

MuniFin

MUNICIPALITY FINANCE PLC (Kuntarahoitus Oyj)

(Public limited liability company incorporated in the Republic of Finland)

€40,000,000,000

Programme for the Issuance of Debt Instruments

Guaranteed by

THE MUNICIPAL GUARANTEE BOARD (Kuntien takauskeskus)

(Established as a public law institution under the laws of the Republic of Finland)

This supplement (the "**Supplement**") to the offering circular dated 13 May 2020 (the "**Offering Circular**") is prepared in connection with the €40,000,000,000 Programme for the Issuance of Debt Instruments established by Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**"). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer and the Guarantor from time to time and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a base prospectus or a supplemental prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), nor listing particulars given in compliance with the listing rules (the "**Listing Rules**") made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**FCA**"). Accordingly, this Supplement does not constitute a base prospectus supplement for the purposes of the Prospectus Regulation or supplementary listing particulars for the purposes of Article 81 of the FSMA.

The Issuer and the Guarantor accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statements in or incorporated by reference into this Supplement and (b) any statement in or incorporated by reference into the Offering Circular, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or material inaccuracy relating to information included in the Offering Circular has arisen or been noted since the publication of the Offering Circular.

AMENDMENTS TO THE OFFERING CIRCULAR

With effect from the date of this Supplement, the information appearing in the Offering Circular shall be supplemented in the manner described below.

Exchange Rates

The section headed "Exchange Rates" on page 7 of the Offering Circular shall be deemed to be supplemented by the addition of the following information.

	<u>Low</u>	<u>High</u>
	<i>(U.S. dollars per euro)</i>	
May 2020	1.0783	1.1136
June 2020	1.1116	1.1375
July 2020	1.1200	1.1848
August 2020	1.1726	1.1940
September 2020 (through to 11 September)	1.1773	1.1987

The euro versus the U.S. dollar European Central Bank exchange rate on 15 September 2020 was U.S.\$1.1892 per Euro 1.00.

Risk Factors

The risk factor section starting on page 13 of the Offering Circular shall be deemed to be supplemented with the following.

The risk factor titled "The Group is exposed to the economic conditions in Finland and globally" on page 13 of the Offering Circular shall be deemed to be supplemented by deleting the following in the third paragraph.

(with a possibility of extension)

The risk factor titled "The Group may be exposed to risks arising from the current global COVID-19 pandemic" on page 14 of the Offering Circular shall be deemed supplemented by

In June 2020, the Ministry of Finance estimated that the Finnish economy will contract by 6 per cent. in 2020 and that the general government deficit will be more than 8 per cent. of the GDP. The Ministry of Finance predicts that lifting the restrictions introduced during the course of spring 2020, beginning in early June, will nevertheless boost economic activity, especially in the service sector. Finland's economic outlook, similar to the rest of the world, remains very uncertain. The recent estimates of the Ministry of Finance were made based on an assumption that the COVID-19 pandemic will eventually slowly fade away and that there will be no "second wave" of the pandemic. As the COVID-19 pandemic remains ongoing as of the date of this Supplement, the estimates expressed herein are subject to change.

The risk factor titled "The proposed Finnish social and healthcare system reform may adversely affect the Group" on page 15 of the Offering Circular shall be deemed supplemented by deleting the second paragraph and replacing it with the following

Preparations for the implementation of the reform were discontinued and the Finnish government resigned on 8 March 2019. A new government was formed in Finland in June 2019 and it has continued the preparation of these health and social services reforms. New legislative proposals were published in June 2020 and they are currently in a period of public consultation. Given that the reform is yet to be agreed and implemented, uncertainty in respect of investments in health care and social services persists in municipalities and hospital districts. While the outcome of the potential reform might potentially have an effect on the Group's volumes and financial results in the future, the Group does not expect its results of operations or financial condition in 2020 to be materially impacted by the reform. The Group is actively following the development of the potential reform.

Information Incorporated by Reference

The section headed "Information Incorporated by Reference" starting on page 28 of the Offering Circular shall be deemed to be supplemented by the addition of the following information after the heading.

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the unaudited consolidated IAS34 interim financial report (including the notes thereto) of the Issuer in respect of the six months ending June 2020 (set out on pages 45 to 107) (collectively the "Interim Report 2020");

The section headed "Information Incorporated by Reference" shall be deemed to be further supplemented by the addition of the following words on page 29 after the sentence beginning "Copies of the documents specified above."

Copies of the Issuer's unaudited consolidated IAS34 interim financial report (including the notes thereto) in respect of the six months ending June 2020 (which are included in the Issuer's half year report for 2020) is available on the Issuer's website (www.munifin.fi).

Capitalisation and Indebtedness

The section headed "Capitalisation and Indebtedness" starting on page 87 of the Offering Circular shall be deemed to be supplemented by the addition of the following information.

The following table sets forth consolidated cash and balances with central banks and capitalisation (including short-term debt, long-term debt and shareholders' equity) of the Issuer as at 30 June 2020.

The information in this table should be read in conjunction with "Management's Discussion and Analysis of Financial Position and Results of Operations of the Group", the Group's Consolidated Financial Statements and the notes to those statements included elsewhere in the Offering Circular and the Interim Report 2020 and the notes to that statement included elsewhere in this Supplement.

	As at 30 June 2020
	<i>(Euro '000)</i>
Cash and balances with central banks	3,473,933
Indebtedness:	
Liabilities to credit institutions	899,817
Liabilities to the public and public sector entities	3,918,526
Debt securities issued	31,793,727
Total indebtedness	36,612,071
Shareholders' equity	
Share capital	42,583
Reserve fund	277
Fair value reserve of investments	355
Own credit revaluation reserve	30,705
Cost-of-hedging reserve	(4,224)
Reserve for invested non-restricted equity	40,366
Retained earnings	1,152,732
Total equity attributable to parent company equity holders	1,262,795
Other equity instruments issued	347,454
Total equity	1,610,249
Total Capitalisation	38,222,320

Selected Financial Information Relating to the Group

The section headed "Selected Financial Information Relating to the Group" starting on page 88 of the Offering Circular shall be deemed to be supplemented by the addition of the following information.

The following tables set out, in summary form, selected consolidated financial information for the Group for the six months ended 30 June 2020 as derived from the Interim Report 2020 prepared in accordance with IAS 34. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Interim Report 2020 and the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations of the Group" appearing elsewhere in this Supplement.

The on-going IBOR reform has not had a material impact on the Group's profit or loss as at 30 June 2020. The Group has initially adopted IBOR reform related (phase 1) amendments to IFRS 9, IAS 39 and IFRS 7 from 1 January 2020. The Group applies amendments retrospectively to hedging relationships that existed at 1 January 2020 or have been designated thereafter and that are directly affected by the IBOR reform. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedge relationships during the period of uncertainty before the hedging relationships are amended as a result of the IBOR reform.

INCOME STATEMENT DATA

	For the six months ended 30 June	
	2020	2019
	<i>(Euro '000)</i>	
Interest and similar income	286,339	401,302
Interest and similar expense	(162,965)	(284,107)
NET INTEREST INCOME	123,374	117,195
Commission income	1,903	2,093
Commission expense	(2,424)	(1,988)
Net income from securities and foreign exchange transactions	(29,931)	(28,780)
Net income on financial assets at fair value through fair value reserve	(3)	112
Net income from hedge accounting	(1,618)	(26,501)
Other operating income	47	77
Administrative expenses	(15,641)	(15,654)
Depreciation and impairment on tangible and intangible assets	(2,795)	(2,058)
Other operating expenses	(10,681)	(10,850)
Credit loss and impairments on other financial assets	36	79
NET OPERATING PROFIT	62,266	33,724
Income tax expense	(12,458)	(6,763)
PROFIT FOR THE PERIOD	49,809	26,961

CONSOLIDATED FINANCIAL POSITION DATA

	As at 30 June	As at 31 December
	2020	2019
	<i>(Euro '000)</i>	
ASSETS		
Cash and balances with central banks	3,473,933	4,909,338
Loans and advances to credit institutions	1,344,792	818,323
Loans and advances to the public and public sector entities	26,743,115	24,798,432
Debt securities	6,691,977	5,716,318
Shares and participations	27	9,797
Derivative contracts	2,626,631	2,244,997
Intangible assets	16,021	14,704
Tangible assets	8,937	9,041
Other assets	191,526	170,359
Accrued income and prepayments	191,062	242,450
TOTAL ASSETS	41,288,022	38,933,758

	As at 30 June	As at 31 December
	2020	2019
	<i>(Euro '000)</i>	
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions.....	899,817	1,178,256
Liabilities to the public and public sector entities.....	3,918,526	3,862,053
Debt securities issued.....	31,793,727	29,983,585
Derivative contracts.....	2,371,104	1,762,010
Other liabilities.....	285,310	116,374
Accrued expenses and deferred income.....	153,098	180,917
Deferred tax liabilities.....	256,190	256,241
TOTAL LIABILITIES	39,677,774	37,339,436
EQUITY		
Share capital.....	42,583	42,583
Reserve fund.....	277	277
Fair value reserve of investments.....	355	807
Own credit revaluation reserve.....	30,705	12,985
Cost-of-hedging reserve.....	(4,224)	28,075
Reserve for invested non-restricted equity.....	40,366	40,366
Retained earnings.....	1,152,732	1,121,774
Total equity attributable to parent company equity holders	1,262,795	1,246,868
Other equity instruments issued	347,454	347,454
TOTAL EQUITY	1,610,249	1,594,321
TOTAL LIABILITIES AND EQUITY	41,288,022	38,933,758

CONSOLIDATED CASH FLOW DATA

	For the six months ended 30 June	
	2020	2019
	<i>(Euro '000)</i>	
Cash flow from operating activities.....	(1,249,874)	26,246
Cash flow from investing activities.....	(3,459)	(3,156)
Cash flow from financing activities.....	(22,864)	(22,855)
Change in cash and cash equivalents.....	(1,276,198)	235
Cash and cash equivalents at 1 January.....	4,990,649	3,573,206
Cash and cash equivalents at 30 June.....	3,714,451	3,573,441

KEY PERFORMANCE INDICATORS

	As at and for the six months ended 30 June	
	2020	2019
Turnover (mEUR) ⁽¹⁾	257	348
Net interest income (mEUR)*.....	123	117
% of turnover.....	48.1	33.6
Net operating profit (mEUR)*.....	62	34
% of turnover.....	24.3	9.7
Unrealised fair value changes (mEUR)* ⁽²⁾	(31)	(56)
Net operating profit excluding unrealised fair value changes (mEUR)** ⁽³⁾	93	90
Cost-to-income ratio* ⁽⁴⁾	0.3	0.5
Cost-to-income ratio excluding unrealised fair value changes** ⁽⁵⁾	0.2	0.2
Return on equity (%) (annualised)* ⁽⁶⁾	6.2	3.6
Return on equity (%) excluding unrealised fair value changes (annualised)** ⁽⁷⁾	9.3	9.6
Return on assets (%) (annualised)* ⁽⁸⁾	0.2	0.1
Return on assets (%) excluding unrealised fair value changes (annualised)** ⁽⁹⁾	0.4	0.4
Long-term loan portfolio (mEUR)* ⁽¹⁰⁾	25,810	23,019
New lending (mEUR)* ⁽¹¹⁾	2,543	1,386

	As at and for the six months ended 30 June	
	2020	2019
Long-term funding (mEUR)* ⁽¹²⁾	35,805	31,822
New long-term funding (mEUR)* ⁽¹³⁾	5,504	3,432
Equity (mEUR)	1,610	1,506
Total balance sheet (mEUR)	41,288	36,956
Total liquidity (mEUR)* ⁽¹⁴⁾	8,311	8,554
Liquidity Coverage Ratio (%) (LCR) ⁽¹⁵⁾	353.9	207.3
Equity ratio (%) ⁽¹⁶⁾	3.9	4.1
CET1 capital (mEUR)	1,172	1,076
Tier 1 capital (mEUR).....	1,519	1,423
Total own funds (mEUR).....	1,519	1,423
CET1 capital ratio (%) ⁽¹⁷⁾	87.8	69.1
Tier 1 capital ratio (%) ⁽¹⁸⁾	113.8	91.4
Total capital ratio (%) ⁽¹⁹⁾	113.8	91.4
Leverage ratio (%) ⁽²⁰⁾	3.8	4.0
Personnel.....	167	163

*Alternative Performance Measures.

**Alternative Performance Measures, non-GAAP.

The required definitions and reconciliations of the APMs are presented on pages 37 to 44 of the Issuer's half year report for 2020.

- (1) Turnover is calculated as the sum of interest and similar income (including leasing), commission income, net income from securities and foreign exchange transactions, net income on financial assets at fair value through other comprehensive income, net income from hedge accounting and other operating income.
- (2) Unrealised fair value changes is the sum of net income from securities and foreign exchange transactions, fair value changes and net income from hedge accounting.
- (3) Net operating profit excluding unrealised fair value changes is calculated as net operating profit after adding back Unrealised fair value changes. It shows the Group's underlying earnings capacity. The below table sets out a reconciliation of net operating profit to net operating profit excluding unrealised fair value changes for the periods indicated.

	For the six months ended 30 June	
	2020	2019
	<i>(Euro millions)</i>	
Net operating profit	62	34
Unrealised fair value changes.....	(31)	(56)
Net operating profit excluding unrealised fair value changes	93	90

- (4) Cost-to-income ratio is calculated as the sum of administrative expenses, depreciation and impairment on tangible and intangible assets, and other operating expenses divided by the sum of net interest income, net commission income, net income from securities and foreign exchange transactions, net income on financial assets at fair value through other comprehensive income, net income from hedge accounting and other operating income.
- (5) Cost-to-income ratio excluding unrealised fair value changes is calculated as the (i) sum of administrative expenses, depreciation and impairment on tangible and intangible assets, and other operating expenses divided by (ii) the sum of net interest income, net commission income, net income on financial assets at fair value through other comprehensive income and other operating income. It gives a more precise picture of the Group's operative effectiveness as it excludes the volatility of unrealised fair value changes. As a performance measure it is more widely used after the implementation of IFRS 9 as profit and loss volatility of income has grown due to unrealised fair value changes of financial instruments. The Group believes it improves the comparability of operative effectiveness between companies and reporting periods. The below table sets out a reconciliation of Cost-to-income ratio excluding unrealised fair value changes for the periods indicated.

	For the six months ended 30 June	
	2020	2019
Costs (excluding Commission expenses) (mEUR).....	29	29
Divided by		
(Income (including Net commission income) (mEUR).....	91	62
Unrealised fair value changes(mEUR)).....	(31)	(56)
Cost-to-income ratio excluding unrealised fair value changes	0.2	0.2

- (6) Return on equity (per cent.) (annualised) is calculated as net operating profit less income taxes divided by average total equity and non- controlling interest (average of the beginning of the year and the end of the period).
- (7) Return on equity excluding unrealised fair value changes (per cent.) is calculated as net operating profit excluding unrealised fair value changes less income taxes divided by average total equity and non- controlling interest (average of the beginning of the year and the end of the period). It is one of the Group's strategy indicators and it increases the comparability between reporting periods. The below table sets out a reconciliation of Return on equity excluding unrealised fair value changes on an annualised basis for the periods indicated.

	For the six months ended 30 June	
	2020	2019
((Net operating profit excluding unrealised fair value changes (mEUR).....	93	90
- Taxes) (mEUR).....	(19)	(18)
divided by		
Equity and non-controlling interest (average of values at the beginning and end of the period)) (mEUR).....	1,602	1,496
x 100		
Return on Equity excluding unrealised fair value changes.....	9.3%	9.6%

- (8) Return on assets (per cent.) (annualised) is calculated as net operating profit less income taxes divided by average balance sheet total (average of the beginning of the year and the end of the period).
- (9) Return on assets excluding unrealised fair value changes (per cent.) is calculated as net operating profit excluding unrealised fair value changes less income taxes divided by average balance sheet total (average of the beginning of the year and the end of the period). The Group believes it increases the comparability of return on assets between reporting periods. The below table sets out a reconciliation of Return on assets excluding unrealised fair value changes on an annualised basis for the periods indicated.

	For the six months ended 30 June	
	2020	2019
((Net operating profit excluding unrealised fair value changes (mEUR).....	93	90
Taxes) (mEUR).....	(19)	(18)
divided by		
Average balance sheet total (average of values at the beginning and end of the period)) (mEUR).....	40,111	36,316
x 100		
Return on Assets excluding unrealised fair value changes.....	0.4%	0.4%

- (10) Long-term loan portfolio is calculated as loans and advances to the public and public sector entities less leased assets.
- (11) New lending is calculated as the amount of new loans excluding unrealised fair value changes.
- (12) Long-term funding is calculated as the sum of liabilities to credit institutions, liabilities to the public and public sector entities and debt securities issued less CSA collateral received.
- (13) New long-term funding is calculated as the amount of new funding (over 1 year) issued excluding unrealised fair value changes during the reporting period.
- (14) Total liquidity is calculated as the sum of the total of investments in securities (sum of debt securities and shares and participations less short-term customer finance) and the total of other investments (sum of cash and balances with central banks and other deposits).
- (15) Liquidity coverage ratio (LCR) (per cent.) is calculated as liquid assets divided by the difference between liquidity outflows and liquidity inflows in a stress situation. The LCR figures represent the percentage at the period end reference date.
- (16) Equity ratio (per cent.) is calculated as the sum of total equity and non-controlling interest divided by total assets.
- (17) CET1 capital ratio (per cent.) equals Common Equity Tier 1 (CET1) divided by risk exposure amount.
- (18) Tier 1 capital ratio (per cent.) equals Tier 1 capital divided by risk exposure amount.
- (19) Total capital ratio (per cent.) equals total own funds divided by risk exposure amount.
- (20) Leverage ratio (per cent.) equals total Tier 1 capital divided by Total Exposure. Total Exposure is calculated as the total of on-balance sheet exposures (excluding derivatives and intangible assets), derivative exposure and off-balance sheet exposure.

Management's Discussion and Analysis of Financial Position and Results of Operations of the Group

The section headed "Management's Discussion and Analysis of Financial Position and Results of Operations of the Group" starting on page 93 of the Offering Circular shall be deemed to be supplemented by the addition of the following information.

Significant Factors Affecting Financial Position and Results of Operations of the Group for the Six Months Ended 30 June 2020

The volume of the Group's lending and its market share

The total amount of new loans made in the six months ended 30 June 2020 was higher than in the same period last year at Euro 2,543 million (Euro 1,386 million in the six months ended 30 June 2019). As of 30 June 2020, the Group's long-term loan portfolio stood at Euro 25,810 million (31 December 2019: Euro 23,970 million).

The subsection headed "The volume of the Group's lending and its market share" starting on page 94 of the Offering Circular shall be deemed to be further supplemented by replacing the sixth paragraph with the following

Preparations for the implementation of the reform were discontinued and the Finnish government resigned on 8 March 2019. A new government was formed in Finland in June 2019 and it has continued the preparation of these health and social services reforms. New legislative proposals were published in June 2020 and they are currently in a period of public consultation. Given that the reform is yet to be agreed and implemented, uncertainty in respect of investments in health care and social services persists in municipalities and hospital districts. While the outcome of the potential reform might potentially have an effect on the Group's volumes and financial results in the future, the Group does not expect its results of operations or financial condition in 2020 to be materially impacted by the reform. The Group is actively following the development of the potential reform.

Fluctuations in interest rates, currency exchange rates and the valuation of derivatives

The Group's total long-term funding as at 30 June 2020 was Euro 35,805 million. The Group hedges against all currency risks by using derivative contracts to translate foreign currency denominated funding into euros. Also, while the Group's lending and funding is in both floating and fixed interest rates, the Group also hedges all of its fixed rate interest exposure (both borrowings and loans to customers) to floating rate.

As a result of these activities, the Group had derivative contracts with a nominal value of Euro 68,184.1 million as at 30 June 2020.

The following table sets forth, as of the date indicated, information on the derivative contracts of the Group:

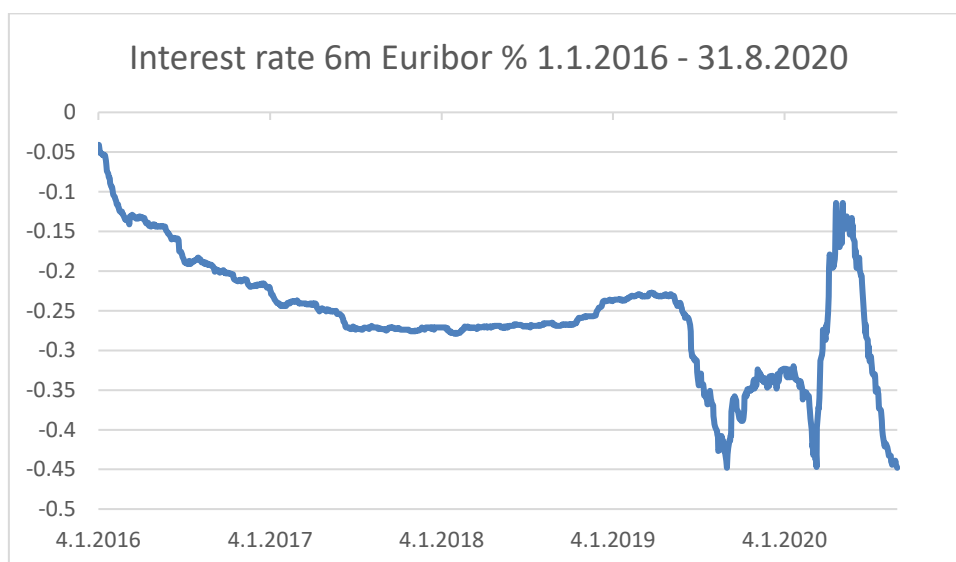
	As at 30 June 2020		
	Nominal value	Fair Value	
		Total	Positive
		<i>Euro ('000)</i>	
Contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	28,168,683	1,190,860	(469,712)
of which are cleared by the central counterparty	23,159,583	686,330	(294,943)
Currency derivatives			
Cross currency interest rate swaps	11,911,099	513,148	(590,527)
Total contracts in hedge accounting	40,079,782	1,704,008	(1,060,239)
Contracts at fair value through profit or loss⁽¹⁾			
Interest rate derivatives			
Interest rate swaps	18,631,875	758,787	(496,977)
of which cleared by the central counterparty	11,086,767	866	(176,067)
Interest rate options	40,000	91	(91)
Currency derivatives			
Cross currency interest rate swaps	5,653,377	152,553	(645,828)
Forward exchange contracts	2,554,003	8,933	(29,743)
Equity derivatives	1,225,052	2,257	(138,226)
Total contracts at fair value through profit or loss	28,104,308	922,623	(1,310,865)
Total derivative contracts	68,184,090	2,626,631	(2,371,104)

- (1) Contracts that are measured at fair value through profit or loss contain all derivatives of the Group which are not included in hedge accounting, even if they are entered into for risk management purposes. The category contains derivatives used for hedging financial assets and liabilities which are designated at fair value through profit or loss, all derivatives with municipalities and all derivatives hedging derivatives with municipalities. In addition to these, the category contains derivatives used for hedging interest rate risk of the balance sheet, for which no hedged item has been specified.

While the Group uses derivatives only for hedging purposes, certain derivatives entered into by the Group do not qualify for hedge accounting and create volatility in the Group's income statement. This volatility is a function of the volatility of market interest rates and currency exchange rates and the related fair value changes of those derivatives which the Group must recognise on its income statement. The total nominal value of derivative contracts not included in hedge accounting under EU IFRS was Euro 28,104.3 million as at 30 June 2020. Changes in the fair value of such derivatives are recognised on the income statement during the period in which they occur as one component of the net result for the line item "Net income from securities and foreign exchange transactions".

Interest rate movements

The chart below shows the Euribor 6-month interest rate for 2016, 2017, 2018, 2019 and the first eight months of 2020.



Government Funding

In June 2020, the Ministry of Finance estimated that the Finnish economy will contract by 6 per cent. in 2020 and that the general government deficit will be more than 8 per cent. of the GDP. The COVID-19 pandemic's impact on municipal finances has led to an increase in the Group's lending volumes which, in turn, has also increased the funding needs in order to maintain the Group's liquidity buffer. Pursuant to an estimate by the Association of Finnish Municipalities in May 2020, the impact of the pandemic on municipalities is approximately Euro 1.9 billion and the central government plans to contribute Euro 1.4 billion, the remainder being the responsibility of the municipalities. However, due to the ongoing nature of the pandemic, it remains difficult to estimate the impacts of the pandemic and accordingly the estimates expressed herein are subject to change. Due to the above considerations, together with the strong liquidity portfolio, access to the market and the ECB and strict internal risk appetite indicators, the Group does not expect their financial performance to be materially negatively impacted by the COVID-19 pandemic.

Results of Operations for the six months ended 30 June 2020 versus the six months ended 30 June 2019

The following tables set forth, as of the dates indicated, certain summary financial information about the results of the Group's operations for the six months ended 30 June 2020 versus the six months ended 30 June 2019:

	For the six months ended 30 June		Change 2019 to 2020
	2020	2019	
	(Euro '000)		(%)
Interest and similar income	286,339	401,302	(28.6)
Interest and similar expense	(162,965)	(284,107)	(42.6)
NET INTEREST INCOME	123,374	117,195	5.3
Commission income.....	1,903	2,093	(9.1)
Commission expense.....	(2,424)	(1,988)	21.9
Net income from securities and foreign exchange transactions	(29,931)	(28,780)	4.0
Net income on financial assets at fair value through fair value reserve	(3)	112	(102.4)
Net income from hedge accounting.....	(1,618)	(26,501)	(93.9)
Other operating income.....	47	77	(38.7)
Administrative expenses.....	(15,641)	(15,654)	(0.1)
Depreciation and impairment on tangible and intangible assets	(2,795)	(2,058)	35.8
Other operating expenses	(10,681)	(10,850)	(1.6)
Credit loss and impairments on other financial assets	36	79	(54.4)
NET OPERATING PROFIT	62,266	33,724	84.6
Income tax expense	(12,458)	(6,763)	84.2
PROFIT FOR THE FINANCIAL PERIOD	49,809	26,961	84.7
Profit attributable to:			
Equity holders of the parent company.....	49,809	26,961	84.7

Net Interest Income

Net interest income increased by Euro 6.2 million, or 5.3 per cent., to Euro 123.4 million for the six months ended 30 June 2020, compared to Euro 117.2 million for the six months ended 30 June 2019 primarily due to the reasons set out below.

Interest income and expenses on assets

Net interest income from assets decreased by Euro 5.3 million, or 11.4 per cent., to Euro 41.3 million for the six months ended 30 June 2020, compared to Euro 46.6 million for the six months ended 30 June 2019 primarily due to a decrease in net interest income on derivative contracts partially offset by an increase in net interest expense payable on cash and balances with central banks. The decrease in net interest income on derivative contracts is due to changes in interest rates.

Net interest income from loans and advances to the public and public sector entities increased by Euro 0.1 million, or 0.1 per cent., to Euro 96.7 million for the six months ended 30 June 2020, compared to Euro 96.6 million for the six months ended 30 June 2019.

Net interest income and expense from debt securities (i.e., the Group's liquidity portfolio) was Euro 5.9 million for the six months ended 30 June 2020 compared to net interest income from debt securities of Euro 9.9 million for the six months ended 30 June 2019 primarily due to a small decrease in the amount of debt securities invested in the Group's liquidity portfolio and a slightly lower average interest rate on the liquidity portfolio.

Net interest income and expense on derivative contracts decreased by Euro 2.2 million, or 4.2 per cent., to Euro 50.1 million for the six months ended 30 June 2020, compared to Euro 52.4 million for the six months ended 30 June 2019 primarily due to changes in interest rates.

Interest income and expenses on liabilities

Net interest income and expense on liabilities increased by Euro 11.5 million, or 16.3 per cent., to Euro 82.1 million for the six months ended 30 June 2020, compared to Euro 70.5 million for the six months ended 30 June 2019, primarily due to a decrease in interest paid on debt securities issued which was partially offset by a decrease in interest income on derivative contracts.

Net interest income and expense on liabilities on derivative contracts decreased by Euro 24.5 million, or 6.6 per cent., to Euro 344.0 million for the six months ended 30 June 2020, compared to Euro 368.5 million for the six months ended 30 June 2019. This decrease was primarily due to changes in interest rates.

Net interest income and expense on liabilities from debt securities issued decreased by Euro 33.0 million, or 13.3 per cent., to Euro 215.5 million for the six months ended 30 June 2020, compared to Euro 248.4 million for the six months ended 30 June 2019. This decrease was primarily due to a favourable interest rate environment.

Net income from securities and foreign exchange transactions

Net income from securities and foreign exchange transactions was a loss of Euro 29.9 million for the six months ended 30 June 2020, compared to a loss of Euro 28.8 million for the six months ended 30 June 2019. The change in net income from securities was primarily due to the unrealised fair value changes. The unrealised fair value changes were impacted by changes in interest rate expectations in the Group's primary funding markets.

Net income from hedge accounting

Net income from hedge accounting increased to a loss of Euro 1.6 million for the six months ended 30 June 2020, compared to a loss of Euro 26.5 million for the six months ended 30 June 2019. Net income from hedge accounting was affected by the volatility of unrealised fair value changes. The unrealised fair value changes were impacted by changes in interest rate expectations as well as due to the use of generally accepted valuation methods where changes in fair value differ between the hedged financial asset or liability and the respective hedging derivative.

For a breakdown of the Group's derivative contracts during the periods under review see "*Significant Factors Affecting Operating and Financial Results—Fluctuations in interest rates, currency exchange rates and the valuation of derivatives*".

Administrative expenses

The Group had 167 total personnel as at 30 June 2020 compared to 163 total personnel as at 30 June 2019.

Administrative expenses decreased by Euro 0.1 million, or 0.6 per cent., to Euro 15.6 million for the six months ended 30 June 2020, compared to Euro 15.7 million for the six months ended 30 June 2019.

Other operating expenses

Other operating expenses decreased by Euro 0.2 million, or 1.6 per cent., to Euro 10.7 million for the six months ended 30 June 2020, compared to Euro 10.9 million for the six months ended 30 June 2019.

Income taxes

Income taxes increased by Euro 5.7 million, or 84.2 per cent., to Euro 12.5 million for the six months ended 30 June 2020, compared to Euro 6.8 million for the six months ended 30 June 2019 due to an increase in net operating profit in the first six months of 2020 compared with the first six months of 2019.

Financial Position

Assets as at 30 June 2020 compared to 31 December 2019

The following table sets forth, as of the dates indicated, certain summary financial information about the assets of the Group:

	<u>As at 30 June</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	<i>(Euro '000)</i>	
Assets		
Cash and balances with central banks	3,473,933	4,909,338
Loans and advances to credit institutions	1,344,792	818,323
Loans and advances to the public and public sector entities	26,743,115	24,798,432

	As at 30 June	As at 31 December
	2020	2019
Debt securities.....	6,691,977	5,716,318
Shares and participations.....	27	9,797
Derivative contracts	2,626,631	2,244,997
Intangible assets	16,021	14,704
Tangible assets	8,937	9,041
Other assets	191,526	170,359
Accrued income and prepayments.....	191,062	242,450
Total assets.....	<u>41,288,022</u>	<u>38,933,758</u>

As of 30 June 2020, the main components of the total assets of the Group were loans and advances to the public and public sector entities, debt securities and cash and balances with central banks, representing 64.8 per cent., 16.2 per cent. and 8.4 per cent., respectively, of total assets. As of 30 June 2020, total assets had increased by Euro 2,354.3 million, or by 6.0 per cent., to Euro 41,288.0 million, compared to Euro 38,933.8 million as of 31 December 2019, which was mainly attributable to an increase in loans and advances to the public and public sector entities and debt securities partially offset by a decrease in cash and balances with central banks.

Loans and advances to the public and public sector entities

Loans and advances to the public and public sector entities increased by Euro 1,944.7 million, or 7.8 per cent., to Euro 26,743.1 million as at 30 June 2020, compared to Euro 24,798.4 million as at 31 December 2019 due to an increase in the volume of long-term customer financing by the Group.

Debt securities

Debt securities increased by Euro 975.7 million, or 17.1 per cent., to Euro 6,692.0 million as at 30 June 2020, compared to Euro 5,716.3 million as at 31 December 2019 due to an increase in the amount of short-term customer finance.

Cash and balances with central banks

Cash and balances with central banks decreased by Euro 1,435.4 million, or 29.2 per cent., to Euro 3,473.9 million as at 30 June 2020, compared to Euro 4,909.3 million as at 31 December 2019 due to the decrease in the central bank deposits.

Derivative contracts

For a breakdown of the Group's derivative contracts during the periods under review see "*Significant Factors Affecting Operating and Financial Results—Fluctuations in interest rates, currency exchange rates and the valuation of derivatives*".

Derivative contract assets increased by Euro 381.6 million, or 17.0 per cent., to Euro 2,626.6 million as at 30 June 2020, compared to Euro 2,245.0 million as at 31 December 2019 primarily due to changes in interest rates and currency exchange rates.

Liabilities as at 30 June 2020 compared to 31 December 2020

The following table sets forth, as of the dates indicated, certain summary financial information about the liabilities of the Group:

	<u>As at 30 June</u>	<u>As at 31</u> <u>December</u>
	<u>2020</u>	<u>2019</u>
	<i>(Euro '000)</i>	
Liabilities		
Liabilities to credit institutions.....	899,817	1,178,256
Liabilities to the public and public sector entities.....	3,918,526	3,862,053
Debt securities issued.....	31,793,727	29,983,585
Derivative contracts.....	2,371,104	1,762,010
Other liabilities.....	285,310	116,374
Accrued expenses and deferred income.....	153,098	180,917
Deferred tax liabilities.....	256,190	256,241
Total liabilities.....	<u>39,677,774</u>	<u>37,339,436</u>

As of 30 June 2020, the main components of the total liabilities of the Group were debt securities issued, liabilities to the public and public sector entities, and derivative contracts representing 80.1 per cent., 9.9 per cent., and 6.0 per cent., respectively, of total liabilities. As of 30 June 2020, total liabilities had increased by Euro 2,338.3 million, or by 6.3 per cent., to Euro 39,677.8 million, compared to Euro 37,339.4 million as of 31 December 2019, which was mainly attributable to an increase in debt securities issued of Euro 1,810.1 million compared to the balance as of 31 December 2019 and an increase in derivative contracts of Euro 609.1 million compared to the balance as of 31 December 2019.

Debt securities issued

Debt securities issued by the Group increased by Euro 1,810.1 million, or 6.0 per cent., to Euro 31,793.7 million as at 30 June 2020, compared to Euro 29,983.6 million as at 31 December 2019 primarily due to an increase in new funding that was issued compared to maturing funding.

Liabilities to credit institutions

Liabilities to credit institutions decreased by Euro 278.4 million, or 23.6 per cent., to Euro 899.8 million as at 30 June 2020, compared to Euro 1,178.3 million as at 31 December 2019 mainly due to a decrease in received cash collaterals.

Liabilities to the public and public sector entities

Liabilities to the public and public sector entities consists primarily of bilateral loans. Liabilities to the public and public sector entities increased by Euro 56.5 million, or 1.5 per cent., to Euro 3,918.5 million as at 30 June 2020, compared to Euro 3,862.1 million as at 31 December 2019 primarily due to the unrealised fair value changes.

Derivative contracts

For a breakdown of the Group's derivative contracts during the period see "*Significant Factors Affecting Operating and Financial Results—Fluctuations in interest rates, currency exchange rates and the valuation of derivatives*".

Derivative contracts liabilities for the Group increased by Euro 609.1 million, or 34.6 per cent., to Euro 2,371.1 million as at 30 June 2020, compared to Euro 1,762.0 million as at 31 December 2019 primarily due to changes in interest rates and currency exchange rates.

Capital Adequacy

The table below shows the Group's own funds for the periods indicated.

Consolidated own funds

	<u>As at 30 June</u>	<u>As at 31 December</u>
	<u>2020</u>	<u>2019</u>
	<i>(Euro '000)</i>	
Common Equity Tier 1 before adjustments	1,225,858	1,218,199
Adjustments to Common Equity Tier 1	(53,880)	(55,747)
Common Equity Tier 1	1,171,977	1,162,452
Additional Tier 1 capital before adjustments	347,454	347,454
Adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 Capital	347,454	347,454
Tier 1 Capital	1,519,431	1,509,906
Tier 2 Capital	-	-
Total own funds	1,519,431	1,509,906

Minimum requirement for own funds, Group

	30 June 2020		31 December 2019	
	Capital requirement	Risk-exposure amount	Capital requirement	Risk-exposure amount
	<i>(Euro '000)</i>			
Credit and counterparty risk, standardised approach	55,137	689,213	61,038	762,976
Exposures to central governments or central banks.....	-	-	-	-
Exposures to regional governments or local authorities.....	291	3,639	289	3,613
Exposures to public sector entities.....	486	6,077	-	-
Exposure to multilateral development banks.....	807	10,087	323	4,043
Exposures to institutions.....	31,148	389,349	37,847	473,090
Exposures in the form of covered bonds.....	20,449	255,617	20,676	258,456
Items representing securitisation positions.....	-	-	-	-
Exposures in the form of shares in CIUs.....	-	-	84	1,049
Other items.....	1,956	24,444	1,818	22,724
Market risk	-	-	-	-
Credit valuation adjustment risk (CVA VaR), standard method	18,995	237,433	17,085	213,561
Operational risk, basic indicator approach	32,704	408,795	33,841	423,016
Total	106,835	1,335,442	111,964	1,399,553

Consolidated key figures for capital adequacy

	As at 30 June	As at 31 December
	2020	2019
Ratio of Common Equity Tier 1 (CET1) to risk exposure amount, %.....	87.8	83.1
Ratio of Tier 1 capital (T1) to risk exposure amount, %.....	113.8	107.9
Ratio of total own funds to risk exposure amount, %.....	113.8	107.9

In addition to the above, the table below shows the own funds for the Issuer only for the periods indicated.

Own funds, parent company

	As at 30 June	As at 31 December
	2020	2019
	<i>(Euro '000)</i>	
Common Equity Tier 1 before adjustments.....	1,223,899	1,216,578
Adjustments to Common Equity Tier 1.....	(53,894)	(55,762)
Common Equity Tier 1	1,170,004	1,160,816
Additional Tier 1 capital before adjustments.....	349,141	348,896
Adjustments to Additional Tier 1 capital.....	-	-
Additional Tier 1 Capital	349,141	348,896
Tier 1 Capital	1,519,145	1,509,712
Tier 2 Capital	-	-
Total own funds	1,519,145	1,509,712

Minimum requirement for own funds, parent company

	30 June 2020		31 December 2019	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
	<i>(Euro '000)</i>			
Credit and counterparty risk, standardised approach	55,183	689,790	61,090	763,631
Exposures to central governments or central banks.....	-	-	-	-
Exposure to regional governments or local authorities.....	291	3,639	289	3,613
Exposures to public sector entities.....	486	6,077	-	-
Exposure to multilateral development banks.....	807	10,087	323	4,043
Exposures to institutions.....	31,131	389,135	37,833	472,917
Exposures in form of covered bonds.....	20,449	255,617	20,676	258,456
Items representing securitisation positions.....	-	-	-	-
Exposures in form of shares in CIUs.....	-	-	84	1,049
Equity exposure.....	131	1,639	131	1,639
Other items.....	1,888	23,596	1,753	21,912
Market risk	-	-	-	-
Credit valuation adjustment risk (CVA VaR), standard method	18,995	237,433	17,085	213,561
Operational risk, basic indicator approach	29,904	373,803	31,081	388,508
Total	104,082	1,301,025	109,256	1,365,700

Key figures for capital adequacy, parent company

	As at 30 June	As at 31 December
	2020	2019
Ratio of Common Equity Tier 1 (CET1) to risk exposure amount, %.....	89.9	85.0
Ratio of Tier 1 capital (T1) to risk exposure amount, %.....	116.8	110.5
Ratio of total own funds to risk exposure amount, %.....	116.8	110.5

Contingent Liabilities

In the ordinary course of business, the Group enters into transactions which, upon being concluded, are not disclosed in the Group's statement of financial position as assets or liabilities, but result in contingent liabilities. The main item of these off-financial position liabilities of the Group is financial commitments, mainly binding loan commitments granted.

Breakdown of off-balance sheet unmatured commitments and contingent liabilities	As at 30 June 2020
	<i>(Euro '000)</i>
Credit commitments	2,540,783

Commitments

Part of the loans to the municipal sector by the Issuer have been pledged to the Guarantor as collateral.

On 30 June 2020, the Issuer had given collateral to the Guarantor as follows:

Bonds	As at 30 June 2020
	<i>(Euro '000)</i>
Loans and advances to credit institutions to the counterparties of derivative contracts	1,037,138
Loans and advances to credit institutions to the central bank	38,946
Loans and advances to the public and public sector entities to the central bank	5,576,762
Loans and advances to the public and public sector entities to the Municipal Guarantee Board	10,015,273
Other assets to the counterparties of derivative contracts	176,359
Total	16,844,478

Cash Flows

The Six Months Ended 30 June 2020 Compared to the Six Months Ended 30 June 2019

The table below sets out, for the period indicated, information on the Group's net consolidated cash flows on operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the period.

	For the six months ended 30 June	
	2020	2019
	<i>(Euro '000)</i>	
Cash flow from operating activities.....	(1,249,874)	26,246
Cash flow from investing activities.....	(3,459)	(3,156)
Cash flow from financing activities.....	(22,864)	(22,855)
Change in cash and cash equivalents.....	(1,276,198)	235
Cash and cash equivalents at 1 January	4,990,649	3,573,206
Cash and cash equivalents at period end	3,714,451	3,573,441

Operating Activities

The operating activities of the Group for the six months ended 30 June 2020 generated net cash outflows of Euro 1,249.9 million compared to net cash inflows of Euro 26.2 million for the six months ended 30 June 2019. The main drivers for this change were changes in long and short term funding, long and short term loans and in net change in cash collaterals.

Investing Activities

The investing activities of the Group generated net cash outflows of Euro 3.5 million and Euro 3.2 million for the six months ended 30 June 2020 and 30 June 2019, respectively, from the acquisition of intangible assets.

Financing Activities

Net cash outflow from financing activities was Euro 22.9 million for the six months ended 30 June 2020 primarily reflecting paid interest on its AT1 capital instrument. Net cash outflow from financing activities was Euro 22.9 million for the six months ended 30 June 2019 primarily reflecting paid interest on its AT1 capital instrument.

The Municipal Sector

The section headed "Introduction" starting on page 129 of the Offering Circular shall be deemed supplemented by replacing the last four sentences in the tenth paragraph with the following

A new government was formed in Finland in June 2019 and it has continued the preparation of these health and social services reforms. New legislative proposals were published in June 2020 and they are currently in a period of public consultation. Given that the reform is yet to be agreed and implemented, uncertainty in respect of investments in health care and social services persists in municipalities and hospital districts. While the outcome of the potential reform might potentially have an effect on the Group's volumes and financial results in the future, the Group does not expect its results of operations or financial condition in 2020 to be materially impacted by the reform. The Group is actively following the development of the potential reform.

Taxation

The section headed "United States Federal Income Taxation" starting on page 132 of the Offering Circular shall be deemed to be supplemented by the addition of the following information.

Reference Rate Adjustment

If the elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, results in an adjustment to the interest calculation provisions of the Conditions (a "Reference Rate Adjustment"), this may be treated as a deemed exchange of old notes for new notes, which may be taxable to U.S. Holders, and which may cause the notes as being treated as subject to the original issue discount rules. Recently released proposed Treasury Regulations describe circumstances under which a Reference Rate Adjustment would not be treated as a deemed exchange, provided certain conditions are met. It cannot be determined at this time whether the final Treasury Regulations on this issue will contain the same standards as the proposed Treasury Regulations. U.S. Holders should consult with their tax advisors regarding the potential consequences of a Reference Rate Adjustment.

No Significant Change

Paragraph 4 under the section headed "General Information" on page 145 of the Offering Circular shall be deemed to be replaced by the following statement.

Since 30 June 2020 there has been no significant change in the financial or trading position of the Issuer or the Group.