Pillar III Disclosure Report 2017

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Content

Municipality Finance Plc ("MuniFin") has republished Pillar III Disclosure Report 2017 originally made public on 7 March 2018. This republished report corrects a technical error in the regulatory CVA VaR calculations which have had an effect on MuniFin's ratio of tier 1 capital to risk-weighted assets ("Tier 1 Ratio"), ratio of common equity tier 1 to risk-weighted assets ("CET 1 Ratio"), and the ratio of total own funds to risk-weighted assets ("Total Capital Adequacy Ratio"). In addition, and as was disclosed in the Pillar III Half Year Report January–June 2018, the revised calculations reflect the fact that the guarantees granted to MuniFin by the Municipal Guarantee Board in respect of certain derivative counterparties are not taken into account in credit valuation adjustment risk. Also, as disclosed in the Pillar III Half Year Report January–June 2018, MuniFin updated counterparty credit risk calculation to include also posted collateral, reducing the CCR exposure at default and applied the exclusion of market risk as fx net position did not exceed 2% of own funds, from June 2018 onwards. MuniFin has revised year-end 2017 figures to take into account these changes as well. As a result of corrected calculations, MuniFin's Tier 1 Ratio, CET 1 Ratio, and Total Capital Adequacy Ratio are slightly lower in comparison to what was reported in the Pillar III Disclosure Report 2017 as well as in the Annual Report 2017.

Section 1. Introduction and basis for preparation

INTRODUCTION

Municipality Finance Plc ("MuniFin") is a Finnish credit institution supervised by the European Central Bank and the Finnish Financial Supervisory Authority. As a credit institution MuniFin has to comply with EU capital requirements for credit institution consisting of the CRD IV Directive (2013/36/EU) and the CRR (EU 575/2013) which are based on the revised capital adequacy framework of the Basel Committee on Banking Supervision, known as 'Basel III'.

The capital requirements for banks consist of three pillars:

- Pillar 1: The minimum capital requirements for each category of risk: credit risk, market risk, operational risk and concentration risk
- Pillar 2: Internal processes for risk management and setting internal capital requirements: Internal Capital Adequacy Assessment Plan (ICAAP) and Supervisory Review and Evaluation Process (SREP) and
- Pillar 3: Publication requirements concerning capital adequacy and risks.

This document fulfils MuniFin's Pillar 3 disclosure requirements of the current regulation. In case required information has been published as part of some other document published by MuniFin, this information has been incorporated to this document by a reference.

DESCRIPTION OF MUNICIPALITY FINANCE GROUP

Measured by the group's balance sheet, MuniFin (parent company) is Finland's second largest credit institution; the company's balance sheet nearly totals EUR 35 billion. The company is owned by Finnish municipalities, the public sector pension fund Keva and the Republic of Finland. MuniFin is an integral part of the Finnish public economy.

MuniFin's mission is to build a better future in line with the principles of responsibility and in cooperation with its customers. MuniFin's customers are Finnish municipalities, municipal federations, municipally controlled companies and non-profit housing corporations. MuniFin is the only financier in Finland specialising in the provision of financing for the local government sector and central government-subsidised housing production. Lending is used for environmentally and socially responsible investment targets such as public transportation, sustainable buildings, hospitals and healthcare centers, schools and day care centers, and homes for the elderly.

MuniFin's customers are domestic but the company operates in a completely global business environment. It is the most active Finnish bond issuer in international capital markets. The funding is exclusively guaranteed by the Municipal Guarantee Board.

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

DISCLOSURE PRINCIPLES

Majority of information required to be published by MuniFin based on Pillar 3 will be disclosed in this Pillar III Report, which is separate from the annual Report of the Board of Directors and the Financial Statements. In addition, there are documents (e.g. Corporate Governance Statement and Remuneration Report) available on MuniFin's webpage which supplement together with this Pillar 3 Report information disclosed.

MuniFin's Business Control and Reporting deparment is responsible for the process of publishing financial information. Risk management and compliance functions of the company take also part into the disclosure process. The Executive Management Team and Finance Group examine financial information prior delivering the information for the Board of Directors to approve.

In order to support its work, the Board of Directors has established an Audit Committee and a Risk Committee. The purpose of the Audit Committee is to assist the Board of Directors in duties related to financial reporting and internal control arrangement. The Risk Committee assists the Board in the matters with regard to the institution's overall risk appetite and risk strategy, and in overseeing that the management complies with the risk strategy decided by the Board.

The company's financial statements are annually audited by the External Auditor and the External Auditor also reviews the interim report annually.

This disclosure report comprises a comprehensive disclosure on capital adequacy, capital management and risk management. This Pillar III Report includes disclosures required according to the Part Eight of CRR and also tables and templates required according to EBA guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 valid from 31 December 2017. The annual disclosures are published in conjunction with the date of publication of MuniFin's Annual Report (including the Report of the Board of Directors and Financial Statements). When more frequent disclosures are needed, information is published at the same time than Interim Financial Reports or on the Investors pages on www.munifin.fi. Pillar III Report is published in English.

Section 2. Risk management objectives and policies

EU OVA
GENERAL INFORMATION ON RISK MANAGEMENT, OBJECTIVES AND POLICIES

GOVERNANCE OF RISK MANAGEMENT

The key principle for the risk management in MuniFin is the three lines of defence governance model. The three lines of defence model has been adopted to ensure that responsibility is allocated to all the relevant parties, and risks are reported and escalated.

The first line of defence is represented by the management, business units and support functions that are responsible and accountable for the on-going identification, assessment and management of risks. The first line of defence operates business activities within the set limits and in accordance with internal control framework.

The Capital Markets function is responsible for managing the interest rate risk profile of the consolidated balance sheet by entering into market transactions within the limits set by the Board of Directors. The risk positions and limit usage are reported to the Executive Management Team and its subgroups and Board of Directors on a regular basis. The Business Control and Reporting department, led by the Chief Financial Officer, is responsible for the principles related to capital adequacy and the structure of own funds.

The second line of defence includes independent risk management and compliance functions. MuniFin's risk management complements the risk activities of the business units through its risk control and reporting responsibilities. Risk management is responsible for overseeing MuniFin's risk-taking activities, assessing risks independently from the business units, establishing actions for the management of risks and developing policies, methodologies and systems for the management of risks. Finally, risk management's task is to ensure that the risk management framework is in line with the risk strategy, risk appetite and risk limits. The Compliance function monitors the company's compliance with regulation.

The third line of defence is the internal audit function which is in charge of conducting risk-based and general audits, providing an independently review and objective assurance to the Board of Directors on the quality and effectiveness of the internal control framework, the first and second line of defence and the risk governance framework including links to organizational culture, as well as strategic and business planning, remuneration and decision-making processes.

The risk management and the capital management are governed by procedures set in policies, charters, risk assessment and planning documents, guidelines and instructions and other descriptions under the risk management framework. All entities in the MuniFin Group (parent company MuniFin and subsidiary Inspira) are subject to the same risk management framework.

Board of Directors and Committees

The Board of Directors is the highest decision-making body, both in strategic and risk related matters. Regarding risk management, the Board of Directors approves the risk strategy, general principles, risk policies, limits and processes. The Board of Directors is responsible for deciding on MuniFin's risk appetite and defining target capital ratios. The Board of Directors also approves MuniFin's risk management policy, risk appetite framework, risk policies including stress-testing policy and remuneration policy, and risk assessment and planning documents (ICAAP, ILAAP, contingency funding plan and recovery plan).

In order to organize its work as efficiently as possible, the Board of Directors has established an Audit Committee, Risk Committee and Remuneration Committee. These committees are responsible for assisting and preparing matters for the Board of Directors.

The Risk Committee of the Board assists the Board of Directors in matters regarding the risk strategy and risk taking and in supervising that the company follows the risk strategy defined by the Board. The purpose of risk management is to ensure that the risks associated with lending, funding, investment and other business operations are in line with MuniFin's low risk profile defined in the Risk Appetite Framework and related risk policies. In addition, the risk committee monitors the compliance of the business operations in relation to the risk strategy set by the Board of Directors.

The Board's Audit Committee is responsible for directing Internal Audit to undertake an independent audit on MuniFin's risk and control framework. In collaboration with the Risk Committee, the Audit Committee evaluates the assessments and audit findings concerning the Risk Appetite Framework on at least an annual basis. Based on these audit findings, the Audit Committee opines on the adequacy and effectiveness of the framework, including the Company's level of compliance with regulatory standards.

The Remuneration Committee is responsible for including the risk appetite as a key component in the performance objectives, remuneration and incentive structures of the staff. The Remuneration Committee ensures that the remuneration systems do not lead to undesired operating processes or uncontrolled risk-taking. In addition, the remuneration policies shall be such that a significant breach of the set risk appetite limits may have consequences for the involved individuals' appraisal and remuneration.

CEO and Executive Management Team

The policies, business plans and strategies are approved by the Board of Directors and cascaded top-down through the Executive Management Team. The Executive Management Team is chaired by the CEO and membered by the Heads of most of MuniFin's Divisions. The CEO is responsible for organising the MuniFin's operational activities, and is ultimately responsible to the Board of Directors for ensuring that the activities meet the set requirements. The Executive Management Team handles the organisation of operational activities by approving the set of operational guidelines supplementing the Risk Management Policy, Risk Appetite Framework, Risk Policies and other policies of the Board of Directors. The Executive Management Team also delegates duties to the necessary Divisions, Departments and responsible individuals.

Concerning risk management, the Executive Management Team is also responsible for ensuring that the limits set by the Board of Directors and other principles related to risk management are taken into account in MuniFin's operations by arranging the necessary control points and regular reporting.

The Executive Management Team is supported by five executive level decision-making bodies, the Risk Group, the ALM Group, the Credit Group, the Business Group and the Finance Group. All the five Groups support the Executive Management Team with matters concerning the Company's risk position and risk profile approved by the Board of Directors.

The Chief Risk Officer (CRO) reports directly to the Board's Risk Committee on MuniFin's overall risk position at each meeting and presents a more thorough risk review at least twice a year.

MUNIFIN'S OVERALL RISK PROFILE ASSOCIATED WITH THE BUSINESS STRATEGY AND BUSINESS MODEL

In the Finnish economy and financial system, MuniFin's dedicated role is to ensure the availability of market based funding to the municipality sector and central government-subsidised housing production. Market based funding is acquired from capital markets at the most competitive rates available to MuniFin under all market conditions. MuniFin operates a low-risk business model with a limited scope of services offered for a restricted customer base. Furthermore, MuniFin has conservative risk management policies. MuniFin's business activity is strictly limited to the financing of Finnish municipalities, municipal federations, central government-subsidised housing production and companies controlled by municipalities in case the operations of the company are needed to ensure the availability of services essential to Finnish citizens due to local or regional circumstances. The services provided by MuniFin do not include services typically provided by traditional commercial banks, such as deposit-taking, payments and custody services or asset management related services. Due to the limited business activities focusing on offering financing services only to municipal and local government sectors, MuniFin has no material financial fee income, with net interest income being the only material source of earnings. All MuniFin's customer financing is direct municipal risk or has a guarantee by a municipality or central government (deficiency guarantee). Hence, all MuniFin's exposures to its customers are treated with zero risk-weight in the calculation of capital adequacy.

MuniFin's overall risk profile is described in the Risk Appetite Framework approved by the Board of Directors and updated at least annually. The Risk Appetite Framework is linked to both short-term and long-term strategic plans, capital and financial plans, Recovery Plan and to the Remuneration Policy. It is fully aligned with the ICAAP (Internal Capital Adequacy Process) and the ILAAP (Internal Liquidity Adequacy Process). The risk appetite process is a key process that is closely related to MuniFin's business model and strategy. Business model and strategy are the key drivers that determine MuniFin's risk appetite along the areas of profitability and capital, liquidity and funding, credit and market risk and non-financial risks.

MuniFin's Risk Appetite Framework starts with the overall Risk Appetite Statement, which expresses the level of risk that MuniFin is willing to accept in order to achieve its strategy. MuniFin's overall Risk Appetite

Statement is as follows: “The aim is to keep the overall risk profile at such a low level that MuniFin’s credit rating remains equal to that of the Republic of Finland and to secure customer financing even under negative market conditions“.

In the Risk Appetite Framework MuniFin has recognized risks associated with its business operations in the above mentioned four areas. The risk indicators for each material risk are defined in the Risk Appetite Framework. Risk limits and threshold values are then set for each risk indicator. Altogether, these form the company’s risk profile and define the amount of risk that MuniFin is able and willing to take. At least annually, the risk limits and thresholds are reviewed and recalibrated in order to align RAF with MuniFin’s strategy and external and macro-economic developments. MuniFin has established a set of thresholds that are used to monitor and review the amount of risk taken compared to its risk appetite. The available historical data, regulatory requirements and external benchmarks as well as other publically available information are used to establish, evaluate and calibrate the thresholds.

Stress testing forms an integral part of the MuniFin’s overall governance and risk management framework. Stress-testing framework ensures that stress test scenarios are aligned within the risk appetite framework and capital planning framework.

Risk profile described in the Risk Appetite Framework is always an essential part of the strategic business plan process. In the process, identified risk factors are considered and included in the base and stress scenarios of the business plan.

SUMMARY OF RISK APPETITE FRAMEWORK INDICATORS

Profitability and capital	Credit rating
	Total lending requests
	Leverage ratio
	Net interest income ratio
	Cost-to-income ratio
	Change in the CET1 ratio
Liquidity and funding	Liquidity Coverage Ratio
	Net Stable Funding Ratio
	Financing Gap
	Indicators related to funding
	Survival horizon
Credit and market risks	Non-performing exposures and impairments
	Average credit rating in liquidity portfolio
	Geographic concentration in liquidity portfolio
	Indicators related to market risk
Non-financial risks	Reputation
	Environmental, Social and Governance score
	Indicators related to HR
	Indicators related to operational risks
	Regulatory breaches

KEY FIGURES OF PROFITABILITY AND CAPITAL

	31 DEC 2017	31 DEC 2016	31 DEC 2015
Change in the CET1 ratio, percentage point	6.8	4.72	11.55
Leverage ratio, %	3.84	3.54	3.15
Cost-to-income ratio	0.18	0.17	0.16
Total lending requests, EUR million	4,451	4,168	4,834

RISK MANAGEMENT PROCESS

In MuniFin risks are identified through continuous monitoring and analyses of the operating environment and, especially, during the annual strategy update and business planning process. Risks are also identified as part of Risk Appetite Framework development and annual update and in an annual operational risk self-assessment process. Complementary to this, ICAAP and ILAAP looks at these risk types to assess capital and liquidity requirements that should be allocated to material risk types.

Risk measurement quantifies risks and it is used to assess and select the appropriate means of managing relevant risks and to enable appropriate resources to be dedicated to the management of that risk. The first line of defence risk owners are responsible for measuring risk exposures and ensuring that risks are managed in line with company's risk appetite. In risk measurement, considerations are given to both normal and stressed conditions and processes put in place to ensure that changes in risk trends are identified and factored into the risk measurement. This includes the identification of appropriate stress testing methodologies to test MuniFin's resilience under a range of stress scenarios.

Risk management identifies an appropriate strategy to address material risks. The second line of defence is responsible for developing the Risk Policies for each risk type as well as the overall Risk Appetite Framework. The first line of defence risk owners are responsible for putting in place processes to ensure that the business is operating within risk appetite and policy objectives through implementing operational level guidelines and instructions. Stress testing is also used as a risk management tool to assess the company's potential risk exposure under stress and to put in place processes and procedures to limit risk exposure.

Risk monitoring is used to track identified risks and identify new or emerging risks. It allows MuniFin to put in place risk management processes and evaluate their effectiveness. The first line of defence risk owners have processes in place for monitoring risk exposure against limits and targets and second line of defence is responsible for monitoring exposures of material risk types against the Risk Appetite Framework and other risk limits.

Escalation processes are in place within the first and the second line to escalate any breaches of limits and targets in a timely manner. In the case of a breach being identified within the first line of defence the breach is reported to the Risk Management and then escalated according to relevant governance processes, e.g. a breach of risk appetite limits must follow Risk Appetite Framework escalation processes. Conversely, in the case of a breach being identified by the second line of defence the case must be first discussed with the first line of defence function, before being escalated through relevant governance processes. Frequency of monitoring processes varies according to individual risk types.

Risk reporting provides the Board of Directors and its Risk Committee, the Executive Management Team and other management with an accurate, timely and clear oversight of the current risk exposure and highlights any risks that might impede the achievement of business objectives. Reporting tools and methodologies are in place to ensure timely and accurate risk reporting. Frequency of risk reporting varies according to the materiality of risk types.

The Risk Appetite Dashboard is reported on a monthly basis to the Board.

Information on risk management, objectives and policies by category of risks

EU CRA
EU CCRA
EU CRC

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO CREDIT RISK AND CREDIT COUNTERPARTY RISK

Credit risk means the possibility that MuniFin's counterparty fails to meet its obligations in accordance with the agreed terms and conditions. Credit risk originates from lending operations, but also from other receivables, like debt securities, derivatives and off-balance sheet commitments. Credit risk also includes country risk, settlement risk and counterparty credit risk.

GOVERNANCE OF CREDIT RISK

The credit risk management in MuniFin is based on the risk framework approved by the Board of Directors and it aligns the risk appetite to the company's strategy and business model.

Credit risk management is based on the three lines of defense model used at MuniFin.

The first line of defense is represented by the company's business operations. Customer Financing division offers to MuniFin's limited clientele loans, short-term lending, financial leasing and derivatives for hedging purposes. MuniFin's customers consist of municipalities, municipal federations and municipality-controlled entities, as well as non-profit corporations and other non-profit organisations nominated by the Housing Finance and Development Centre of Finland (ARA). The Customer Financing maintains customer relationships and is in charge of credit decisions within the set limits and managing the granted credit limits. The division also develops and maintains effective internal controls to ensure credit risks are treated prudently within the company's risk appetite framework, internal policies and guidelines.

Capital Markets division includes MuniFin's Treasury operations. Treasury department is responsible for company's liquidity portfolio. The guiding principle is to invest in liquid and highly rated financial instruments to ensure business continuity under all market conditions. Capital Markets division is also responsible for MuniFin's hedging operations with derivatives. MuniFin only uses derivatives for hedging purposes and it does not a have a trading book.

In the second line of defense, the Risk Management function, headed by the Chief Risk Officer, is independent from the company's business operations. The Risk Management has a responsibility for developing and maintaining the company's credit risk management framework and credit risk policies in accordance with the relevant regulation. Risk Management function monitors and analyses MuniFin's credit risks and assures that credit granting process including the credit approval is conducted in accordance with MuniFin's credit risk policies. Risk Management also reports on a regular basis to Risk Group, Executive Management Team and to the Board of Directors of company's overall credit risk position.

The second line of defense also includes Compliance department, which monitors the company's compliance with the credit risk regulations.

The third line of defense, internal audit, regularly performs risk-based audits in accordance with the annual plan approved by the Board of Directors and the Audit Committee.

Board of Directors and Risk Committee

The Board of Directors has the overall responsibility for MuniFin's risk management and it approves the main principles of credit risk management in the company. The company's risk appetite is defined in Risk Appetite Framework, which also includes the indicators for monitoring the company's risk appetite on credit risk.

The Board of Directors steers the credit risk management through the credit risk appetite and other relevant policies, collateral management and credit-granting principles that aim to ensure that the level of credit risk remains at a moderate level and at the same time, the solvency and profitability targets are taken into consideration.

The Risk Committee of the Board of Directors supports the Board in the tasks related to credit risk management, i.e. evaluates the changes in the credit risk framework and policies before the Board approval and follows regularly credit risk reporting and the risk indicators in the Risk Appetite Framework.

Executive Management Team, Risk Group and Credit Group

MuniFin has a Risk Group set up by the Executive Management Team to develop company's credit risk management principles and policies. It monitors credit risk limits and indicators defined in the Risk Appetite Framework and analyses the status of credit risk, credit counterparty risk and concentration risk. The CEO appoints Risk Group members, noting that the Risk Group cannot have business representatives as decision-makers. Risk Group does not participate in business decision-making and business representatives do not participate in Risk Group's decision-making.

MuniFin has a Credit Group set up by the Executive Management Team, which decides on credit granting for customers with certain risk level. In addition, MuniFin has an ALM Group set up by the Executive Management Team, which decides on new counterparties and issuers in investment and derivatives operations and their limits in the context of credit risk policies and guidelines.

MANAGEMENT OF CREDIT AND COUNTERPARTY CREDIT RISK

Credit risk management in customer financing

MuniFin may only grant loans and leasing financing without a separate security directly to a municipality or municipal federation. For others, loans must be secured with an absolute guarantee or a deficiency guarantee issued by a municipality or municipal federation, or by a state deficiency guarantee. The guarantee and collateral arrangement must cover the full amount of granted loan including the principal, interest and fees. A primary pledge is required when the loan is given a deficiency guarantee by a municipality or the state. The amount of the primary pledge must equal 1.2 times the amount of the loan. Because such a guarantee is required to reduce the credit risk, all loans granted are classified as zero-risk when calculating capital adequacy. The company does not bear the residual value risk related to its leasing services. MuniFin has not had credit losses in the financing of its customers. The company does not have customer limits for lending as all lending is to counterparties which are allocated the risk weight of zero percent in the capital adequacy calculations. The company, however, analyses the credit risk and payment behaviour of its customers regularly.

MuniFin monitors the development of the value of real estate collateral during the loan period. When making credit decisions, the value of collateral is calculated both with and without guarantees. Both values are documented in the credit decision process.

MuniFin's business model for customer financing is based on the zero risk-weights in capital adequacy calculations due to the municipal customers and the credit mitigation techniques in use. Despite that, MuniFin has in use a credit rating system, in which each customer is assigned an internal credit rating as part of the credit decision-making process. In addition to that, the Risk Management evaluates at lease annually all customers and updates credit rating if needed.

Credit risk management in liquidity portfolio and credit counterparty risk

MuniFin is also exposed to credit risk from its liquidity portfolio investments and derivative instruments. In selecting counterparties, MuniFin evaluates credit risk using the principles and limits, approved by the Board of Directors, based on external credit ratings. Nominal values of debt securities and equivalent market values of derivatives are used in monitoring credit risk.

Counterparty credit risk is the risk that the MuniFin's counterparty in derivative contracts or repo agreements is not able to meet its obligations. MuniFin uses derivatives only in hedging purposes in its own operations like hedging all non-euro funding and investment transactions to euros and fixed and long-term interest rate transactions to short-term interest rate risk (Euribor). MuniFin also uses derivatives for hedging balance sheet fixing risk. Also, derivatives made with customers are hedged in the markets.

Derivatives are traded over-the-counter (OTC), which means that the terms of contract are individually defined and agreed with the derivative counterparty. In May 2016, MuniFin switched to using central counterparties (CCPs) in the clearing of standard over-the-counter (OTC) derivative contracts, as required by "EMIR", the European Markets Infrastructure Regulation. In this model, at the end of a daily clearing process, a CCP becomes the counterparty to each cleared trade. The purpose of CCP clearing is to reduce counterparty risk. Currently, MuniFin has two global banks providing clearing broker services.

The counterparty credit risk is also subject to strict limits. All contracts are valued daily using market information and advanced valuation models and reconciled with counterparty valuations. MuniFin limits credit risk arising from its derivative counterparties with ISDA Credit Support Annexes (CSA). The company has 49 CSA agreements in place of which 26 require daily margining. Additionally, the Municipal Guarantee Board's guarantees are used for reducing the derivative counterparty risk of certain counterparties.

The Credit Valuation Adjustment (CVA) that measures counterparty credit risk and MuniFin's own Debt Valuation Adjustment (DVA) are both taken into account when calculating credit risk exposures arising from derivative counterparties. The CVA is estimated for each derivative counterparty by calculating MuniFin's expected positive exposure throughout the maturity of the derivative portfolio, taking into account the probability of default and the estimated amount of loss in the possible event of default. Input data for the calculation is based on the terms of CSA agreements, generally accepted assumptions in the markets on the loss given default and expected probabilities of default based on historical credit rating matrices. Similarly, the DVA is determined on the basis of MuniFin's expected negative exposures, taking into account the probability of company's own default and the loss given default.

CREDIT RISK AND COUNTERPARTY CREDIT RISK REPORTING

MuniFin's credit risks are reported to the Board of Directors, Risk Committee, Executive Management Team and to the Risk Group. The Risk Management department is responsible for producing regular risk reporting on the company's risk positions including indicators set in the Risk Appetite Framework.

The Risk Management department monitors the counterparty credit ratings on a daily basis and reports immediately to the Executive Management Team of any significant changes.

CAPITAL REQUIREMENTS FOR CREDIT RISK AND COUNTERPARTY CREDIT RISK

MuniFin calculates capital requirements for credit risk using the standardised approach. For counterparty credit risk MuniFin is applying the mark-to-market method.

EU MRA

QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK

Market risk means the risk of the company incurring a loss as a result of an unfavourable change in market price or its volatility. Market risks include interest rate, foreign exchange, share price and other price risks. MuniFin manages the interest rate risk arising from its business operations by means of derivative contracts. Interest rate risk arises mainly from the difference in euribor rate terms between assets and liabilities. The company hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding and investments into euros. The company does not bear any material foreign exchange risk. Derivative contracts are also used to hedge against other market risks. Derivative contracts may only be used for hedging purposes. MuniFin does not have a trading portfolio.

GOVERNANCE OF MARKET RISK

The market risk management operates under three lines of defence as described in Governance of risk management in Section 2. Market risk management utilizes the existing governance structure and processes involving all organizational levels of the company.

Concerning market risk, the primary first line risk owner is the Treasury department and the second line risk owner is the Risk Management and Compliance functions.

Risk Management is responsible for the development market risk policies, while Treasury as the first line risk owner is responsible for making sure that guidelines, instructions and processes are in place to ensure that the relevant policies are being complied with and MuniFin is operating in line with the defined risk appetite at any given time. Overall, Treasury department is responsible for managing day-to-day market risk positions of MuniFin.

The third line of defence, the Internal Audit function, conducts risk-based and general audits, independently reviews and provides objective assurance to the Board of Directors on the quality and effectiveness of the internal control systems.

The independent risk management function is responsible for the development and maintenance of MuniFin's market risk management framework. The framework is described in the Market risk policy which is owned by MuniFin's CRO. The policy is updated at least annually and changes reflect any material changes to the organisational design, best practices, and external environment. The Risk Group is responsible for reviewing any changes proposed by the risk management function prior to the policy being subject to a review by the Executive Management Team and the Risk Committee and finally approved the Board of Directors.

MARKET RISK APPETITE

MuniFin's overall risk appetite is described in the Risk Appetite Framework. MuniFin has identified following material market risk areas: interest rate risk in banking book, FX risk and spread risk.

Under the Risk Appetite Framework, MuniFin has further defined material risks and for each material risk MuniFin has set risk indicators defining the tolerance for market risks. At least on an annual basis, the risk limits and thresholds are reviewed and recalibrated in order to align the Risk Appetite Framework with the Company's strategy and external and macro-economic developments.

Due to MuniFin's business model MuniFin does not have risk appetite for equity, equity index, commodity or any other similar market risk types.

CAPITAL REQUIREMENTS FOR MARKET RISK

MuniFin calculates capital requirements for the overall net foreign exchange position. The company hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding and investments into euros. The company does not bear any material foreign exchange risk.

MANAGEMENT OF MARKET RISK

General principles

The purpose of market risk management is to ensure that the market risk arising from MuniFin's banking book operations correspond to the accepted risk profile as defined in the Risk Appetite Framework. The aim is to keep the overall risk profile at such a low level that the company's strong credit rating (Aa1 /AA+) is not compromised.

MuniFin maintains its exposure to banking book interest rate risk at a low level, which is in line with the company's low-risk business model. Interest rate risk arises from the operations in funding, customer financing and investment activities (liquidity portfolio).

The main principle is to hedge all fixed-rate assets and liabilities with a maturity of one year or greater to floating rate. The hedge is mainly executed simultaneously with the closing of the funding transaction in order to avoid any market risks arising from the timing differences. Also, all fixed-rate assets including the loans to the customers are hedged to floating rate. Due to nature of lending business, small exposures with minor notionals may be left unhedged. Any remaining interest rate positions in the banking book are under ongoing monitoring by Treasury and Risk Management. These residual risks are hedged at a portfolio level if deemed necessary.

Under current risk management practices, where all interest rate risk exposures above one year are hedged to floating rate, the main impact from interest rates to the MuniFin's earnings arises from short-term interest rate fixings (Euribor rates). This risk is actively managed by Treasury both by using Euribor basis swaps to mitigate the risk and by matching lending interest rate fixing dates with funding related fixing dates.

The hedging instruments related to hedge accounting must be documented and implemented in such a way that the effectiveness ratio is between 80% to 125% under IAS 39 standard. Structured loans are hedged in full.

IRRBB

MuniFin's interest rate risk is managed continuously by the Treasury department and regularly controlled and reported by the Risk Management function. Interest rate sensitivity is measured by the total negative impact on the balance sheet's net present value arising from a 200 basis point parallel shift of the interest rate curve. This is in line with the standard regulatory approach for interest rate sensitivity measurement. The total negative impact on the balance sheet's economic value arising from the 200 basis point parallel shift of the interest rate curve must not exceed the set limits.

In addition, MuniFin performs IRRBB calculations based on a number of different interest rate scenarios, including non-parallel shifts in the interest-rate curve (steepener and flattener scenarios). Furthermore, parallel down – 200 basis point parallel shift is used with rates floored to zero.

Earnings risk

Earnings risk is measured through a financial forecast model for the company's projected financial income. The impact is assessed in proportion to MuniFin's profitability and own funds. The model includes the entire balance sheet of the company and takes into account any optionality in the balance sheet. Earnings risk is measured monthly for the following 12-month period. The measurement compares the projected financial income of the basic scenario of the forecast model to a scenario in which the interest rate curve changes by 100 basis points. An increase or decrease in the interest rate curve is used in the benchmark scenario, based on which alternative measure creates a larger negative impact on the financial income.

Since MuniFin's current practice is to hedge all rates to Euribor, earnings at risk from parallel interest rate shocks tend to be very low.

Basis risk

Basis risk refers to the impact of the relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices. Basis risk at MuniFin refers to the single-currency basis risk arising from assets and liabilities, which are linked to different Euribor reference indices. Changes in Euribor basis swap spreads between different Euribor rates may cause unfavourable profitability effects for MuniFin.

Value-at-Risk

VaR is used by MuniFin as a company-wide measure of total market risk arising from interest rates. VaR measures the sensitivity of the present value of the company's balance sheet to changes in the market variables (interest rates). By setting the VaR based limit, MuniFin can assess whether further action is required to reduce its total market risk exposure. VaR is calculated monthly for a 10-day period with 99% confidence interval and expressed as a proportion of the company's own funds. The calculation method is based on a Monte Carlo simulation. The calculation is in line with the recommendation of the Bank for International Settlements (BIS). Backtesting is performed on the VaR at least at quarterly intervals. MuniFin has set maximum limit for VaR from company's own funds.

Spread risk management

Spread risk refers to the risk premium component of an investment, indicating the additional return demanded by investors for an instrument with a specific credit rating instead of investing in the risk-free yield. Spread risk is defined as a probability of change in the market value of an instrument, if the market required return changes. The change may be caused by a change in the instrument's level of risk or a change in the 'risk sensitivity' of the market.

For MuniFin, spread risk refers to the risk of loss due to a negative change in the market value of the investment portfolio. It is measured through calculating the change in the market value when the portfolio's yield requirement (discount curve) is stressed by a certain number of basis points.

FX risk

Based on the guidance from the Board of Directors, MuniFin's lending and other customer finance products are all denominated in euros. All foreign currency denominated funding and liquidity investments denominated in foreign currency are translated into euros using derivatives. The functionality of the cross-currency derivative markets are always assessed before entering into new funding or investments in order to ensure that currency hedges can be put in place according to hedging strategy in order to hedge all transactions back to euros. Furthermore, all currency nominated funding transactions with early call options are hedged fully for potential call situations.

Despite this, MuniFin is not able to completely hedge out all FX risk, due to the need for conducting daily collateral management in foreign currency when non-euro interest rate derivatives are cleared with Central Counterparties.

MuniFin will avoid cross-currency basis risk on its foreign-currency funding and investments by executing hedges to the maturity date of underlying hedged item. Thus, future changes in the cross-currency bases will not affect MuniFin's cash-flow-based risk profile. Any potential impact from cross-currency basis risk associated with existing hedges and having an effect on profitability would be evaluated as part of annual ICAAP process.

Stress testing

MuniFin's stress testing framework documented in Stress testing Policy has been developed to be in line with EBA Guidelines on stress testing, taking into consideration the principle of proportionality in both the quantitative and the qualitative aspects of stress testing within MuniFin.

Stress testing enables MuniFin to gain a more in depth understanding of its individual risk profile (e.g related to interest rate risk) and thus enhance its risk management activities. Stress testing allows MuniFin to gain insights into how key measures predicted as part of the planning process could change under different stress situations.

Stress tests performed for market risk cover spread risk and IRRBB related stress test for earnings and economic value. Market risk is also part of the comprehensive company-wide ICAAP stress test, which measures risk over a five-year horizon.

Market risk reporting

Monthly reports of market risk developments are delivered to the Board of Directors and Executive Management Team as part of regular risk reporting. All changes in MuniFin's market risk profile or position and necessary actions, which are taken in order for the company to remain within set risk appetite are informed to the Board of Directors. In addition to regular reporting, ad-hoc reporting is prepared to the Board as needed.

OPERATIONAL RISK

Operational risk means the risk of loss due to insufficient or failed internal processes, insufficient or failed policies, systems or external factors. Operational risks also include risks arising from failure to comply with internal and external regulation (compliance risk), legal risks and reputational risk. Operational risks may result in expenses, payable compensation, loss of reputation, false information on position, risk and results or an interruption of operations.

GOVERNANCE OF OPERATIONAL RISK

MuniFin's independent Risk Management, Operational Risk function (the second line of defence) is responsible for developing and maintaining the framework for managing operational risk and also supports and controls the first line of defence in their implementation of the operational risk framework. The Risk Management maintains adequate operational risk policies and procedures. In addition, the risk management monitors and reports the adequacy and effectiveness of operational risk framework on a regular basis.

MuniFin's Compliance department (the second line of defence) is responsible for developing and maintaining the framework for managing compliance risk. It also supports the first line of defence in their implementation of the compliance risk framework.

Risk Management reports to the Executive Management Team's subgroup Risk Group on a regular basis all the operational incidents and controls needed. The Risk Group decides if any operational actions are needed. It also reviews and approves the findings of an annual operational risk self-assessment process.

The Board of Directors approves the principles of operational risk management. The Risk Committee of the Board of Directors assists the Board in matters concerning the company's risk strategy and risk appetite level, for example by evaluating changes in the operational risk management policy. The Risk Committee supports the Board in the supervision that the company adheres to the risk strategy approved by the Board.

MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

Operational risks are recognized as part of the company's operations and processes. This has been implemented with an annual operational risk survey, which is carried out by departments through a self-assessment led by Risk Management. Each function's and department's responsibilities include the management of operational risks by daily basis. In addition, the company's Risk Management and Compliance functions support the other functions and departments and have the responsibility at the company level for coordinating the management of operational risks.

MuniFin uses various methods for managing operational risks. The company has internal policies approved by the Board and supplementing internal guidelines approved by the management in order to guide operations. Operational risks are also covered by the Risk Appetite Framework approved by the Board of Directors. Key duties and processes have been charted and described. Internal instructions and processes are updated on a regular basis, and the compliance with them is supervised. The tasks related to business activities, risk control, back office functions, documentation and accounting are separated. The company has adequate backup systems to ensure the continuity of key functions. The expertise of the personnel is maintained and developed through regular development discussions and training plans. MuniFin has insurance policies related to its operations and assesses the level of insurance cover on regular basis.

MuniFin has a contingency plan for situations in which business operations are interrupted. The plan is designed to ensure that the company is able to continue functioning and to limit its losses in different disruptive scenarios. The annual operational risk survey and the operational risk event report process support the company's continuity planning.

MuniFin's compliance function continuously monitors the development of legislation and regulations issued by authorities relevant to the company's operations and ensures that any regulatory changes are appropriately responded to. The legislation and regulations concerning the operations of credit institutions have faced significant changes during the past few years and will continue to change in the future, which creates challenges for MuniFin's compliance function. The company has tried to minimise the risks related to this by maintaining active contacts with the authorities and interest groups as well as through the organisation of the company's internal compliance function (incl. reporting, evaluation of effects).

MuniFin has significant information system and business process related projects aimed at improving the quality, efficiency and regulatory compliance of current operations. The extent of these projects creates operational risks that the company strives to minimise by developing and implementing models related to project management and monitoring (incl. regular reporting) and ensuring sufficient resources. The risks related to development projects are surveyed and monitored regularly. In addition, the projects have been audited by internal audit.

The company has an approval process for new products and services. The process aims to ensure that all material risks and operational requirements are taken into account when developing new products and services. The company does not have material outsourced functions in its operations. The main outsourced items are related to custody services, IT support and back-up facilities of IT-servers and internal audit.

The realisation of operational risks is monitored with systematic operational risk event reporting, which is used to change operating principles or implement other measures to reduce operational risks where necessary. The aggregated incident information is included in the regular risk reporting to the Board. MuniFin's operational risk position is monitored and reported on a monthly basis following the risk indicators defined in Risk Appetite Framework.

MINIMUM OWN FUNDS REQUIREMENT FOR OPERATIONAL RISK

MuniFin calculates the minimum own funds requirement for operational risk using the basic indicator approach. Under the basic indicator approach, the own funds requirement for operational risk equals to 15% of the average over three years of the relevant indicator as set out in the Capital Requirements Regulation.

INFORMATION ON GOVERNANCE ARRANGEMENTS

Information on governance arrangements are described in a separate document, Corporate Governance Statement 2017, which is available on the company's website at www.munifin.fi.

Section 3. Information on the scope of application of the regulatory framework

EU LI1

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND THE MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

	a & b	c	d	f	g
		Carrying values of items			
31 DEC 2017 (EUR 1,000)	**Carrying values as reported in published financial statements & Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to CCR framework**	**Subject to market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets			-		
Cash and balance with central banks	3,554,182	3,554,182	-	-	-
Loans and advances to credit institution	1,251,391	24,221	1,227,170	5,742	-
Loand and advances to the public and public sector entities	21,650,847	21,650,847	-	-	-
Debt securities	6,494,234	6,494,234	-	206,869	-
Shares and participations	9,662	9,662	-	-	-
Derivative contracts	1,433,318	-	1,433,318	756,503	-
Intangible assets	10,196	-	-	-	10,196
Tangible assets	2,594	2,594	-	-	-
Other assets	157,862	114,657	43,205	12,697	-
Accrued income and prepayments	173,853	67,497	-	-	-
Total assets	**34,738,139**	**31,917,893**	**1,270,375**	**981,811**	**10,196**
Liabilities					
Liabilities to credit institutions	3,902,480	-	699,780	42,190	-
Liabilities to the public and public sector entities	646,558	-	-	253,398	-
Debt securities issued	26,303,961	-	-	22,732,764	-
Derivative contracts	2,216,034	-	2,216,034	1,707,173	5,134
Other liabilities	2,587	-	-	-	-
Accrued expenses and deferred income	124,574	-	-	-	-
Deferred tax liabilities	202,522	-	-	-	-
Total liabilities	**33,398,716**	**-**	**2,915,814**	**24,735,525**	**5,134**

The table above provides a breakdown of the published financial statements into the various risk frameworks. Certain items such as foreign currency assets and liabilities are subject to both the credit risk framework and the market risk framework. Cross currency derivatives hedging these foreign currency assets and liabilities are taken into account in the market risk and counterparty credit risk frameworks.

EU LI2

MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

	a	b	c	e
		Items subject to		
31 DEC 2017 (EUR 1,000)	**Total**	**Credit risk framework**	**CCR framework**	**Market risk framework**
1 Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	34,738,139	31,917,893	2,703,693	981,811
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-27,651,339	-	-2,915,814	-24,735,525
3 Total net amount under the regulatory scope of consolidation	7,086,800	31,917,893	-212,121	-23,753,714
4 Off-balance sheet amounts	2,270,346	2,270,346	-	-
5 Differences due to Article 274 mark-to-market method and carrying amounts	1,532,831	-	894,015	-
6 Differences due to Article 352 foreign exchange risk treatment and carrying amounts	-	-	-	23,767,150
7 Exposure amounts considered for regulatory purposes	34,883,570	34,188,240	681,895	13,436

EU LI3

OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

	a	b	f
31 DEC 2017	**Method of accounting consolidation**	**Method of regulatory consolidation**	**Description of the entity**
NAME OF THE ENTITY		**Full consolidation**	
Municipality Finance Plc	Full consolidation	x	Credit institution
Financial Advisory Services Inspira Ltd	Full consolidation	x	Financial advisory services

EU LIA

EXPLANATION OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS

The differences between the financial statement carrying values and regulatory exposure amounts arise from the following items - Off-balance sheet items such as binding credit commitments, which are included in the regulatory exposure on row 4, but not included in the accounting carrying amounts. The difference in the treatment of derivatives between the IFRS framework and regulatory framework. As shown on row 5 a difference arises from the counterparty credit risk framework and applying CRR article 274 mark-to-market method to derivatives. In the financial statement carrying amounts derivative assets and liabilities are fair valued on instrument level, with no netting applied on counterparty level and without considering the impact of any collateral. As shown on row 6 a difference also arrises from the market risk framework in comparison to the accounting framework. The accounting carrying amounts of cross currency derivatives do not represent the actual long or short positions in only foreign currency, therefore a difference exists in comparison to the treament of foreign currency positions in CRR article 352.

The scope of consolidation for financial statements and regulatory consolidation does not differ.

In accordance with CRR article 34 MuniFin has deducted an additional valuation adjustment related to derivative valuation from Common Equity Tier 1 at year end 2017. The additional valuation had an impact of EUR -7 million on Common Equity Tier 1. At year end 2017 MuniFin deducted a prudent valuation adjustment totalling EUR 9.5 million from Common Equity Tier 1. The prudent valuation adjustment has been calculated utilising the simplified approach, as the sum of the absolute value of fair-valued assets and liabilities, as stated in the financial statements under the IFRS accounting framework, is less than EUR 15 billion.

Financial instruments are valued in accordance with internal fair valuation guidelines defined by the company. Mark-to-market valuation is applied to investment bonds as for these a market price is available, whereas lending, issued debt and OTC-derivatives are valued using mark-to-model methodologies. Derivative valuations are also reconciled with derivative counterparties on a daily basis.

MuniFin does not have a trading book.

Section 4. Own funds

CONSOLIDATED OWN FUNDS

(EUR 1,000)	31 DEC 2017	31 DEC 2016
Share capital	42,583	42,583
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	879,799	734,107
Fair value reserve, transitional provision	28,944	19,519
Other reserves	277	277
Foreseeable dividend	-6,250	-
Accrued interest net of deferred taxes of AT1 capital loan treated as equity	-9,459	-9,459
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**976,260**	**827,393**
Intangible assets	-10,196	-6,776
Deductions due to prudential filters on Common Equity Tier 1	-20,544	-43,985
Common Equity Tier 1 (CET1) capital	**945,519**	**776,633**
Instruments included in Additional Tier 1 capital	347,454	347,454
Additional Tier 1 (AT1) capital	**347,454**	**347,454**
Tier 1 (T1) capital	**1,292,973**	**1,124,086**
Tier 2 (T2) capital	**-**	**-**
Total own funds	**1,292,973**	**1,124,086**

Based on EU Capital Requirements Regulation and FIN-FSA regulations and guidelines 25/2013 unrealised gains on assets measured at fair value (fair value reserve) are included in Common Equity Tier 1 (during 1 January 2015 - 31 December 2017). Common Equity Tier 1 capital includes the profit for the period at the end of 2017 and 2016. The result for the period has been subject to a review by the auditors, and therefore can be included in CET1 capital on the basis of permission granted by the ECB in accordance with the Capital Requirements Regulation. Deductions due to prudential filters on Common Equity Tier 1 are made up of MuniFin's debt value adjustment (DVA) and other value adjustments (PVA, AVA) and the anticipated distribution of earnings.

Additional Tier 1 capital contains MuniFin's AT1 capital loan EUR 350 million which was issued on October 1st 2015.

The own funds of the subsidiary Financial Advisory Services Inspira Ltd were not taken into account in the Group's own funds because, according to the interpretation of the Finnish Financial Supervisory Authority (27 January 2016), shares which a company, according to its Articles of Association, has the right to redeem as stipulated in Chapter 3, Section 7 of the Limited Liability Companies Act (624/2006), cannot be classified as CET1 instruments.

MAIN FEATURES OF CAPITAL INSTRUMENTS

(EUR 1,000)	Common Equity Tier 1 capital **Shares A and B of share capital, reserve for invested non-restricted equity, retained earnings and reserve fund**	Additional Tier 1 instrument **EUR 350,000,000 Perpetual Fixed Rate Resettable Additional Tier 1 Securities**
1. Issuer	Municipality Finance Plc	Municipality Finance Plc
2. Unique identifier	N/A	ISIN: XS1299724911
3. Governing law(s) of the instrument	Finnish Law	English law, except for the provisions of Status and Subordination (section 3) and Enforcement Events (section 10) which are governed by Finnish law.
Regulatory treatment		
4. Transitional CRR rules	CET1	AT1
5. Post-transitional CRR rules	CET1	AT1
6. Eligible at solo/consolidated / solo and consolidated	Solo and consolidated	Solo and consolidated
7. Instrument type (types to be specified by each jurisdiction)	Share capital as defined in Regulation No (EU) 575/2013 Article 28, Finnish Limited Liability Companies Act	Additional Tier 1 as defined in Regulation No (EU) 575/2013 Article 52, Finnish Limited Liability Companies Act
8. Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	976,260	347,454
9. Nominal amount of instrument	N/A	350,000
9a. Issue price	N/A	100%
9b. Redemption price	Redemption price according to the Articles of Association depending of the redemption situation	100%
10. Accounting classification	Shareholders' equity	Liability, amortized cost
11. Original date of issuance	N/A	Oct 1, 2015
12. Perpetual or dated	Perpetual	Perpetual
13. Original maturity date	No maturity	No maturity
14. Issuer call subject to prior supervisory approval	Yes	Yes

15. Optional call date, contingent call dates and redemption amount	N/A	1) Right to redeem on April 1, 2022 and subsequently on each annual coupon payment date; 2) Right to redeem subsequent to a Capital or Tax Event as defined in the terms. Redemption price is 100%.
16. Subsequent call dates, if applicable	N/A	Annually April 1 after the first call date.
Coupons/Dividends		
17. Fixed or floating dividend/coupon	Fixed	Fixed coupon until April 1 2022, thereafter floating.
18. Coupon rate and any related index	N/A	4.5% to but excluding the first call date 1.4.2022. After 1.4.2022 the rate is the 5 year swap rate plus a margin of 3.960% and reset each fifth anniversary.
19. Existence of a dividend stopper	No	No
20a. Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b. Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21. Existence of step up or other incentive to redeem	No	No
22. Noncumulative or cumulative	Non-cumulative	Non-cumulative
23. Convertible or non-convertible	Non-convertible	Non-convertible
24. If convertible, conversion trigger(s)	N/A	N/A
25. If convertible, fully or partially	N/A	N/A
26. If convertible, conversion rate	N/A	N/A
27. If convertible, mandatory or optional conversion	N/A	N/A
28. If convertible, specify instrument type convertible into	N/A	N/A
29. If convertible, specify issuer of instrument it converts to	N/A	N/A
30. Write-down features	No	Yes
31. If write-down, write-down trigger(s)	N/A	CET1 of the Issuer and/or the Group less than 5.125%
32. If write-down, full or partial	N/A	Full or partially
33. If write-down, permanent or temporary	N/A	Temporary
34. If temporary write-down, description of write-up mechanism	N/A	Fully discretionary
35. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2
36. Non-compliant transitioned features	No	No
37. If yes, specify non-compliant features	N/A	N/A

TRANSITIONAL OWN FUNDS

31 DEC 2017 (EUR 1,000)	Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Common Equity Tier 1 capital: instruments and reserves			
1. Capital instruments and the related share premium accounts	42,583	26 (1), 27, 28, 29, EBA list 26 (3)	-
2. Retained earnings	721,134	26 (1) c	-
3. Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	69,587	26 (1)	-
5. Minority interest (amount allowed in consolidated CET1)	-	84, 479, 480	-
5a. Independently reviewed interim profits net of any foreseeable charge or dividends	142,956	26 (2)	-
6. Common Equity Tier 1 (CET1) capital before regulatory adjustments	**976,260**		**-**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7. Additional value adjustments (negative amount)	-16,437	34, 105	-
8. Intangible assets (net of related tax liability) (negative amount)	-10,196	36 (1) (b), 37, 472 (4)	-
14. Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-4,107	33 (b)	-
28. Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-30,741**		**-**
29. Common Equity Tier 1 (CET1) capital	**945,519**		**-**
Additional Tier 1 (AT1) capital: instruments			**-**
30. Capital instruments and the related share premium	347,454	51, 52	-
31. of which: classified as equity under applicable accounting standards	347,454		-
36. Additional Tier 1 (AT1) capital before regulatory adjustments	**347,454**		**-**
Additional Tier 1 (AT1): regulatory adjustments			
43. Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**		**-**
44. Additional Tier 1 (AT1) capital	**347,454**		**-**
45. Tier 1 capital (T1 = CET1 + AT1)	**1,292,973**		**-**
Tier 2 (T2) capital: instruments and provisions			
51. Tier 2 (T2) capital before regulatory adjustments	**-**		**-**

Tier 2 (T2) capital: regulatory adjustments			
57. Total regulatory adjustments to Tier 2 (T2) capital	**-**		**-**
58. Tier 2 (T2) capital	**-**		**-**
59. Total capital (TC = T1 + T2)	**1,292,973**		**-**
60. Total risk weighted assets	**1,783,501**		**-**
Capital ratios and buffers			
61. Common Equity Tier 1 (as percentage of risk exposure amount)	53.01%	92 (2) (a), 465	
62. Tier 1 (as percentage of risk exposure amount)	72.50%	92 (2) (b), 465	
63. Total capital (as percentage of risk exposure amount)	72.50%	92 (2) (c)	
64. Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII), expressed as a percentage of risk exposure amount)	3.34%	CRD 129, 129, 130	
65. of which: capital conservation buffer requirement	2.50%		
66. of which: countercyclical buffer requirement	0.34%	CRD 130	
67. of which: systemic risk buffer requirement	0.00%		
67a. of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	48.51%	CRD 128	

31 DEC 2016 (EUR 1,000)	Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Common Equity Tier 1 capital: instruments and reserves			
1. Capital instruments and the related share premium accounts	42,583	26 (1), 27, 28, 29, EBA list 26 (3)	-
2. Retained earnings	594,765	26 (1) c	-
3. Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	60,162	26 (1)	-
5. Minority interest (amount allowed in consolidated CET1)	-	84, 479, 480	-
5a. Independently reviewed interim profits net of any foreseeable charge or dividends	129,883	26 (2)	-
6. Common Equity Tier 1 (CET1) capital before regulatory adjustments	**827,393**		**-**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7. Additional value adjustments (negative amount)	-43,661	34, 105	-
8. Intangible assets (net of related tax liability) (negative amount)	-6,776	36 (1) (b), 37, 472 (4)	-
14. Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-323	33 (b)	-
28. Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-50,760**		**-**
29. Common Equity Tier 1 (CET1) capital	**776,633**		**-**
Additional Tier 1 (AT1) capital: instruments			
30. Capital instruments and the related share premium	347,454	51, 52	-
31. of which: classified as equity under applicable accounting standards	347,454		-
36. Additional Tier 1 (AT1) capital before regulatory adjustments	**347,454**		**-**
Additional Tier 1 (AT1): regulatory adjustments	**-**		
43. Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**		**-**
44. Additional Tier 1 (AT1) capital	**347,454**		**-**
45. Tier 1 capital (T1 = CET1 + AT1)	**1,124,086**		**-**
Tier 2 (T2) capital: instruments and provisions			
51. Tier 2 (T2) capital before regulatory adjustments	**-**		**-**

Tier 2 (T2) capital: regulatory adjustments			
57. Total regulatory adjustments to Tier 2 (T2) capital	**-**		**-**
58. Tier 2 (T2) capital	**-**		**-**
59. Total capital (TC = T1 + T2)	**1,124,086**		**-**
60. Total risk weighted assets	**1,680,550**		**-**
Capital ratios and buffers			
61. Common Equity Tier 1 (as percentage of risk exposure amount)	46.21%	92 (2) (a), 465	
62. Tier 1 (as percentage of risk exposure amount)	66.89%	92 (2) (b), 465	
63. Total capital (as percentage of risk exposure amount)	66.89%	92 (2) (c)	
64. Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII), expressed as a percentage of risk exposure amount)	3.26%	CRD 129, 129, 130	
65. of which: capital conservation buffer requirement	2.50%		
66. of which: countercyclical buffer requirement	0.26%	CRD 130	
67. of which: systemic risk buffer requirement	0.00%		
67a. of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	38.30%	CRD 128	

Section 5. Capital requirements

MuniFin's objectives regarding own funds in relation to risk taking and the operating environment are defined as part of the annual planning. The planning horizon extends to the following five years, in order to be able to predict the business performance trend and the sufficiency of own funds with respect to the increasing capital requirements arising from changing regulation and to be able to react to potential needs for additional capitalisation in sufficient time. The Board of Directors approves the internal capital adequacy plan and monitors it. The company updates its capital adequacy plan annually.

Controlling capital adequacy is continuous and an essential part of the company's strategic planning process, which covers setting strategic goals, specifying development projects and making financial forecasts for the following years. This is done in co-operation with management and the Board. The Board of the company approves the final strategy. Management ensures that the operative measures of the company correspond with the principles determined in the strategy approved by the Board. As part of the annual planning, the management prepares a business plan for the coming year and business forecasts for the years that follow. The company's risk position and its effect on the company's financial status are also evaluated. Regular risk analyses as well as various stress test scenarios are used for evaluating and measuring risks. Based on these, the capital adequacy plan is updated annually and actions needed to strengthen own funds are determined. The adequacy of own funds, capital ratios and capital requirements are also monitored through monthly business analyses. The current capital position and capital ratios are reported to Finance Group, Risk Group, Executive Management Team, to the Board and it committees on a monthly basis.

In the internal capital adequacy plan MuniFin calculates capital requirements on Pillar I risk and for internal Pillar II risks. Pillar I capital requirements are calculated for credit risk, counterparty credit risk, market risk, credit valuation adjustment risk and operational risk as outlined in the Capital Requirements Regulation. For internal Pillar II risks MuniFin considers additional capital requirements for strategic risk, default risk, spread risk, interest rate risk in banking book and operational risk.

Furthermore to the regulatory minimum capital requirements, as part of the annual supervisor's review (SREP), the European Central Bank (ECB) has imposed an additional capital requirement of 1.5% (Pillar 2 Requirement) on MuniFin, effective from 1 January 2017 to cover additional risks not covered in Pillar I. The amount of the additional capital requirement is evaluated by the ECB at least annually. On the same occasion, the ECB proposed an indicative additional capital requirement of 4.2% (Pillar 2 Guidance). Falling below this level does not have an effect on issues such as the distribution of profit. MuniFin's capital adequacy is many times higher than these capital requirements.

The regulatory capital requirement for credit risk is calculated using the standardised approach and for counterparty credit risk MuniFin uses mark-to-market method. In calculating the regulatory capital requirements for market risk, only foreign exchange risk is taken into account as the group does not have a trading book nor share or commodity positions. As foreign exchange risk is hedged by swapping all currency denominated funding and investments into euros, the company's foreign exchange position is small and consists of FX trades made for daily collateral management purposes in other currencies than euros. The capital requirement for operative risks is calculated using the basic indicator approach.

CONSOLIDATED KEY FIGURES FOR CAPITAL ADEQUACY	31 DEC 2017	31 DEC 2016
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	53.01	46.21
Ratio of Tier 1 (T1) capital to risk-weighted assets, %	72.50	66.89
Ratio of total own funds to risk-weighted assets, %	72.50	66.89

CONSOLIDATED MINIMUM REQUIREMENT FOR OWN FUNDS

The capital requirement for credit risk is calculated using the standardised approach. MuniFin has refined the treatment of given cash collateral under derivatives netting agreement in counterparty credit risk (CCR) calculations, which has reduced the CCR exposure at default. Posted collateral has been excluded from RWA for institutions and is treated as a part of the net replacement cost under CCR, when netting under Capital Requirements Regulation is approved from December 2017 onwards.

In calculating the capital requirements for market risk, only foreign exchange risk is taken into account as the group does not have a trading book nor share or commodity positions. As foreign exchange risk is hedged by swapping all currency denominated funding and investments into euros, the company's foreign exchange position is very small. There was no capital requirement for foreign exchange risk since the net position did not exceed 2 percent of the own funds (CRR 575/2013 art. 351) at the end of 2017.

Guarantees granted by the Municipal Guarantee Board for certain derivative counterparties are not taken into account in credit valuation adjustment risk from December 2017 onwards. This has resulted in increased exposure for credit valuation adjustments. In addition MuniFin amended the formula for calculating credit valuation adjustment risk.

The capital requirement for operational risk is calculated using the basic indicator approach.

	31 Dec 2017		31 Dec 2016	
(EUR 1,000)	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets
Credit and counterparty credit risk, standardised approach	**88,603**	**1,107,536**	**107,756**	**1,346,956**
Exposures to central governments or central banks	302	3,780	778	9,725
Exposures to regional governments or local authorities	332	4,153	379	4,735
Exposures to multilateral development banks	953	11,914	965	12,068
Exposures to institutions	62,294	778,671	79,937	999,213
Exposures to public sector entities	4,742	59,271	4,275	53,435
Exposures in the form of covered bonds	19,063	238,284	20,303	253,793
Items representing securitisation positions	104	1,296	423	5,284
Exposures in the form of shares in CIUs	103	1,286	107	1,331
Other items	710	8,881	590	7,372
Market risk	**-**	**-**	**794**	**9,930**
Credit valuation adjustment risk (CVA VaR), standardised method	**27,294**	**341,179**	**1,304**	**16,299**
Operational risk, basic indicator approach	**26,783**	**334,786**	**24,589**	**307,364**
Total	**142,680**	**1,783,501**	**134,444**	**1,680,550**

The capital requirement for counterparty risk is EUR 3,158 thousand (2016: EUR 4,826 thousand).

CONSOLIDATED EXPOSURE BY CLASS

31 DEC 2017 (EUR 1,000) EXPOSURE CLASSES	On-balance sheet exposure	Off-balance sheet exposure	Derivatives exposure	Total exposure	Average exposure amount over the period	Risk-weighted assets
Exposures to central governments or central banks	4,004,347	-	-	4,004,347	3,307,052	3,780
Exposures to regional governments or local authorities	9,578,898	873,521	160,014	10,612,433	10,890,553	4,153
Exposures to public sector entities	281,233	-	-	281,233	278,233	59,271
Exposures to multilateral development banks	232,631	-	-	232,631	238,805	11,914
Exposures to international organisations	73,917	-	-	73,917	95,083	-
Exposures to institutions	2,891,157	-	521,880	3,413,037	4,283,925	778,671
Exposures to corporates	5,086,565	274,461	-	5,361,025	5,459,483	-
Exposures secured by mortgages on immovable property	7,733,922	1,122,364	-	8,856,287	8,564,424	-
Exposures in default	450	-	-	450	113	-
Exposures in the form of covered bonds	1,938,881	-	-	1,938,881	1,961,964	238,284
Items representing securitisation positions	6,478	-	-	6,478	18,128	1,296
Exposures in the form of shares in CIUs	9,635	-	-	9,635	9,663	1,286
Other items	79,780	-	-	79,780	88,119	8,881
Total	**31,917,893**	**2,270,346**	**681,895**	**34,870,134**	**35,195,544**	**1,107,536**

31 DEC 2016 (EUR 1,000) **EXPOSURE CLASSES**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Derivatives exposure**	**Total exposure**	**Average exposure amount over the period**	**Risk-weighted assets**
Exposures to central governments or central banks	1,564,884	-	-	1,564,884	2,381,066	9,725
Exposures to regional governments or local authorities	10,126,880	716,850	223,150	11,066,880	10,945,192	4,735
Exposures to public sector entities	267,177	-	-	267,177	263,780	53,435
Exposures to multilateral development banks	256,452	-	-	256,452	270,561	12,068
Exposures to international organisations	133,691	-	-	133,691	149,090	-
Exposures to institutions	3,670,578	-	741,487	4,412,065	4,588,931	999,213
Exposures to corporates	4,832,744	337,577	-	5,170,321	5,126,996	-
Exposures secured by mortgages on immovable property	7,208,747	828,892	-	8,037,639	7,863,384	-
Exposures in the form of covered bonds	2,055,196	-	-	2,055,196	1,987,623	253,793
Items representing securitisation positions	26,419	-	-	26,419	35,593	5,284
Exposures in the form of shares in CIUs	9,668	-	-	9,668	9,820	1,331
Other items	92,442	-	-	92,442	95,673	7,372
Total	**30,244,877**	**1,883,319**	**964,637**	**33,092,833**	**33,717,708**	**1,346,956**

EU OV1
OVERVIEW OF RISK-WEIGHTED ASSETS

		RWAs		Minimum capital requirements
(EUR 1,000)		**31 DEC 2017**	**30 SEP 2017**	**31 DEC 2017**
1	**Credit risk (excluding CCR)**	**1,066,762**	**1,350,520**	**85,341**
2	Of which the standardised approach	1,066,762	1,350,520	85,341
6	**CCR**	**380,657**	**56,035**	**30,453**
7	Of which mark to market	39,478	43,412	3,158
12	Of which CVA	341,179	12,623	27,294
13	**Settlement risk**	-	-	-
14	**Securitisation exposures in the banking book (after the cap)**	**1,296**	**3,340**	**104**
18	Of which standardised approach	1,296	3,340	104
19	**Market risk**	-	**8,024**	-
20	Of which the standardised approach	-	8,024	-
22	**Large exposures**	-	-	-
23	**Operational risk**	**334,786**	**334,786**	**26,783**
24	Of which basic indicator approach	334,786	334,786	26,783
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
28	**Floor adjustment**	-	-	-
29	**Total**	**1,783,501**	**1,752,705**	**142,680**

MuniFin has refined the treatment of given cash collateral under derivatives netting agreement in counterparty credit risk (CCR) calculations, which has reduced the CCR exposure at default. There are no risk-weighted assets for market risk as the foreign exchange net position did not exceed 2 percent of the own funds. Guarantees granted by the Municipal Guarantee Board for certain derivative counterparties are not taken into account in credit valuation adjustment risk from December 2017 onwards. This has resulted in increased exposure for credit valuation adjustments. In addition MuniFin amended the formula for calculating credit valuation adjustment risk.

Section 6. Capital buffers

MINIMUM CAPITAL REQUIREMENTS AND CAPITAL BUFFERS

(%) 31 DEC 2017	Capital requirement	Capital conservation buffer [1]	Counter-cyclical capital buffer [2]	O-SII [3]	Total capital buffers	Total
Common Equity Tier 1 (CET1)	4.5%	2.5%	0.3%	0.5%	3.3%	7.8%
Tier 1 Capital (T1)	6.0%	2.5%	0.3%	0.5%	3.3%	9.3%
Total own funds	8.0%	2.5%	0.3%	0.5%	3.3%	11.3%

(EUR 1,000) 31 DEC 2017	Capital requirement	Capital conservation buffer [1]	Counter-cyclical capital buffer [2]	O-SII [3]	Total capital buffers	Total
Common Equity Tier 1 (CET1)	80,258	44,588	6,017	8,918	59,522	139,780
Tier 1 Capital (T1)	107,010	44,588	6,017	8,918	59,522	166,532
Total own funds	142,680	44,588	6,017	8,918	59,522	202,202

(%) 31 DEC 2016	Capital requirement	Capital conservation buffer [1]	Counter-cyclical capital buffer [2]	O-SII [3]	Total capital buffers	Total
Common Equity Tier 1 (CET1)	4.5%	2.5%	0.3%	0.5%	3.3%	7.8%
Tier 1 Capital (T1)	6.0%	2.5%	0.3%	0.5%	3.3%	9.3%
Total own funds	8.0%	2.5%	0.3%	0.5%	3.3%	11.3%

(EUR 1,000) 31 DEC 2016	Capital requirement	Capital conservation buffer [1]	Counter-cyclical capital buffer [2]	O-SII [3]	Total capital buffers	Total
Common Equity Tier 1 (CET1)	75,625	42,014	4,366	8,403	54,783	130,408
Tier 1 Capital (T1)	100,833	42,014	4,366	8,403	54,783	155,616
Total own funds	134,444	42,014	4,366	8,403	54,783	189,227

1) Act on Credit Institutions (610/2014), Chapter 10, Section 3, and the EU capital requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). Valid from 1 January 2015.

2) Act on Credit Institutions (610/2014) Sect 10:4-5 § and Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). On 21th December 2017, the Board of Financial Supervisory Authority (FIN-FSA) decided not to set countercyclical capital buffer requirement for credit exposures allocated to Finland. The institution-specific countercyclical capital buffer requirement is determined on the basis of the geographical distribution of the exposures. For MuniFin it is 0,3% on 31 December 2017.

3) The additional capital requirement for other systemically important institutions: Act on Credit Institutions (610/2014), Chapter 10, Section 8, and the EU capital requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). The additional capital requirement (O-SII) imposed on MuniFin is 0.5% as per the decision of the Financial Supervisory Authority made on 6 July 2015, valid from 7 January 2016.

As part of the annual supervisory's review (SREP), the European Central Bank (ECB) has imposed an additional capital requirement of 1.5% (P2R) on MuniFin, effective from 1 January 2017. The amount of the additional capital requirement is evaluated by the ECB at least annually. The minimum level of CET1 capital adequacy is 9.3% when taking account of the P2R additional capital requirement, and the minimum level of overall capital adequacy is 12.8%. On the same occasion , the ECB proposed an indicative additional capital requirement of 4.2% (P2G). Falling below this level does not have an effect on issues such as the distribution of profit. When this indicative additional capital requirement is taken into account, the minimum level for CET1 capital adequacy at the end of 2017 is 13.5%. MuniFin's capital adequacy is many times higher than these capital requirements.

In December 2017, the Financial Supervisory Authority decided to raise the additional capital requirement for other systematically important institutions (O-SII) on MuniFin from 0.5% to 1%. The new requirement will be effective on 1 July 2018.

The ECB's updated additional capital requirements on MuniFin, which take effect on 1 January 2018, are 1.75% (P2R) and 4.0% (P2G). Based on the above, as of 1 January 2018, with the additional capital requirement and the indicative additional capital requirement taken into account, the new minimum for the CET1 capital adequacy is 13.55%.

GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

31 DEC 2017 (EUR 1,000) BREAKDOWN BY COUNTRY		General credit exposures		Securitisation exposure		Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value IRB	Exposure value for SA	Exposure value IRB	Of which: General credit exposures	Of which: Securitisation exposure	Total		
ROW		010	020	050	060	070	090	100	110	120
010	Other Countries	1,630	-	-	-	7	-	7	0.0%	0.0%
010	AE	-	-	-	-	-	-	-	0.0%	0.0%
010	AT	627	-	-	-	-	-	-	0.0%	0.0%
010	AU	116,950	-	-	-	1,871	-	1,871	9.4%	0.0%
010	BE	76,101	-	-	-	602	-	602	3.0%	0.0%
010	CA	248,067	-	-	-	3,935	-	3,935	19.7%	0.0%
010	CH	24,626	-	-	-	395	-	395	2.0%	0.0%
010	DE	7,932	-	-	-	58	-	58	0.3%	0.0%
010	DK	94,748	-	-	-	759	-	759	3.8%	0.0%
010	ES	-	-	1,607	-	-	26	26	0.1%	0.0%
010	FI	434,393	-	-	-	3,395	-	3,395	17.0%	0.0%
010	FR	198,964	-	-	-	1,614	-	1,614	8.1%	0.0%
010	GB	219,524	-	-	-	1,852	-	1,852	9.3%	0.0%
010	IT	-	-	-	-	-	-	-	0.0%	0.0%
010	JP	372	-	-	-	8	-	8	0.0%	0.0%
010	KR	709	-	-	-	6	-	6	0.0%	0.0%
010	LU	9,635	-	-	-	103	-	103	0.5%	0.0%
010	NL	117,315	-	4,871	-	942	78	1,020	5.1%	0.0%
010	NO	215,256	-	-	-	1,722	-	1,722	8.6%	2.0%
010	NZ	58,486	-	-	-	937	-	937	4.7%	0.0%
010	SE	203,121	-	-	-	1,648	-	1,648	8.2%	2.0%
010	SG	-	-	-	-	-	-	-	0.0%	0.0%
010	US	289	-	-	-	23	-	23	0.1%	0.0%
020	**Total**	**2,028,746**	**-**	**6,478**	**-**	**19,876**	**104**	**19,980**	**100.0%**	

AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

31 DEC 2017 ROW		Column 010
010	Total risk exposure amount	1,783,501
020	Institution-specific countercyclical buffer rate	0.34 %
030	Institution-specific countercyclical buffer requirement	6,017

Section 7. Credit risk and general information on credit risk mitigation

EU CRB-A

ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

Past due: Past due is defined as a loan payment that has not been made as of its due date.

Non-performing: A past due claim is considered non-performing when its payments of interest or principal is over 90 days due, an impairment on the asset has been recognized or in the occurence of other such events, where the solvency of the client can be assumed to be permanently compromised. In other cases, when payments are received in time or the receivable is less than 90 days due, the financial asset is classified as performing.

Impaired: At the end of each reporting period the company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and this loss event has an impact on the estimated future cash flows that can be reliably estimated. Objective evidence of impairment of an item or group recognised under financial assets can include information on the following loss events: the issuer or debtor is experiencing significant financial difficulty, or breach of contract terms, such as default or delinquency in interest or principal payments.

Definition of default: A default is considered to have occurred with regard to a particular obligor when either or both of the following have taken place: (i) the obligor is unlikely to pay its credit obligations to MuniFin, without recourse by the MuniFin to actions such as realising the security; (ii) the obligor is past due more than 90 days (i.e. at least 91 days) on any material credit obligation to MuniFin.

The definition of default in accounting purposes is aligned with the definition of default used for internal credit risk management purposes.

Forborne: If the payment plan is modified or some other change in terms is made on a loan that a client cannot fulfill due to financial difficulties, the loan is always categorised as a forborne loan. Forborne loans are alleviations to the original payment plan agreed on the client's initiative and their purpose is to aid the client to manage temporary payment difficulties. The loan is no longer classified as a forborne loan after two years, if the client has been able to fulfill the new payment plan and no impairment on liabilities has been recognised.

EU CRB-B
TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

		a	b
31 DEC 2017 (EUR 1,000)		**Net value of exposures at the end of the period**	**Average net exposures over the period**
16	Central goverments or central banks	4,004,347	3,307,052
17	Regional governments or local authorities	10,612,433	10,890,553
18	Public sector entities	281,233	278,233
19	Multilateral development banks	232,631	238,805
20	International organisations	73,917	95,083
21	Institutions	3,413,037	4,283,925
22	Corporates	5,361,025	5,459,483
26	Secured by mortgages on immovable property	8,856,287	8,564,424
28	Exposures in default	450	113
30	Covered bonds	1,938,881	1,961,964
32	Collective investments undertakings	9,635	9,663
34	Other exposures	79,780	88,119
35	**Total standardised approach**	**34,863,657**	**35,177,415**
36	**Total**	**34,863,657**	**35,177,415**

EU CRB-C
GEOGRAPHICAL BREAKDOWN OF EXPOSURES

		a	b	c	d	e
		Net value				
31 DEC 2017 (EUR 1,000)		**Finland**	**Other Nordic countries**	**Other EU countries**	**Other countries**	**Total**
7	Central goverments or central banks	3,664,694	-	299,539	40,114	4,004,347
8	Regional governments or local authorities	10,612,433				10,612,433
9	Public sector entities	49,514	-	165,086	66,633	281,233
10	Multilateral development banks	-	-	-	232,631	232,631
11	International organisations	-	-	-	73,917	73,917
12	Institutions	242,285	532,448	1,774,189	864,115	3,413,037
13	Corporates	5,361,025				5,361,025
15	Secured by mortgages on immovable property	8,856,287	-	-	-	8,856,287
16	Exposures in default	450	-	-	-	450
18	Covered bonds	378,034	508,192	608,695	443,959	1,938,881
20	Collective investments undertakings	-	-	9,635	-	9,635
22	Other exposures	55,908	4,933	11,768	7,170	79,780
23	**Total standardised approach**	**29,220,631**	**1,045,574**	**2,868,912**	**1,728,539**	**34,863,657**
24	**Total**	**29,220,631**	**1,045,574**	**2,868,912**	**1,728,539**	**34,863,657**

31 DEC 2016 (EUR 1,000)	a	b	c	d	e
	Net value				
	Finland	Other Nordic countries	Other EU countries	Other countries	Total
7 Central goverments or central banks	1,103,026	-	413,233	48,625	1,564,884
8 Regional governments or local authorities	11,066,880	-	-	-	11,066,880
9 Public sector entities	34,489	-	201,590	31,098	267,177
10 Multilateral development banks	-	-	256,452	-	256,452
11 International organisations	-	-	133,691	-	133,691
12 Institutions	347,481	556,130	2,408,592	1,099,862	4,412,065
13 Corporates	5,170,321	-	-	-	5,170,321
15 Secured by mortgages on immovable property	8,037,639	-	-	-	8,037,639
18 Covered bonds	378,279	559,637	634,546	482,734	2,055,196
20 Collective investments undertakings	-	-	9,668	-	9,668
22 Other exposures	61,178	7,052	17,682	6,529	92,442
23 Total standardised approach	**26,199,292**	**1,122,820**	**4,075,454**	**1,668,847**	**33,066,414**
24 Total	**26,199,292**	**1,122,820**	**4,075,454**	**1,668,847**	**33,066,414**

EU CRB-D

CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES AND EXPOSURE CLASSES

31 DEC 2017 (EUR 1,000)	d	e	f	h		l	o	q	s	u
	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Transport and storage	Financial and insurance activities	Real estate activities	Public administration and defence, compulsory social security	Human health services and social work activities	Other services	Total
7 Central goverments or central banks	-	-	-	-	3,554,177	-	450,170	-	-	4,004,347
8 Regional governments or local authorities	5,727	65,588	5,872	5,147	-	2,767	9,413,830	939,388	174,115	10,612,433
9 Public sector entities	-	-	-	-	231,719	-	49,514	-	-	281,233
10 Multilateral development banks	-	-	-	-	232,631	-	-	-	-	232,631
11 International organisations	-	-	-	-	-	-	73,917	-	-	73,917
12 Institutions	-	-	-	-	3,084,496	-	328,541	-	-	3,413,037
13 Corporates	480,147	343,296	171,445	298,482	26,669	3,565,262	5,056	138,667	332,001	5,361,025
15 Secured by mortgages on immovable property	-	-	39,743	2,935	-	8,638,871	17,679	143,965	13,093	8,856,287
16 Exposures in default	-	-	-	-	-	-	-	450	-	450
18 Covered bonds	-	-	-	-	1,938,881	-	-	-	-	1,938,881
20 Collective investments undertakings	-	-	-	-	9,635	-	-	-	-	9,635
22 Other exposures	849	723	294	413	17,685	20,648	22,147	1,619	15,402	79,780
23 Total standardised approach	486,722	409,607	217,354	306,978	9,095,894	12,227,547	10,360,855	1,224,089	534,611	34,863,657
23 Total	**486,722**	**409,607**	**217,354**	**306,978**	**9,095,894**	**12,227,547**	**10,360,855**	**1,224,089**	**534,611**	**34,863,657**

Classification of exposures by industry is based on the information retrieved from the Finnish Patent and Registration Office.

EU CRB-E
MATURITY OF EXPOSURES

31 DEC 2017 (EUR 1,000)		a	b	c	d	e	f
		Net exposure value					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
7	Central goverments or central banks	3,554,177	-	395,499	54,671	-	4,004,347
8	Regional governments or local authorities	-	884,209	2,491,740	6,362,962	-	9,738,912
9	Public sector entities	-	-	234,322	46,911	-	281,233
10	Multilateral development banks	-	-	155,620	77,012	-	232,631
11	International organisations	-	-	58,454	15,463	-	73,917
12	Institutions	113,551	118,013	2,492,875	688,598	-	3,413,037
13	Corporates	-	150,171	288,435	4,647,959	-	5,086,565
15	Secured by mortgages on immovable property	-	65,958	295,170	7,372,794	-	7,733,922
16	Exposures in default	-	-	-	450	-	450
18	Covered bonds	-	25,754	1,515,108	398,018	-	1,938,881
20	Collective investments undertakings	-	-	-	9,635	-	9,635
22	Other exposures	5	64,568	715	-	14,492	79,780
23	**Total standardised approach**	**3,667,733**	**1,308,673**	**7,927,939**	**19,674,473**	**14,492**	**32,593,310**
24	**Total**	**3,667,733**	**1,308,673**	**7,927,939**	**19,674,473**	**14,492**	**32,593,310**

EU CR1-A
CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

31 DEC 2017 (EUR 1,000)		a	b	c	g
		Gross carrying values of		Specific credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		
16	Central goverments or central banks	-	4,004,347	-	4,004,347
17	Regional governments or local authorities	-	10,612,433	-	10,612,433
18	Public sector entities	-	281,233	-	281,233
19	Multilateral development banks	-	232,631	-	232,631
20	International organisations	-	73,917	-	73,917
21	Institutions	-	3,413,037	-	3,413,037
22	Corporates	-	5,361,025	-	5,361,025
26	Secured by mortgages on immovable property	-	8,856,287	-	8,856,287
28	Exposures in default	1,816	-	1,366	450
30	Covered bonds	-	1,938,881	-	1,938,881
32	Collective investments undertakings	-	9,635	-	9,635
34	Other exposures	-	79,780	-	79,780
35	**Total standardised approach**	**1,816**	**34,863,207**	**1,366**	**34,863,657**
36	**Total**	**1,816**	**34,863,207**	**1,366**	**34,863,657**
37	Of which: Loans	1,816	26,338,111	1,366	26,338,111
38	Of which: Debt securities	-	6,519,543	-	6,519,543
39	Of which: Off-balance sheet exposures	-	2,270,346	-	2,270,346

EU CR1-B
CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

		a	b	c	g
		Gross carrying values of		Specific credit risk adjustment	Net values
31 DEC 2017 (EUR 1,000)		Defaulted exposures	Non-defaulted exposures		
4	Electricity, gas, steam and air conditioning supply	-	486,722	-	486,722
5	Water supply	-	409,607	-	409,607
6	Construction	-	217,354	-	217,354
8	Transport and storage	-	306,978	-	306,978
10	Information and communication	-	106,938	-	106,938
	Financial and insurance activities	-	9,095,894	-	9,095,894
11	Real estate activities	-	12,227,547	-	12,227,547
14	Public administration and defence, compulsory social security	-	10,360,855	-	10,360,855
15	Education	-	157,768	-	157,768
16	Human health services and social work activities	1,816	1,223,639	1,366	1,224,089
17	Arts, entertainment and recreation	-	135,615	-	135,615
18	Other services	-	119,794	-	119,794
	Not defined	-	14,497	-	14,497
19	**Total**	**1,816**	**34,863,207**	**1,366**	**34,863,657**

Classification of exposures by industry is based on the information retrieved from the Finnish Patent and Registration Office.

EU CR1-C
CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

		a	b	c	g
		Gross carrying values of		Specific credit risk adjustment	Net values
31 DEC 2017 (EUR 1,000)		Defaulted exposures	Non-defaulted exposures		
1	Finland	1,816	29,218,815	1,366	29,220,631
2	Other Nordic countries	-	1,045,574	-	1,045,574
3	Other EU countries	-	2,868,912	-	2,868,912
4	Other countries	-	1,728,539	-	1,728,539
5	**Total**	**1,816**	**34,861,841**	**1,366**	**34,863,657**

EU CR1-D
AGEING OF PAST-DUE EXPOSURES

31 DEC 2017 (EUR 1,000)		a
		Gross carrying values
		≤ 30 days
1	Loans	12,457
2	Debt securities	-
3	**Total exposures**	**12,457**

EU CR1-E
NON-PERFORMING AND FORBORNE EXPOSURES

31 DEC 2017 (EUR 1,000)		a	b	c	d	e	f	g	l
		Gross carrying values of performing and non-performing exposures							Collaterals and financial guarantees received
					Of which non-performing				On non-performing exposures
			Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne		Of which defaulted	Of which impaired	Of which forborne	
010	Debt securities	6,519,543	-	-	-	-	-	-	-
020	Loans and advances	26,338,111	-	48,548	1,816	1,816	1,366	1,816	1,816
030	Off-balance sheet exposures	2,270,346	-	-	-	-	-	-	-

EU CR2-A
CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

	31 DEC 2017 (EUR 1,000)	**a** Accumulated specific credit risk adjustment	**b** Accumulated general credit risk adjustement
1	Opening balance	-	-
2	Increases due to amounts set aside for estimated loan losses during the period	1,366	-
9	Closing balance	1,366	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	0	-

EU CR2-B
CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

	31 DEC 2017	**a** Gross carrying value of defaulted exposures
1	Opening balance	-
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1,816
6	Closing balance	1,816

EU CR3
CRM TECHNIQUES - OVERVIEW

	31 DEC 2017 (EUR 1,000)	**a** Exposures unsecured - Carrying amount	**b** Exposures secured - Carrying amount	**d** Exposures secured by financial guarantees
1	Total loans	11,931,226	14,406,885	14,406,885
2	Total debt securities	5,990,740	1,210,698	1,210,698
3	**Total exposures**	**17,921,966**	**15,617,583**	**15,617,583**
4	Of which defaulted	-	450	450

Section 8. Credit risk and credit risk mitigation in the standardised approach

EU CRD
QUALITATIVE DISCLOSURE REQUIREMENTS ON INSTITUTIONS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK
The capital requirement for credit risk is calculated using the standardised approach. In the standardised approach external credit assessment may be used according the Capital Requirements Regulation. MuniFin uses external credit assessment institutions (ECAI) recognized by EBA to determine the risk weight for liquidity portfolio counterparties / issuers. MuniFin uses three EBA-recognised ECAI for this purpose: Standard & Poor's, Moody's Investor Services and Fitch Ratings. The mapping of the alphanumeric scale of each ECAI used with the credit quality steps are aligned with the standard association published by the EBA. There were no changes in the ECAI used compared with end of 2016.

The specific issue ratings by the ECAI is used when risk-weighting the covered bonds and for items representing securitization positions. Issuer ratings are applied for other debt securities.

	31 DEC 2017 External rating equivalent		
ASSET CLASS (DEBT SECURITIES)	**Standard & Poor's**	**Moody's**	**Fitch**
Exposures to central governments or central banks	●	●	●
Exposures to regional governments or local authorities	●	●	●
Exposures to multilateral development banks	●	●	●
Exposures to institutions	●	●	●
Exposures to public sector entities	●	●	●
Exposures in the form of covered bonds	●	●	●
Items representing securitisation positions	●	●	●
Exposures in the form of shares in CIUs	●	●	●
Other items	●	●	●

EU CR4
STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
31 DEC 2017 (EUR 1,000) EXPOSURE CLASSES		**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWAs**	**RWA density**
1	Central goverments or central banks	4,004,347	-	12,336,061	112,522	3,780	0 %
2	Regional governments or local authorities	9,738,912	873,521	15,035,089	311,519	4,153	0 %
3	Public sector entities	281,233	-	684,273	-	59,271	9 %
4	Multilateral development banks	232,631	-	232,631	-	11,914	5 %
5	International organisations	73,917	-	73,917	-	0	0 %
6	Institutions	3,413,037	-	2,202,340	0	778,671	35 %
7	Corporates	5,086,565	274,461	0	-	0	-
9	Secured by mortgages on immovable property	7,733,922	1,122,364	0	-	0	-
10	Exposures in default	1,816	-	450	-	0	0 %
12	Covered bonds	1,938,881	-	1,938,881	-	238,284	12 %
14	Collective investments undertakings	9,635	-	9,635	-	1,286	13 %
16	Other exposures	79,780	-	79,780	-	8,881	11 %
17	**Total**	**32,594,676**	**2,270,346**	**32,593,057**	**424,041**	**1,106,240**	**3 %**

EU CR5
STANDARDISED APPROACH

31 DEC 2017 (EUR 1,000) EXPOSURE CLASSES		Risk weight							**Total**	**Of which unrated**
		0%	**2%**	**10%**	**20%**	**50%**	**100%**	**Others**		
1	Central goverments or central banks	12,429,937	-	-	18,899	-	-	-	12,448,583	0
2	Regional governments or local authorities	15,325,843	-	-	20,765	-	-	-	15,346,608	14,691,584
3	Public sector entities	403,040	-	-	271,152	10,082	-	-	684,273	0
4	Multilateral development banks	173,061	-	-	59,571	-	-	-	232,631	0
5	International organisations	73,917	-	-	-	-	-	-	73,917	0
6	Institutions	0	146,546	-	840,522	1,215,271	-	-	2,202,340	15,670
7	Corporates	0	-	-	-	-	-	-	0	0
9	Secured by mortgages on immovable property	0	-	-	-	-	-	-	0	0
10	Exposures in default	450	-	-	-	-	-	-	704	0
12	Covered bonds	-	-	1,494,922	443,959	-	-	-	1,938,881	0
14	Collective investments undertakings	-	-	-	-	-	-	9,635	9,635	0
16	Other exposures	57,285	1	9,612	5,417	1,257	6,208	-	79,780	6,208
17	**Total**	**28,463,533**	**146,547**	**1,504,534**	**1,660,285**	**1,226,610**	**6,208**	**9,635**	**33,017,352**	**14,713,462**

Section 9. Counterparty credit risk

EU CCR1
ANALYSIS OF CCR EXPOSURE BY APPROACH

31 DEC 2017 (EUR 1,000)		a	b	c	d	e	f	g
		Notional	**Replace-ment cost / current market value**	**Potential future credit exposure**	**EEPE**	**Multiplier**	**EAD post CRM**	**RWAs**
1	Mark to market		148,584	533,311			278,855	39,478
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	Of which securities financing transactions				-	-	-	-
6	Of which derivatives and long settlement transactions				-	-	-	-
7	Of which from contractual crossproduct netting				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**							**39,478**

EU CCR2
CVA CAPITAL CHARGE

31 DEC 2017 (EUR 1,000)		a	b
		Exposure value	**RWAs**
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3x multiplier)		-
3	(ii) SVaR component (including the 3x multiplier)		-
4	All portfolios subject to the standardised method	572,353	341,179
EU4	Based on the original exposure method	-	-
5	Total subject to the CVA capital charge	572,353	341,179

EU CCR8
EXPOSURES TO CCPS

31 DEC 2017 (EUR 1,000)		a EAD post CRM	b RWAs
1	Exposures to QCCPs (total)		831
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	41,546	831
3	(i) OTC derivatives	41,546	831
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	105,000	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

EU CCR3
STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK

31 DEC 2017 (EUR 1,000)		Risk weight				Total	Of which unrated
EXPOSURE CLASSES		**0%**	**2%**	**20%**	**50%**		
1	Central goverments or central banks	-	-	-	-	-	-
2	Regional governments or local authorities	160,014	-	-	-	160,014	160,014
6	Institutions	-	41,546	149,246	331,089	521,880	-
11	**Total**	**160,014**	**41,546**	**149,246**	**331,089**	**681,895**	**160,014**

EU CCR5-A
IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES

		a	b	c	d	e
31 DEC 2017 (EUR 1,000)		**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	814,232	665,648	148,584	29,979	148,584
2	SFTs	-	-	-	-	-
3	Cross-product netting	-	-	-	-	-
4	**Total**	**814,232**	**665,648**	**148,584**	**29,979**	**148,584**

EU CCR5-B
COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

	a	b	c	d
	Collateral used in derivative transactions			
	Fair value of collateral received		**Fair value of posted collateral**	
31 DEC 2017 (EUR 1,000)	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**
Cash	-	699,780	105,000	1,270,375
Total	**-**	**699,780**	**105,000**	**1,270,375**

EU CCR6
CREDIT DERIVATIVES EXPOSURES

MuniFin did not hold any credit derivatives during 2017.

Section 10. Unencumbered assets

INFORMATION ON IMPORTANCE OF ENCUMBRANCE

The tables below provide information on asset encumbrance and liabilities related to encumbered assets. Encumbered assets mainly relate to lending receivables that have been pledged to the Municipal Guarantee Board as counter collateral for guarantees it has given to MuniFin's funding, lending receivables that are pledged to the central bank for possible operations related to monetary policy counterparty position and collateral pertaining to derivatives. Presented figures for years 2016 and 2017 are based on median values of quarterly data on a rolling basis over the previous twelve months.

ENCUMBERED AND UNENCUMBERED ASSETS

2017 (EUR 1,000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	9,695	9,695
Debt securities	-	-	7,006,524	7,007,098
Other assets	21,817,450		5,215,421	

2016 (EUR 1,000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	9,844	9,844
Debt securities	-	-	7,584,900	7,594,268
Other assets	20,873,222		6,819,519	

COLLATERAL RECEIVED

Collateral received is cash collateral related to CSA agreements on derivatives. Presented figures for years 2017 and 2016 are based on median values of quarterly data on a rolling basis over the previous twelve months.

	2017		2016	
(EUR 1,000)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Other assets	-	921,660	-	1,978,350

ENCUMBERED ASSETS / COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

	2017		2016	
(EUR 1,000)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	28,077,583	21,829,062	27,527,791	20,838,816

Section 11. Market risk

EU MR1
MARKET RISK UNDER THE STANDARDISED APPROACH

	31 DEC 2017 (EUR 1,000)	**a** RWAs	**b** Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**-**	**-**

MuniFin calculates capital requirements for overall net foreign exchange position. The company hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding and investments into euros. The company does not bear any material foreign exchange risk.

At the end of December 2017 there was no capital requirement for foreign exchange risk since the position was less than 2 percent of the own funds (CRR 575/2013 art. 351).

MuniFin does not have a trading book.

Section 12. Remuneration

MuniFin publishes separate Remuneration Report 2017 which is available on the Company's website www.munifin.fi.

Section 13. Leverage ratio

LRSum

SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

	(EUR 1,000)	31 DEC 2017 Applicable Amount
1	Total assets as per published financial statements	34,738,139
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-2,133,649
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,075,117
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-10,196
8	**Leverage ratio total exposure measure**	**33,669,410**

LRCom

LEVERAGE RATIO COMMON DISCLOSURE

	(EUR 1,000)	31 DEC 2017 CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	31,812,893
2	(Asset amounts deducted in determining Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**31,812,893**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	147,268
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	634,131
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-

7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	**781,400**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	2,270,346
18	(Adjustments for conversion to credit equivalent amounts)	-1,195,229
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**1,075,117**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposure measure	
20	Tier 1 capital	1,292,973
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	33,669,410
	Leverage ratio	
22	Leverage ratio	3.84 %
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

LRSpl

SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

	(EUR 1,000)	31 Dec 2017 CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	31,812,893
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	31,812,893
EU-4	Covered bonds	1,938,881
EU-5	Exposures treated as sovereigns	12,336,314
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	15,462,856
EU-7	Institutions	1,988,135
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	-
EU-10	Corporate	0
EU-11	Exposures in default	450
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	86,257

LRQua

DISCLOSURE ON QUALITATIVE ITEMS

The leverage ratio is part of MuniFin's risk appetite framework and is regularly monitored in Risk Appetite Dashboard and in internal monthly reporting.

The consolidated leverage ratio was 3.84% at the end of 2017 compared to 3.54% at end of previous year. During the year, the leverage ratio improved mainly driven by increase in CET1 capital, namely continued profit generation.

Section 14. Liquidity coverage ratio

EU LIQA
LIQUIDITY RISK MANAGEMENT

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that MuniFin is unable to meet its financial obligations as they become due. MuniFin is exposed to liquidity risk in its customer financing, funding, investment activities and other operations.

MuniFin's liquidity risk management is based on the Liquidity and funding risk policy which describes e.g. roles and responsibilities, sources of liquidity and funding risk, management and monitoring of liquidity risk. Liquidity and funding risk policy is in line with the business model document and overall risk management principles. The policy is an integral part of the MuniFin's risk management framework.

MuniFin has set risk indicators defining the tolerance for liquidity and funding risk in its risk appetite framework. At least on a yearly basis, the risk limits and thresholds are reviewed and calibrated in order to align the risk appetite framework with the company's strategy and external and macro-economic developments. The company has set targets and early warning threshold levels which, when breached, will trigger corrective actions in order to ensure that the company remains within its risk appetite.

MuniFin's liquidity risk management is conservative. The company strives to ensure liquidity adequacy under all market conditions by maintaining sufficient number of liquidity sources. The primary sources of liquidity are short-term and long-term funding, liquidity portfolio, repo markets and cash. Funding programmes are both short-term (Euro Commercial Paper) and long-term (Medium Term Note and AUD debt programmes) and cover several currencies. MuniFin has various diversification strategies: by market, geographically, by issuing bonds targeted at different investor types, and by varying maturities and currencies. MuniFin is also a monetary policy counterparty of the Bank of Finland. The company has pledged loans to the Bank of Finland and can obtain credit from the central bank against these collaterals.

MuniFin's liquidity stress test framework assess the company's liquidity adequacy and the main objective is to determine the company's survival horizon under stress in order to determine whether it has sufficient liquid assets to ensure it is operating within the liquidity and funding risk appetite set by the Board of Directors. The limits for the survival horizon have been set to weather severe stress scenario assumptions.

STRUCTURE AND ORGANIZATION OF THE LIQUIDITY RISK

MuniFin's Treasury and Funding departments are responsible for managing liquidity and funding risk within limits set by the Board of Directors. Treasury and Funding as a first line risk owners are also responsible for ensuring that liquidity guidelines, instructions and processes are in place and the company is operating in line with the defined risk appetite at any given time. Risk management department as an independent control function, is responsible for risk management policies and frameworks and monitors liquidity management.

The Board of Directors is responsible for setting the scope and general requirements for the liquidity risk measurement and assessment, defining the principles for organising liquidity and funding risk management, confirming the risk level and risk appetite based on the company's strategy and business plan and approving the plan for maintaining liquidity adequacy proportionate to the risk appetite. The Executive Management Team's responsibility is to ensure that all liquidity and funding risk related processes are clearly defined and documented, up to date and contain the duties and responsibilities for each of MuniFin's divisions, departments or responsible persons. In addition, the Executive Management Team is responsible for organising the work in order to enable an efficient liquidity and funding risk identification, measuring, managing, monitoring and reporting. The ALM Group which operates under the Executive Management Team is responsible for liquidity and funding risk operational management related to monitoring and decisions of quality and quantity of liquidity and funding. The Risk Group which operates also under the Executive Management Team ensures that risks of MuniFin remain within risk appetite and at a level sufficient to maintain MuniFin's business continuity, strong credit rating and compliance with relevant regulatory requirements.

MEASUREMENT AND REPORTING OF LIQUIDITY RISK

MuniFin measures both short-term and long-term liquidity. For short-term liquidity, MuniFin calculates e.g. refinancing risk in short-term funding which expresses maximum amount of maturing issued debt instrument under the ECP programme during a specified time period. MuniFin also measures short-term callable funding (call date within the next 12-month period) and limits the amount of callable funding as a proportion of the total funding portfolio. For long-term liquidity MuniFin measures e.g. financing gap which measures the difference between the average maturity of financials assets and the average maturity of financial liabilities. The company also limits and measures the length of the survival horizon, which is defined as the amount of time that the company could survive given the size of its liquidity buffer.

MuniFin has measured liquidity coverage ratio (LCR) since 2014 using EU regulation as a calculation basis. The Board of Directors has set limits for LCR in Risk Appetite Framework. MuniFin is compliant with LCR according to EU regulation.

MuniFin has set up a liquidity buffer for situations where the company is in an urgent need of cash and normal funding sources are not in use. Liquidity buffer consists of high quality liquid assets, which could be converted into cash within a short time frame, either through sale of the assets on the market or through the repurchase agreement in the repo market. This subset of the total liquidity portfolio contains liquid assets from both short-term and long-term liquidity portfolios.

Liquidity and funding risk indicators are reported to the Board of Directors and EMT regularly. Both bodies are informed of any material changes in MuniFin's liquidity risk profile or position and of any necessary actions, which should be taken in order for the company to remain within the set risk appetite.

EU LIQ1

LCR DISCLOSURE AND QUALITATIVE INFORMATION ON THE LCR

	SCOPE OF CONSOLIDATION: CONSOLIDATED (EUR 1,000)	Total unweighted value	Total weighted value
	Quarter ending on 31 Dec 2017	**31 Dec 2017 ***	**31 Dec 2017 ***
	HIGH-QUALITY LIQUID ASSETS		
1	Total high-quality liquid assets (HQLA)		7,026,837
	CASH - OUTFLOWS		**-**
2	Retail deposits and deposits from small business customers, of which:		-
3	Stable deposits		-
4	Less stable deposits		-
5	Unsecured wholesale funding	2,582,699	2,582,699
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	7,470	7,470
8	Unsecured debt	2,575,229	2,575,229
9	Secured wholesale funding		-
10	Additional requirements	3,361,295	1,473,249
11	Outflows related to derivative exposures and other collateral requirements	1,263,466	1,263,466
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	2,097,829	209,783
14	Other contractual funding obligations	1,653	-
15	Other contingent funding obligations	3,859,550	404,495
16	**TOTAL CASH OUTFLOWS**		**4,460,444**
	CASH - INFLOWS		**-**
17	Secured lending (e.g. reverse repos)		-
18	Inflows from fully performing exposures	369,240	192,959
19	Other cash inflows	216,058	207,629
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-
EU-19b	(Excess inflows from a related specialised credit institution)		-
20	**TOTAL CASH INFLOWS**	**585,298**	**400,588**
EU-20a	**Fully exempt inflows**	**0**	**-**
EU-20b	**Inflows subject to 90% cap**	**0**	**-**
EU-20c	**Inflows subject to 75% cap**	**585,298**	**400,588**
			-
21	**LIQUIDITY BUFFER**		**7,026,837**
22	**TOTAL NET CASH OUTFLOWS**		**4,059,856**
23	**LIQUIDITY COVERAGE RATIO (%)**		**173.08 %**

* Based on the EBA Guideline 2017/01 credit institutions under the scope of application of these guidelines do not need to publish the disclosures where some of the observations for the calculation of their averages are prior to the first LCR reporting reference date (31 Dec 2017).

CONCENTRATION OF FUNDING AND LIQUIDITY SOURCES

MuniFin acquires funding from international capital markets, mainly with unsecured public bond issues. While there is a high concentration on the unsecured wholesale funding, MuniFin has diversified its funding extensively across markets, currencies, durations and maturities.

MuniFin holds high quality liquid assets enough to meet the statutory LCR requirement on a daily basis. Furthermore, in line with MuniFin's risk appetite framework, the total liquidity amount must be enough to cover uninterrupted business for at least six months.

DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

MuniFin has made CSA agreements including daily margin calls with most of its derivative counterparties. MuniFin calculates the largest cash collateral movement with the historical look back approach and considers this as an outflow for the potential collateral calls.

CURRENCY MISMATCH IN THE LCR

MuniFin monitors and calculates LCR in all significant currencies on a regular basis. The company hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding into euros. The company does not bear any material foreign exchange risk. MuniFin does not hold liquidity buffer in other currencies than euro for LCR purposes.

A DESCRIPTION OF THE DEGREE OF CENTRALISATION OF LIQUIDITY MANGEMENT AND INTERACTION BETWEEN THE GROUP'S UNITS

MuniFin's liquidity management is based on the Liquidity and funding risk policy which describes e.g. roles and responsibilities, sources of liquidity and funding risk, management and monitoring of liquidity risk. Liquidity and funding risk policy is in line with the business model document and overall risk management principles. The policy is an integral part of the MuniFin's risk management framework.

OTHER ITEMS IN THE LCR CALCULATION THAT ARE NOT CAPTURED IN THE LCR DISCLOSURE TEMPLATE BUT THAT THE INSTITUTION CONSIDERS RELEVANT FOR ITS LIQUIDITY PROFILE

Outflows from unsecured wholesale funding with call maturity options are treated in the LCR calculation according to the next possible call date. The estimate for the realised calls for the next 12 months is 30 -50%.

Section 15. CRR reference table

CRR REF.	HIGH LEVEL SUMMARY	REFERENCE
PILLAR 3 DISCLOSURES IN ACCORDANCE WITH THE ARTICLES 435 – 455 OF CRR		
Article 435	**Risk management objectives and policies**	
1 (a)	Strategies and processes to manage risks	Pillar III Disclosure Report 2017, Section 2.
1 (b)	Governance structure and organisation	Pillar III Disclosure Report 2017, Section 2., Corporate Governance Statement 2017, pages 2-12
1 (c)	Scope and nature of risk reporting and measurement systems	Pillar III Disclosure Report 2017, Section 2., Annual Report 2017, pages 68-77
1 (d)	Policies for hedging and mitigating risk	Pillar III Disclosure Report 2017, Section 2. page 10, Annual Report 2017, pages 68-77
1 (e)	Declaration approved by the management body on the adequacy of risk management arrangements	Annual Report 2017, page 43
1 (f)	Concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy.	Pillar III Disclosure Report 2017, Section 2. pages 6-7
2 (a)	Number of directorships held by members of the Board of Directors	Information available on the company's website: www.munifin.fi/board-directors
2 (b)	Recruitment policy for the selection of members of the Board of Directors and their actual knowledge, skills and expertise	Corporate Governance Statement 2017, pages 3-7
2 (c)	Policy on diversity with regard to selection of members of the Board of Directors	Corporate Governance Statement 2017, pages 4-7 (Composition of the Board of Directors)

2 (d)	Set up a separate risk committee and the number of times the risk committee has met.	Corporate Governance Statement 2017, pages 9-10
2 (e)	Description of the information flow on risk to the management body.	Pillar III Disclosure Report 2017 Section 2., Annual Report 2017, page 68, Corporate Governance Statement 2017, pages 12-13

Article 436	**Scope of application**	
(a)	The name of the institution to which the CRR requirements apply	Annual Report 2017 and website (www.munifin.fi)
(b) (i)-(iv)	Outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: (i) fully consolidated; (ii) proportionally consolidated; (iii) deducted from own funds; (iv) neither consolidated nor deducted	Pillar III Disclosure Report 2017, Section 3. pages 16-18, templates EU LI1, EU LI2 and EU LI3
(c)	Any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	Not applicable
(d)	The aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	Not applicable
(e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9	Not applicable

Article 437	**Own funds**	
1 (a)	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution	Annual Report 2017, Group Note 45, Pillar III Disclosure Report 2017 Section 4.
1 (b)	A description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Pillar III Disclosure Report 2017 Section 4. pages 20-21

1 (c)	Full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Pillar III Disclosure Report 2017 Section 4. pages 20-21, Articles of Association (www.munifin.fi)
1 (d) (i)-(iii)	Separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36, 56 and 66; (iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79	Pillar III Disclosure Report 2017 Section 4. pages 22-25
1 (e)	A description of all restrictions applied to the calculation of own funds in accordance with the CRR and the instruments, prudential filters and deductions to which those restrictions apply;	Not applicable
1 (f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Not applicable

Article 438	**Capital requirements**	
(a)	A summary of the approach to assessing the adequacy of its internal capital to support current and future activities	Pillar III Disclosure Report 2017 Section 5. Corporate Governance Statement 2017, pages 13-14
(b)	Upon demand from the supervisory authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of CRDIV	Pillar III Disclosure Report 2017 Section 5.
(c)	Risk-weighted exposure amounts in accordance with the standardised approach	Pillar III Disclosure Report 2017 Section 5. template EU OV1
(d)	Risk-weighted exposure amounts in accordance with internal ratings based (IRB) approach	Not applicable
(e)	Own funds requirements	Pillar III Disclosure Report 2017 Section 5. pages 27-29 and template EU OV1
(f)	Own funds requirements calculated in accordance with CRR, Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	Pillar III Disclosure Report 2017 Section 5. pages 27-29 and template EU OV1

Article 439	**Exposure to counterparty credit risk**	
(a)	A discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures	Pillar III Disclosure Report 2017 Section 2. pages 9-11

(b)	A discussion of policies for securing collateral and establishing credit reserves	Pillar III Disclosure Report 2017 Section 2. pages 9-11
(c)	A discussion of policies for wrongway risk exposures	Annual Report 2017, page 68
(d)	A discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating	No material impact.
(e)	Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements	Pillar III Disclosure Report 2017 Section 9. pages 42-43, templates EU CCR1, EU CCR2 and EU CCR8
(f)	Measures for exposure value under the methods set out in the CRR in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable	Pillar III Disclosure Report 2017 Section 9. pages 42-43, templates EU CCR1, EU CCR2 and EU CCR8
(g)	The notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure	Not applicable
(h)	Notional amounts of credit derivative transactions, segregated between use for the institution’s own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group	Not applicable
(i)	The estimate of α if the institution has received the permission of the competent authorities to estimate α	Not applicable
Article 440	**Capital buffers**	
(a)	The geographical distribution of credit exposures relevant for the calculation of countercyclical capital buffer	Pillar III Disclosure Report 2017 Section 6. pages 31-33
(b)	The amount of institution specific countercyclical capital buffer	Pillar III Disclosure Report 2017 Section 6. page 33
Article 441	**Indicators of global systemic importance**	
1-2	Indicator values used for determining the score of the institution.	Not applicable.

Article 442	**Credit risk adjustments**	
(a)	The definitions for accounting purposes of past due and impaired	Pillar III Disclosure Report 2017 Section 7. page 33 table EU CRB-A
(b)	A description of the approaches and methods adopted for determining specific and general credit risk adjustments	Pillar III Disclosure Report 2017 Section 7.
(c)	The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes	Pillar III Disclosure Report 2017 Section 7 page 34 template EU CRB-B
(d)	The geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate	Pillar III Disclosure Report 2017 Section 7 pages 34-35 template EU CRB-C
(e)	The distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate	Pillar III Disclosure Report 2017 Section 7 page 35 template EU CRB-D
(f)	The residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate	Pillar III Disclosure Report 2017 Section 7 page 36 template EU CRB-E
(g) (i)-(iii)	By significant industry or counterparty type, the amount of: (i) impaired exposures and past due exposures, provided separately; (ii) specific and general credit risk adjustments; (iii) charges for specific and general credit risk adjustments during the reporting period	Pillar III Disclosure Report 2017 Section 7 pages 36-38 templates EU CR1-A, EU CR1-B, EU CR1-C, EU CR1-D and EU CR1-E
(h)	The amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area	Pillar III Disclosure Report 2017 Section 7 pages 36-38 templates EU CR1-A, EU CR1-B, EU CR1-C, EU CR1-D and EU CR1-E
(i) (i)-(v)	Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances; (iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; (v) the closing balances	Pillar III Disclosure Report 2017 Section 7 page 39 templates EU CR2-A and EU CR2-B
	Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately	Not applicable

Article 443	Unencumbered assets	
	Disclosure on unencumbered assets according to EBA Guidelines	Pillar III Disclosure Report 2017 Section 10. pages 45-46

Article 444	Use of ECAIs	
(a)	Names of the nominated ECAIs and ECAs and the reasons for any changes	Pillar III Disclosure Report 2017 Section 8 pages 40-41
(b)	The exposure classes for which each ECAI or ECA is used	Pillar III Disclosure Report 2017 Section 8 pages 40-41
(c)	A description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book	Pillar III Disclosure Report 2017 Section 8 pages 40-41
(d)	The association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in the CRR in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by the European Banking Authority	Pillar III Disclosure Report 2017 Section 8 pages 40-41
(e)	The exposure values before and the exposure values after credit risk mitigation associated with each credit quality step prescribed in the CRR in Part Three, Title II, Chapter 2 as well as those deducted from own funds	Pillar III Disclosure Report 2017 Section 8 page 41 templates EU CR4 and EU CR5

Article 445	Exposure to market risk	
	The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) of the CRR shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	Pillar III Disclosure Report 2017 Section 2 pages 11-14 table EU MRA, Section 11 page 47 template EU MR1

Article 446	Operational risk	
	Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2) of the CRR, if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	Pillar III Disclosure Report 2017 Section 2 page 15

Article 447	**Exposures in equities not included in the trading book**	
	Exposures in equities not included in the trading book	Not applicable

Article 448	**Exposure to interest rate risk on positions not included in the trading book**	
(a)	The nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk	Pillar III Disclosure Report 2017 Section 2. pages 11-14 table EU MRA
(b)	The variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken 'down by currency.	Pillar III Disclosure Report 2017 Section 2. pages 11-14 table EU MRA, Annual Report 2017 pages 71-74

Article 449	**Exposure to securitization positions**	
	Exposure to securitization positions	Pillar III Disclosure Report 2017 Section 5.

Article 450	**Remuneration policy**	
(a)	Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders	Corporate Governance Statement 2017, pages 4 and 10 Remuneration Report 2017, pages 3-4
(b)	Information on link between pay and performance	Remuneration Report 2017
(c)	The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	Remuneration Report 2017, pages 4-5
(d)	Ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of the CRDIV	Remuneration Report 2017, pages 5-7
(e)	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	Remuneration Report 2017. MuniFin does not grant variable remuneration in the form of shares or options.
(f)	The main parameters and rationale for any variable component scheme and any other non-cash benefits	Remuneration Report 2017

(g)	Aggregate quantitative information on remuneration, broken down by business area	Remuneration Report 2017. Taking into account small size of MuniFin's organization MuniFin and the proportionality principle MuniFin considers this information not relevant to be disclosed.
(h)	Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution	Remuneration Report 2017. Taking into account small size of MuniFin's organization MuniFin and the proportionality principle MuniFin considers this information not entirely relevant to be disclosed.
(i)	The number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	Not applicable, there were no individuals employed by MuniFin in 2017 being remunerated EUR 1 million or more.
(j)	Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	Not applicable, no such demand has been made by the supervisory authority.

Article 451	**Leverage**	
(a)	The leverage ratio and how the institution applies Article 499(2) and (3) of the CRR	Pillar III Disclosure Report 2017 Section 13 pages 48-50
(b)	A breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Pillar III Disclosure Report 2017 Section 13 pages 48-50
(c)	Where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11) of the CRR	Not applicable
(d)	A description of the processes used to manage the risk of excessive leverage	Pillar III Disclosure Report 2017 Section 13 pages 48-50
(e)	A description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	Pillar III Disclosure Report 2017 Section 13 pages 48-50

Article 452	**Use of the IRB Approach to credit risk**	
	IRB Approach to credit risk	Not applicable

Article 453	**Use of credit risk mitigation techniques**	
(a)	The policies and processes for, and an indication of the extent to which the entity makes use of, on- and offbalance sheet netting	Pillar III Disclosure Report 2017 Section 2 page 10
(b)	The policies and processes for collateral valuation and management	Pillar III Disclosure Report 2017 Section 2 page 10
(c)	A description of the main types of collateral taken by the institution	Pillar III Disclosure Report 2017 Section 2 page 10
(d)	The main types of guarantor and credit derivative counterparty and their creditworthiness	Pillar III Disclosure Report 2017 Section 2 page 10
(e)	Information about market or credit risk concentrations within the credit mitigation taken	Not applicable
(f)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral	Pillar III Disclosure Report 2017 Section 7. page 39 template EU CR3
(g)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or offbalance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155	Pillar III Disclosure Report 2017 Section 7. page 39 template EU CR3

Article 454	**Use of the Advanced Measurement Approaches to operational risk**	
	Advanced Measurement Approaches to operational risk	Not applicable

Article 455	**Use of Internal Market Risk Models**	
	Internal Market Risk Models	Not applicable

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