government supports both private and social housing

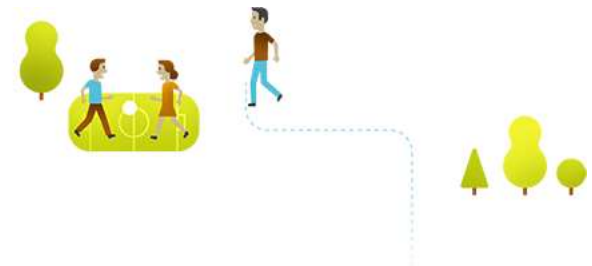
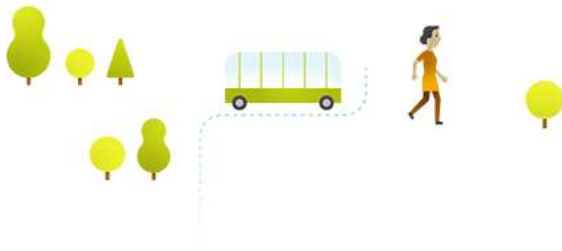
Tax deductability of the interest costs on mortgages

State subsidy for the constructor of rental, part-ownership and right-of occupancy housing

Interest subsidy loans for housing companies

Housing subsidy for rent for low-income residents

- Generally low property tax
- No stamp duty for the first time buyer



State-subsidized housing finance system

- The Housing Finance and Development Centre of Finland, ARA, has major responsibility for the implementation of Finnish housing policy. ARA belongs to the administrative branch of the Ministry of the Environment.
- **More than a half** of Finland's rental homes have been constructed using state subsidies granted by ARA.
- ARA's stock of buildings consists of rental (70 %), right-of-occupancy (10 %) and part-ownership housing (20 %).



Interest payment subsidy system for rental housing

ARA

- Grants a non-profit status
 - Credit analysis
- Approves the interest subsidy loans
- Accepts changes to an existing loan

Owner

- Companies owned by municipalities
- Non-profit housing companies

Lender

- MuniFin (market share 90%)
- Credit institutions

State Treasury

- Pays interest subsidy
- Guarantees the loans by special law



State subsidized housing finance system

There is a clear need for affordable rental homes especially in the metropolitan area of Helsinki

Number of rental homes
800,000

Number of ARA subsidized rental homes
450,000

Households on the waiting list for ARA subsidized rental homes
102,000

ARA subsidized housing:
18%

Non-subsidized rental housing:
15%

227,000 household dwellings
or
937,000 persons in over-crowded conditions in greater Helsinki area

MuniFin is the third largest credit institution in Finland and the most important operator in the Finnish public housing finance.

MuniFin is owned by the Finnish public sector.

Mission

To ensure competitive funding for the municipal sector and non-profit housing companies under all market conditions.

Customers

- Municipalities and municipal federations
- Municipally owned corporations
- Municipally owned housing companies and non-profit housing companies

Products

- Long term loans
 - Municipal sector
 - Housing sector
- Loans up to 41 years
- Property leasing



Legal status

- Credit institution supervised by the local FSA



Operations are funded through global capital markets

Credit ratings

Aaa (neg)
Moody's

AA+ (stable)
S&P

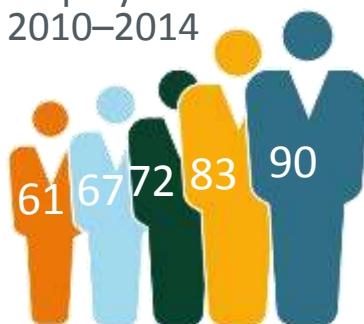
MuniFin: Key figures

Lending
portfolio

19.4

billion €**
(21.9 billion
USD)

Employees
2010–2014



Operating
profit

144.2

million €*
(162.8 million
USD)

Ratio of total
own funds to
risk-weighted
assets, %

31.75**



Balance sheet
total

33.7

billion €**



Finland's

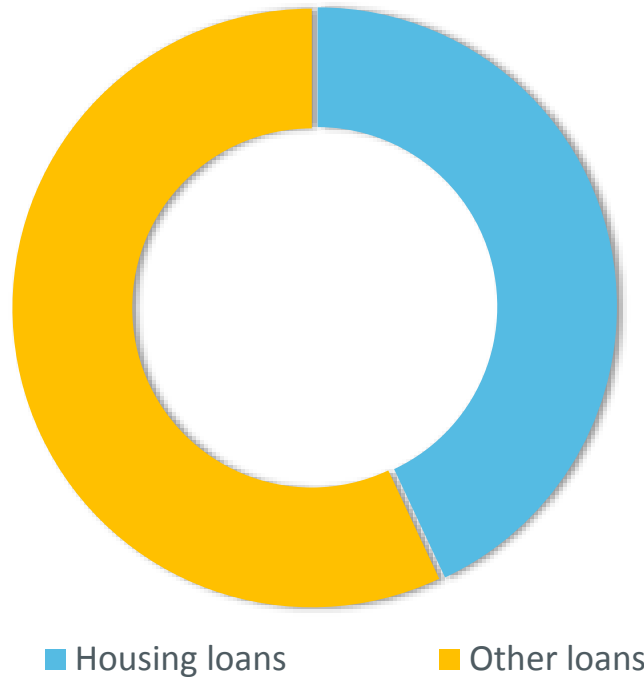
3rd

largest credit
institution*

*December 31, 2014

** June 30, 2015

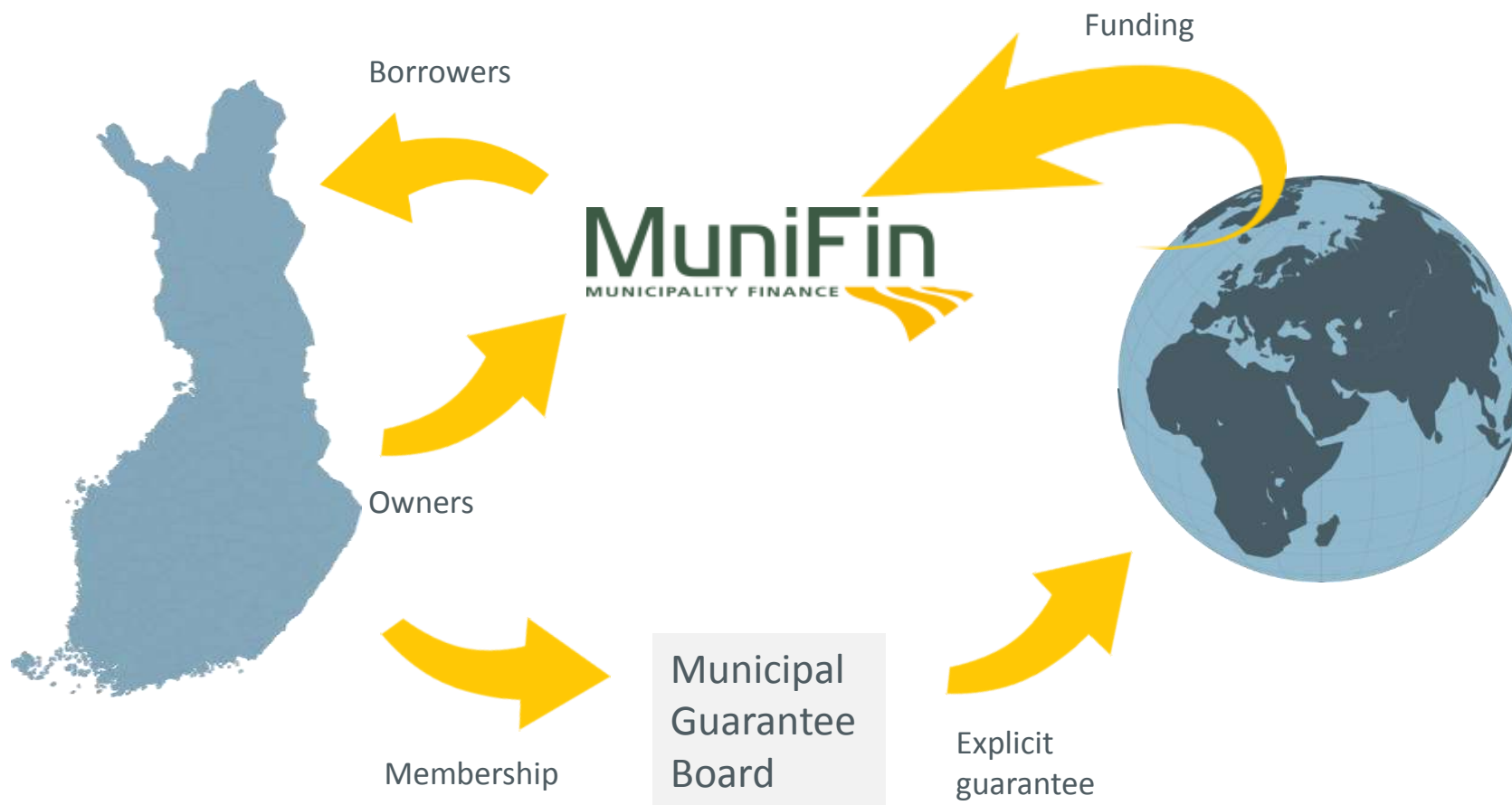
MuniFin's lending portfolio



- Other loans include, among other things, investments in infrastructure and public services such as hospitals, schools, daycare centers, energy and waste management.
- Housing loans are granted for municipal housing companies and non-profit housing companies.



The MuniFin model



The MuniFin model

- Applies to financing the public housing, infrastructure and other public investments
- Reduces direct government borrowing
- Access to the diversified international capital markets
- Safeguards the funding under all market conditions
- Institutional investors require that the institution has a strong and reliable structure backed by the central government – “simple credit story”
- Similar models already in:
 - Sweden, Norway, Denmark, Iceland, Netherlands, Germany, Italy, Japan, New Zealand, Canada...
- Recently established in France, UK
- MuniFin has presented its model to the Baltic countries, some Asian and African countries



Building the Future

MuniFin is a reliable and innovative credit institution with a mission to ensure competitive funding for the local public sector in Finland.

A significant portion of MuniFin's lending is used for socially responsible projects such as building hospitals, healthcare centers, schools, day care centers and homes for the elderly.