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Pillar III Disclosure Report
2021

MuniFin

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MuniFin

Section 1

Introduction and basis for preparation

Introduction

This Pillar III Year-End Disclosure Report 2021 discloses information on risk management practices and regulatory capital ratios of Municipality Finance Group. The disclosure requirements are specified in Part 8 of EU Capital Requirements Regulation (575/2013) ("CRR"), later amended by CRR II (2019/876) as well as in the commission implementing regulations, delegated regulations and guidelines issued by the EBA for publishing disclosures. In 2020, EBA published the final implementing technical standard on public disclosures based on the mandate included in 434a of CRR II to specify uniform disclosure formats and associated instructions. This Report has been prepared in accordance with the updated regulation and provides a comprehensive overview of the risk profile of the Municipality Finance Group.

All figures in this Pillar III Year-End Disclosure Report 2021 are consolidated figures of Municipality Finance Group unless otherwise stated. This Report is presented in euros (EUR), which is the Group's functional currency, rounded to the nearest thousands of euros. Due to the rounding, certain figures in the Report may not tally exactly.

In the case required information has been published as part of some other document published by Municipality Finance Group, this information has been incorporated into this document with a reference.

Description of Municipality Finance Group

Municipality Finance Group (MuniFin Group or the Group) consists of Municipality Finance Plc (MuniFin, Parent Company or the Company) and Financial Advisory Services Inspira Ltd (Inspira or Subsidiary Company). MuniFin owns 100% of Inspira.

Measured by the balance sheet, MuniFin is Finland's third largest credit institution; the balance sheet totals over EUR 46 billion. MuniFin 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 sector economy.

MuniFin is supervised by the European Central Bank and the Finnish Financial Supervisory Authority.

MuniFin's mission is to build a better and more sustainable future with its customers. MuniFin's customers are Finnish municipalities, joint municipal authorities, municipality-controlled entities and non-profit housing organisations. MuniFin is the only credit institution in Finland specialised in providing financing for the local government sector and central government-subsidised housing production. MuniFin grants financing for environmentally and socially responsible investments such as public transportation, sustainable buildings, hospitals and healthcare centers, schools and day care centers, and homes for people with special needs.

MuniFin's customers are domestic but the Company operates in a global business environment. It is one of the most active Finnish bond issuers in international capital markets and the first Finnish green and social bond issuer. The funding is exclusively guaranteed by the Municipal Guarantee Board. The Municipal Guarantee Board is established by a special law and all Finnish mainland municipalities (local governments) are permanent members of the Municipal Guarantee Board.

Disclosure principles

This Pillar III Disclosure Report 2021 discloses information on the capital adequacy, capital management and risk management of the MuniFin Group, as specified in Part 8 of EU Capital Requirements Regulation (575/2013) ("CRR") and amended by CRR II (2019/876). In addition to the disclosure requirements in CRR, MuniFin Group applies the European Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of CRR, EBA Guidelines on disclosure requirements under Part 8 of Regulation (EU) No 575/2013 (EBA/GL/2016/11) and EBA Implementing Technical Standards on institutions' public disclosures of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (including tables and templates).

Majority of information required to be published by MuniFin Group based on Pillar III requirements will be disclosed in this Pillar III Report, which is separate from the annually published Report of the Board of Directors and the Financial Statements. In addition, there are documents (e.g. Corporate Governance Statement) available on MuniFin's website supplementing the information disclosed in this Pillar III Report.

The Pillar III Disclosure Report of MuniFin Group is published semiannually. The annual disclosures are published in conjunction with the date of publication of MuniFin Group's Annual Report (including the Report of the Board of Directors and the Financial Statements). Half Year Pillar III disclosures are published in conjunction with or following the date of publication of MuniFin Group's Half Year Report (interim report).

Following EBA Guidelines on disclosure requirements on the frequency of the disclosures MuniFin Group has assessed the need to publish Pillar III disclosures more frequently than annually. MuniFin Group has considered the matter thoroughly and decided to publish Pillar III disclosures semiannually in accordance with the frequency of the Financial Statements and the Half Year Report. The semiannual publication of the comprehensive Pillar III disclosures is deemed to be sufficient despite MuniFin being one of the three largest credit institutions in its home Member State and being identified by competent authorities as an Other Systemically Important Institution (O-SII). MuniFin Group's business model is stable with a limited range of activities and exposures. MuniFin Group applies very conservative principles to its risk management and the resulting risk profile of MuniFin Group is not prone to any sudden changes. There have been no essential changes in MuniFin Group's risk appetite. On the basis of these considerations MuniFin Group has deemed it sufficient to publish Pillar III disclosures semiannually.

This Pillar III Disclosure Report 2021 aims to describe all the main activities and all significant risks of MuniFin Group with underlying information and data. If there are any significant changes between reporting periods, these changes in risk exposures are explained. Such events could be arising from regulatory or market developments specific for MuniFin Group. The level of disclosure is proportionate to the Group's business model complexity.

MuniFin's Financial Control and Regulatory Reporting unit is responsible for the process of publishing financial information including Pillar III disclosures. Risk Management and Compliance division and Legal and Communications division take also part into the disclosure process. The Executive Management Team examines Section 1 and 2 of this Report (i.e. Risk Declaration) prior to delivering the information for the Audit Committee's review. After Audit Committee's review the Risk Declaration is delivered to the Board of Directors for approval. The Pillar III Disclosure Report in its entirety is after this sent to the Executive Management Team for approval.

This Report is divided into sections mainly based on the breakdown described in the EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013. Section 18 includes a table of reference to Part Eight of Regulation (EU) No 575/2013 and the location where the information can be found.

Following EBA Guidelines (EBA/GL/2016/11) MuniFin Group has not disclosed empty tables that are not considered to be relevant for MuniFin Group's activities. Section 19 includes information on the tables that are considered non appliable for MuniFin Group.

Information of this Pillar III Report has not been audited. However, the Consolidated Financial Statements are annually audited by the External Auditor and the interim report is subject to review by the External Auditor. The appropriateness of the Pillar III disclosures is approved by MuniFin's Executive Management Team. If there is information considered to be proprietary or confidential the information is not published but disclosed in more general manner.

Effects of the COVID-19 pandemic on MuniFin Group
The COVID-19 pandemic started in March 2020 and has lasted at a varying intensity for nearly two years. Overall, the impact of the pandemic on MuniFin Group's financial position has been limited. The impact of the pandemic on operating practices has been significant: MuniFin Group's staff has mainly worked remotely during the pandemic.

Individual MuniFin Group's customers have run into financial difficulties due to the COVID-19 pandemic. If the pandemic has temporarily impacted customers' repayment ability, MuniFin Group has offered them repayment holidays and concessions to the payment terms of the loans. However, the demand for such arrangements has been modest and during the year the Group granted only a few concessions. MuniFin Group's total credit risk has remained low, and the amount of expected credit losses calculated according to IFRS 9 standard also remains low. The Group's customer exposures have zero risk weight in MuniFin Group's capital adequacy calculation because they are Finnish municipalities or involve a municipal guarantee or a state deficiency guarantee supplementing the real estate collateral. Based on the management's assessment, all receivables from customers will be fully recovered and no final credit losses are therefore expected. More information on non-performing exposures is available in Section 9 in this Report and in MuniFin Group's Consolidated Financial Statements 2021, which is available on MuniFin's website.

In June 2020, EBA published the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07). The templates 1 and 2, moratoria refers to general moratoria in accordance with paragraph 10 of EBA Guidelines (EBA/GL/2020/02) on legislative and non-legislative moratoria. The concessions MuniFin Group has made in response to the COVID-19 pandemic have been assessed individually for each counterparty, hence the concessions do not meet the criteria of moratoria in accordance with EBA/GL/2020/02. For the purpose of EBA/GL/2020/07 Template 3, MuniFin Group has not received any public guarantees introduced in response to the COVID-19 pandemic. As a result, the MuniFin Group has not disclosed these templates. EBA has informed that the additional COVID-19 reporting and disclosure requirements will continue until further notice.

In order to secure the banking sector's ability to continue financing its customers in exceptional circumstances, the banking authorities have eased some requirements of supervised banks. Most of these concessions were no longer applicable in this reporting period. Regardless of the underlying conditions, MuniFin Group's capital adequacy ratios remain strong. MuniFin Group applies the core approach for additional valuation adjustment (AVA) in prudent valuation. At the end of 2020, the Group applied the Commission's Delegated Regulation that relaxed the aggregation factor that is applied in certain valuations in the AVA calculation. The aggregation factor was returned to its previous level at the start of 2021, and at the end of the reporting period, the Group deducted the prudent valuation adjustment from its CET1 capital in full.

In April 2020, FIN-FSA adjusted the capital requirements for the largest credit institutions in Finland, aiming to mitigate the negative effect the COVID-19 pandemic has on the stability of financial markets and on the credit institutions' ability to finance the economy. FIN-FSA removed MuniFin Group's abovementioned systemic risk buffer of 1.5%, effective immediately, which reduced the Group's overall capital requirements by 1.0 percentage points. By the end of the reporting period 2021, the FIN-FSA had not imposed a new systemic risk buffer for the MuniFin Group.

MuniFin Group has not applied any other reliefs.

Section 2

Risk management objectives and policies

EU OVA
Institution risk management approach

Risk management principles
MuniFin Group has a Risk and Governance Framework in place. The Framework is created to ensure that risk culture, business and risk strategy, risk appetite, risk governance, people and processes are aligned and effectively working. The following principles are followed across the Group:

- The Risk and Governance Framework is supported by comprehensive set of risk policies and underlying guidelines and instructions.
- MuniFin Group has a clearly defined Risk Appetite Framework (RAF), which sets out the level of risk the Group is willing to take and able to assume in pursuit of its strategic objectives.
- Limits and targets are defined and embedded throughout MuniFin Group to ensure the Group remains at any given time within the set risk appetite.
- Risk management activities are included in all parts of the organisation to ensure that limits are adhered to.
- A three-line defence governance model is in place, which ensures that an independent control, review and challenge of all operations is provided by an independent Risk Management function.
- Material risk types are actively managed in line with MuniFin Group's approach of identifying, measuring, managing, monitoring and reporting risks. Identification of risks is forward looking to allow management to take a proactive approach to risk management.
- The Group is managed in such a way that it is confident of weathering extreme but plausible stress scenarios. Stress testing is used to demonstrate that MuniFin Group is able to withstand these shocks.
- An effective risk culture is in place to ensure that limits are adhered to. Risk culture is embedded throughout the Group and communicated through the implementation of the RAF.

The components of MuniFin Group's Risk and Governance Framework are presented in the figure below:

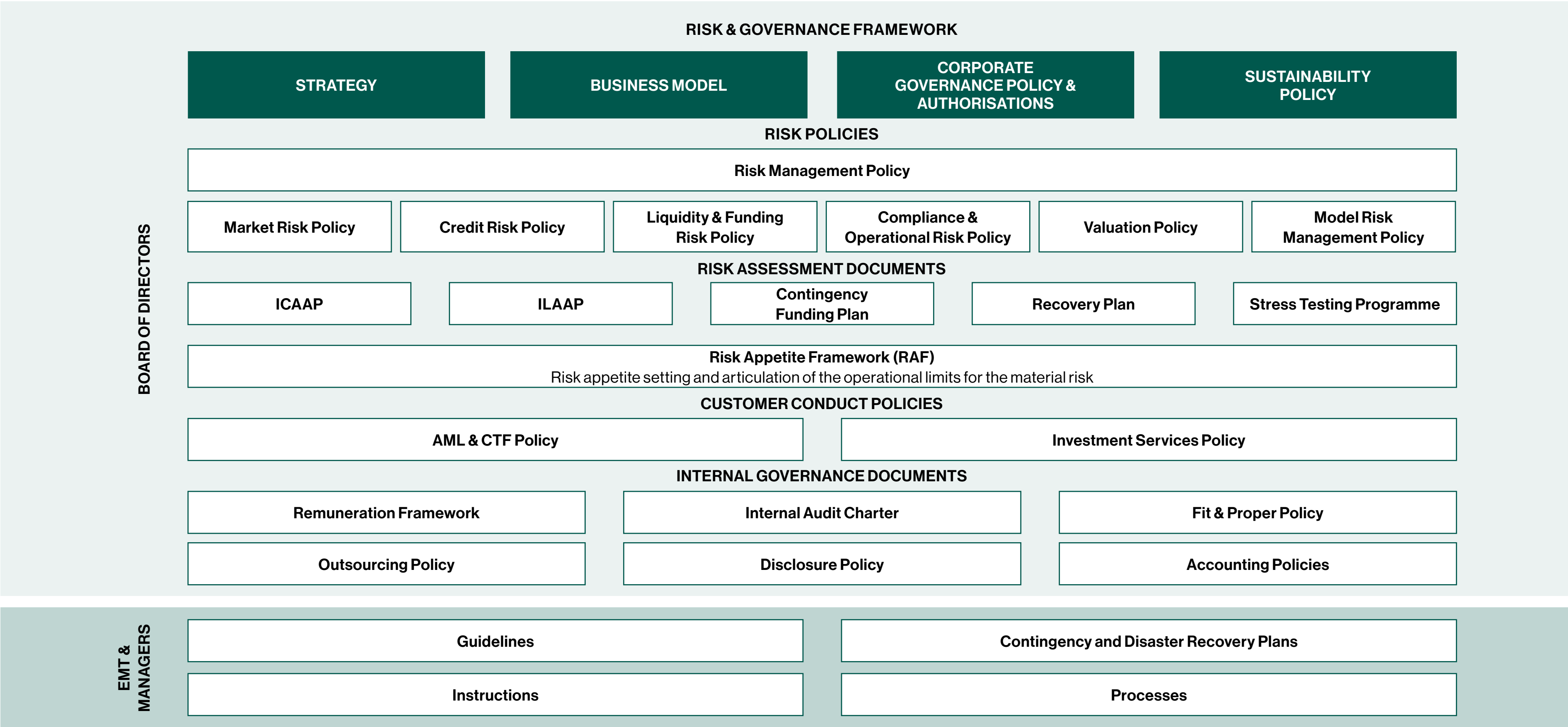

Figure 1. Risk and Governance Framework of MuniFin Group

Risk governance

MuniFin Group has an extensive risk management organisation, which covers all operations including the tasks and responsibilities of different divisions, units and decision-making bodies. Internal control framework is supported by controls of different processes. The internal control is performed at all levels of the organisation and the nature and scope of operations are taken into account in defining the operating methods used in internal control. Internal control is primarily carried out in line operations, where internal control is continuous and part of day-to-day operations.

For the implementation of the internal control framework, the Group applies the three lines of defence model, with adequate segregation of duties between and within each line of business. The three lines of defence model has been adopted to ensure that responsibilities are allocated to all relevant parties, and risks are timely reported and escalated.

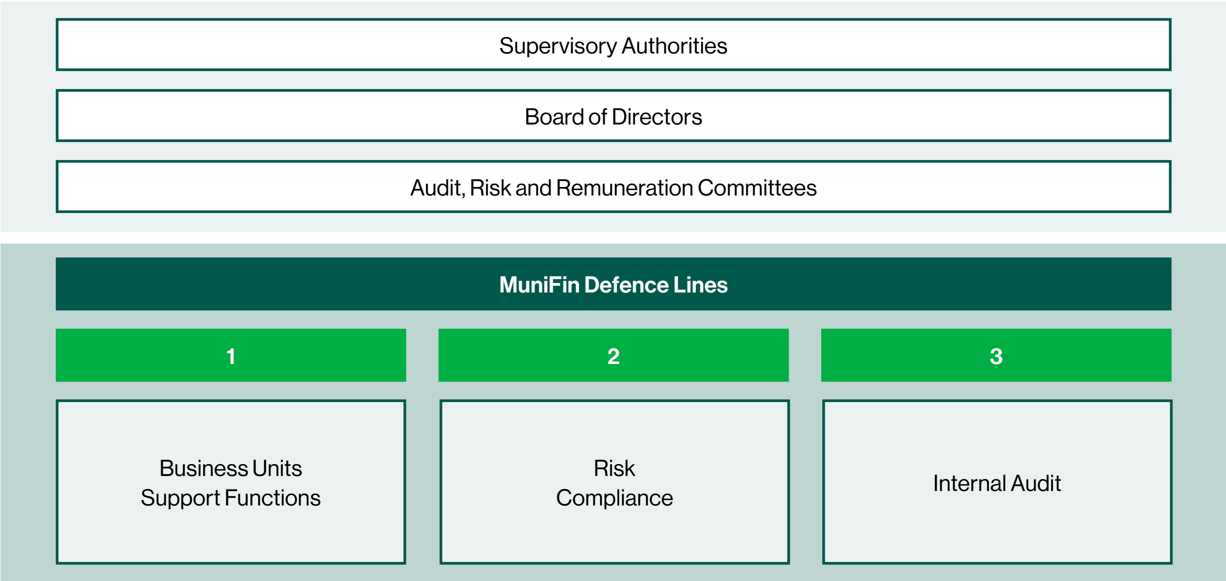

Figure 2. Three lines of defence risk governance model

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 the internal control framework.

The first line of defence has the following main responsibilities:

- Measuring risk exposures and ensuring that they are managed in line with the risk appetite.
- Putting in place processes to ensure that the business is operating within the risk appetite and policy objectives through implementing guidelines and instructions.
- Having processes in place for monitoring risk exposure against limits and targets, and for the timely escalation processes in a case of any breaches of limits and targets.

The Capital Markets and Sustainability division is responsible for managing the interest rate risk profile and other market risks 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 MuniFin's Executive Management Team and its subgroups and Board of Directors on a regular basis. The Customer Finance division maintains customer relationships and is in charge of credit decisions within the set limits and for the management of the granted credit limits. The Finance division, led by the Chief Financial Officer, is responsible for the principles related to capital adequacy, the structure of own funds and internal control over financial reporting.

The second line of defence includes independent risk management and compliance functions. MuniFin's Risk Management and Compliance division complements the risk-taking activities of the business units through its 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 and reporting of risks. Finally, Risk Management's task is to ensure that the Risk and Governance Framework is in line with the risk strategy, risk appetite and risk limits. The Compliance and Operational Risk function monitors the Group's compliance with regulations as well as operational risks.

The third line of defence is the Internal Audit function, which is in charge of conducting risk-based and general audits, providing an independent review and objective assurance to the Board of Directors on the quality and effectiveness of the internal control system, the first and second lines of defence and the Risk and Governance Framework including links to organisational culture, as well as strategic and business planning, remuneration and decision-making processes.

The risk management and capital management are governed by procedures set in policies, charters, risk assessment and planning documents, guidelines and instructions and other descriptions under the Risk and Governance Framework. All entities in the MuniFin Group (Parent Company MuniFin and Subsidiary Inspira) are subject to the same Risk and Governance 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 establishes and oversees the implementation of the principles with respect to the risk strategy, risk appetite and risk management. The Board of Directors decides upon the desired risk appetite for each risk category and all material risks for each area identified. The desired risk appetite and monitoring of MuniFin's risk profile include also climate/environmental risks. Indicators, thresholds and control mechanisms are set for each material risk and the thresholds are on a regular basis reported to the Board of Directors. Furthermore, the Board of Directors approves MuniFin Group's Risk Management Policy, Risk Appetite Framework and other risk management policies e.g. the Credit Risk Policy and Market Risk Policy. The Board also approve and supervise the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

As required by regulation and in order to organise its work as efficiently as possible, the Board of Directors has established three committees: the Audit Committee, the Risk Committee and the Remuneration Committee. These committees are responsible for assisting and preparing matters for the Board of Directors and also challenging the management in the matters of their responsibilities.

The Risk Committee assists the Board of Directors in matters regarding MuniFin Group's risk appetite and strategy, and in overseeing that the business operations comply with the risk strategy decided by the Board. In order to fulfil its purpose, the Risk Committee regularly assesses the Group's risk profile, risk definitions, risk-taking capabilities (including RAF), key limits set by the Board, and the risk management framework, taking into account the development of the operating environment and the Group's outlook for the future. Furthermore, the Committee monitors risk management related requirements set by the supervisory authorities and assists the Remuneration Committee with the preparation of sound remuneration system.

Work of the Board of Directors and, as delegated, the Risk Committee covers all identified key risk areas including relevant sub-categories within these areas. These sub-categories include e.g. climate/environmental risks where regulatory and business environment is constantly evolving. MuniFin has a roadmap for developing its practices in the area of climate/environmental risks and implementation of the roadmap is monitored by the Board of Directors. Necessary adjustments are made to the roadmap and implementing actions along development of the regulatory and business needs. Furthermore, set indicators for climate/environmental risks give a tool for the Risk Committee and the Board of Directors to monitor MuniFin's risk profile in relation to this area but also relevance of these indicators and their target levels needs to be evaluated regularly to reflect gained deeper understanding and experience on these indicators.

The purpose of the Audit Committee, as a preparatory body, is to assist the Board of Directors in duties related to financial reporting and internal control. In addition, the Audit Committee monitors and supervises risk management processes. The Audit Committee supervises work of the external and internal audit. Board's Audit Committee is responsible for directing Internal Audit to undertake independent audits on MuniFin Group's risk and control framework.

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 framework 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 the Executive Management Team

The policies, business plans and strategies are approved by the Board and cascaded top-down through the Executive Management Team. The Executive Management Team is chaired by the CEO and its members are the Heads of MuniFin's divisions. The CEO is responsible for organising MuniFin's operational activities, and is ultimately responsible to the Board 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 and Governance Framework. The Executive Management Team also delegates duties to the necessary divisions, units and responsible individuals.

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

The Chief Risk Officer (CRO) is responsible for the overall coordination of risk management including the monitoring of risk limits and reporting different types of risks. The CRO reports directly to the Board's Risk Committee on MuniFin Group's overall risk position at each meeting and presents a more thorough risk review at least twice a year.

The Executive Management Team is currently supported by six executive-level decision-making bodies: the Risk Management and Compliance Management Team (Risk MT), the Capital Markets and Sustainability Management Team (Capital Markets MT), the Credit Group, the Customer Solutions Management Team, the Finance Management Team (Finance MT) and the Technology Services Management Team. All these bodies support the Executive Management Team with matters concerning MuniFin Group's risk position and risk profile approved by the Board. The current governance structure has been in place since 1 January 2021. Following the change, former operational level bodies under the Executive Management Team were discontinued and tasks allocated to these bodies were reallocated to the new division-level Management Teams. The Capital Markets MT has tasks of the former ALM Group and the Risk Management MT has former Risk Group's matters. The Finance MT has previous tasks of the Valuation Control Group and the Data Governance Group. The Technology Services MT takes care of the previous Security Management Group's tasks. Credit Group continues as-is in the new operating model and the Customer Solutions MT has been created for other client relations management issues.

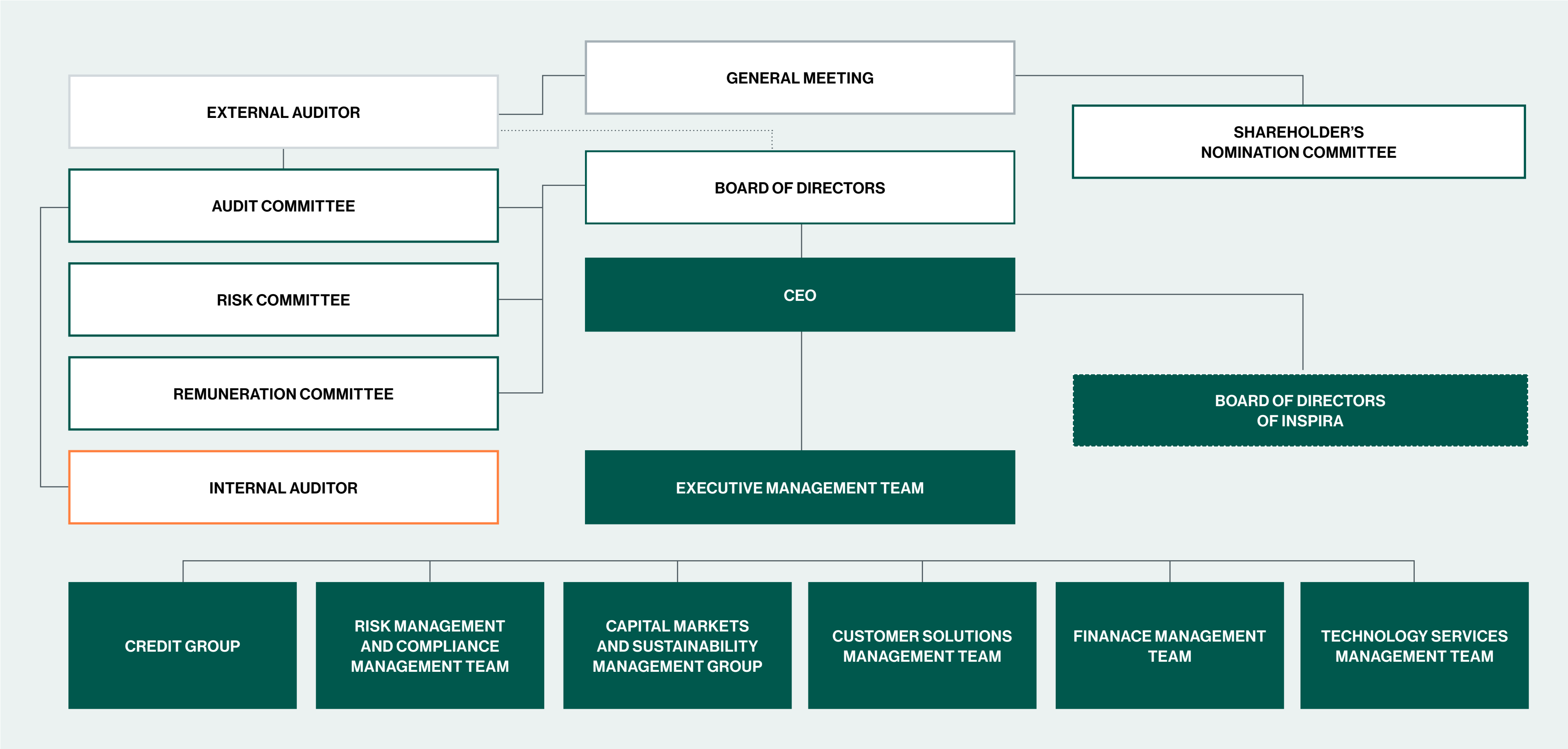

Figure 3. Risk related governance structure of MuniFin Group

MuniFin Group's overall risk profile associated with the business strategy and business model and MuniFin Group's risk statement

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 Group operates a low-risk business model with a limited scope of services offered for a restricted customer base. Furthermore, MuniFin Group has conservative risk management policies. MuniFin's business activity is strictly limited to the financing of Finnish municipalities, joint municipal authorities, central government subsidised housing production and municipality-controlled entities in case the operations of MuniFin are needed to ensure the availability of services essential to Finnish citizens due to local or regional circumstances. The services provided by MuniFin Group 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 Group 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 Group'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 goals, the Capital Plan, the Liquidity and Funding Plan, the Recovery Plan and the Remuneration Policy. It is fully aligned with ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process). Business model and strategy are the key drivers that determine MuniFin Group's risk appetite along with the areas of profitability and capital, liquidity and funding risk, credit risk, market risk and operational risk.

In the Risk Appetite Framework MuniFin Group has defined the types and amounts of risk that the Group is willing and able to take in pursuing its strategic objectives. The key dimensions of Risk Appetite Framework are:

- Overall Risk appetite statement of MuniFin Group
- Risk appetite pillars: profitability and capital, liquidity and funding risk, credit risk, market risk and operational risk
- For each pillar its strategic objective or risk appetite statement and material risks
- Risk indicators for each material risk
- Risk limits and thresholds for each risk indicator

MuniFin Group's Risk Appetite Framework starts with the overall Risk Appetite Statement, which expresses the level of risk that the Group is willing to accept in order to achieve its strategy. MuniFin Group's overall Risk Appetite Statement is as follows: "Maintain the overall risk profile at such a low level that enables MuniFin to maintain its credit ratings equal to those of the Republic of Finland and that customer financing will be secured in all market conditions".

There were no material changes in MuniFin Group's risk appetite in 2021. MuniFin's Board of Directors assures that the risk management arrangements in place are adequate with respect to the Group's risk profile and strategy. Risks remained within the set limits during the financial year and, according to MuniFin Group's assessment, risk management met the requirements set for it. Unrealised fair value changes of financial instruments increase the Group's earnings volatility. MuniFin Group continuously monitors and analyses the volatility arising from valuations and prepares for any impacts this may have on its profit and capital adequacy,

Despite the continuing COVID-19 pandemic in 2021, the Group's risk position has remained stable and at a moderate level. MuniFin Group's risk management and internal control practices and processes are developed continuously. The Group's risk position is regularly reported to the Board of Directors as a part of monthly risk reporting, and, in addition, the Chief Risk Officer provides the Risk Committee of the Board a semi-annual extended risk review of the Group's risk positions.

In the Risk Appetite Framework, MuniFin Group has recognised risks associated with its business operations in five areas also called the risk appetite pillars. Within each risk appetite pillar, material risks are identified. Furthermore, the Risk Appetite Framework defines risk indicators for each material risk. Risk limits and threshold values are then set for each risk indicator. Altogether, these form the Group's risk profile and define the amount of risk that MuniFin Group is willing to take. At least annually, the risk limits and thresholds are reviewed and recalibrated in order to align the Risk Appetite Framework with MuniFin Group's strategy, external and macro-economic developments and ICAAP/ILAAP outcomes. The Group 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 publicly available information are used to establish, evaluate and calibrate the thresholds.

A "traffic light approach" is used to set the thresholds and to report the risk levels for each of the risk indicators. Target zone (green) is defined as the desired risk appetite level set by the Board of Directors. Early warning zone (yellow) refers to a risk level, which exceeds the desired risk appetite and triggers active monitoring and decision-making. The Group may decide to stay temporarily on the yellow zone, but additional risk-taking should be avoided. In addition, a plan will be made to steer the risk level back to the green zone. Limit breach zone (red) refers to a risk level, which breaches the risk appetite and leads to immediate actions to steer the level of risk back to the risk appetite level. Board of Director's Risk Committee and the Board are immediately informed and involved in the decision-making.

All financial risk indicators were clearly within the risk tolerance levels set by the Board of Directors at the end of 2021.

Stress testing forms an integral part of MuniFin Group's overall Risk and Governance Framework as stress testing is used to support the limit and threshold calibration of MuniFin's Risk Appetite Framework. The Stress Testing Programme ensures that stress-test scenarios are aligned within the Risk Appetite Framework and capital planning framework.

Summary of Risk Appetite Framework indicators

RISK PILLARS	RISK INDICATORS	OBJECTIVES
Profitability and capital	Disassociation of the credit rating from the Finnish sovereign rating	Maintain a sufficient level of earnings, profitability and capital, even in stress periods.
	Leverage ratio	
	Net interest income /balance sheet interest bearing items	
	Change in the CET1 ratio	
Liquidity and funding	Liquidity Coverage Ratio	Maintain an adequate liquidity buffer and a sustainable funding position and profile, even in stress periods.
	Net Stable Funding Ratio	
	Financing Gap	
	Indicators related to funding	
	Survival horizon	
Credit risk	Non-performing exposures	Maintain a sound credit risk profile appropriate for MuniFin's business model.
	Expected credit losses (ECL)	
	Average credit rating, geographic concentration and ESG score in liquidity portfolio	
	Average credit rating and single-name concentration in customer financing	
	Energy efficiency of real-estate new-production	
	ESG score of consolidated municipality financing	
	Single-name concentration in derivative portfolio	

RISK PILLARS	RISK INDICATORS	OBJECTIVES
Market risk	EVE risk NII risk Basis risk FX risk Credit spread risk Fair value volatility Prudent valuation	Maintain a sound market risk profile appropriate for MuniFin's business model.
Operational risks	Reputational risk Human resources and key person risk IT and business continuity risks Cybercrime and data protection Internal fraud risk and financial crime Process and conduct risks Risk of non-compliance with regulation Significant operational loss	Maintain an effective operational control and compliance to support functional and responsible operations.

The ECB Guide on climate-related and environmental risks state that institutions are expected to explicitly include climate-related and environmental risks in their risk appetite framework. Therefore, new risk indicators have been included in the current Risk Appetite Framework to meet these expectations. MuniFin Group has not added a specific risk pillar for ESG risks, but these risks have been included, as applicable, in the existing risk pillars. Considering MuniFin's specialised business model, the most obvious new indicators are related to credit risks. Incorporating ESG risks into the Risk Appetite Framework is an ongoing process that requires further development of risk models and availability of relevant data. As these capabilities increase in the future, more risk indicators can be included in the Risk Appetite Framework.

Key figures of profitability and capital in Risk Appetite Dashboard

	31 Dec 2021	31 Dec 2020
Change in the CET1 ratio, percentage point	-9.33	21.2
Leverage ratio, %	12.8	3.9
Net interest income / interest-bearing balance sheet items	0.65	0.65

Risk management process

In MuniFin Group, 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 the Risk Appetite Framework development and annual update and in annual compliance and operational risk self-assessment processes. Complementary to this, ICAAP and ILAAP look at these risk types to assess capital and liquidity requirements that should be allocated to material risk types. MuniFin Group also periodically attends the ECB EU-wide stress tests, which will focus on climate related risks in 2022. These stress tests also offer opportunities to identify new risks and prioritize existing ones.

Risk measurement quantifies risks and it is used to assess and select appropriate means of managing relevant risks and to enable appropriate resources to be dedicated to the management of the risk. First line of defence risk owners are responsible for measuring risk exposures and ensuring that risks are managed in line with the Group'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 Group's resilience under a range of stress scenarios.

Risk management identifies the appropriate strategy to address material risks. Second line of defence is responsible for developing the risk policies for each risk type as well as the overall Risk Appetite Framework. 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 Group'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 the Group to put in place risk management processes and evaluate their effectiveness. First line of defence risk owners have processes in place for monitoring risk exposures 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 of defence 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's escalation processes. Conversely, in the case of a breach being identified by the second line of defence, the case must first be discussed with the first line of defence, before being escalated through relevant governance processes. The 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 exposures and highlights any risks that may hinder 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. MuniFin Group's risk profile reflected by the Risk Appetite Framework, is reported to the Board of Directors through the Risk Appetite Dashboard regularly. The Board of Directors and its Committees receive also monthly risk reports as well as monthly business and finance reports. In addition to these, various other reports are produced frequently such as CRO's risk review, CFO's financial review and business reviews prepared by business units. Annually, the Board of Directors approves ICAAP, ILAAP and the Recovery Plan. Internal Audit prepares to the Audit Committee and to the Board of Directors regularly internal audit reports and MuniFin Group's external auditor KPMG prepares interim audit reviews. In addition, the division-level management teams receive regularly different types of risk reports.

Stress testing

MuniFin Group pursues stress testing activities in a manner that is suitable to the specificities of its operations, business model and risk profile as outlined in the Stress Testing Programme, which has been approved by the Board of Directors. The Stress Testing Programme focuses on principles of governance (including stress testing governance structures and their use), stress testing scope and coverage, scenario development, stress testing models, methodologies and the application of them. The Group's stress testing programme is a pivotal part of risk management. Stress test outputs are used to assess the viability of MuniFin Group's Capital Plan as well as the Liquidity and Funding Plan in adverse circumstances in the context of the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and recovery planning.

MuniFin's Risk Management function is heavily involved in the design, update and application of the Stress Testing Programme. Other divisions involved in operating the programme are the Capital Markets and Sustainability, the Customer Solutions and the Finance.

The annual ICAAP and ILAAP processes include stress testing on group-level solvency and liquidity adequacy. Risk management, independent of the Group's business activities, is responsible for designing stress scenarios in cooperation with business units. The main objective of the stress testing conducted in early 2021 was to analyse the development of MuniFin Group's solvency, profitability and liquidity in 2021–2024. Business, market and credit risks and their estimated economic impact under different circumstances were tested. In addition, the liquidity adequacy of the Group was tested with several different stress scenarios. As earlier, the results of the stress tests showed that with the current capital requirements, the level of capital in the Group during the period under review is sufficient even under very unfavourable conditions. In addition, the Group has adequate own funds to satisfy the 3% leverage ratio that became binding with CRR II. In terms of liquidity, stress tests showed that the liquidity of the Group is sufficient even under very unfavourable circumstances. Also, as a part of the CRR II, the net stable funding ratio (NSFR) became binding with a limit of 100%. It was shown that MuniFin fulfills the NSFR requirement under all stress scenarios.

In late 2021, the Group also carried out a so-called reverse stress testing including a system-wide and an idiosyncratic scenario as part of its Recovery Plan. This stress test aims to find extremely negative scenarios that threaten the Group's business continuity, as well as the steps that the Group can take to cope with the situation and continue its business.

Earlier in 2021, MuniFin Group also participated in ECB's EU-wide bank stress test.

Capital adequacy management principles

MuniFin Group's objectives regarding capital in relation to risk taking and the operating environment are defined as part of the annual planning. The planning horizon extends to at least the following three 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 Capital Plan and monitors it. The Group updates its Capital Plan at least annually and follows implementation of the plan quarterly.

The aim for the capital adequacy management is to monitor the capital adequacy and to confirm that MuniFin Group's capital adequacy fulfills its targets and requirements set by financial authorities to ensure continuity of the operations. Controlling capital adequacy is continuous and an essential part of the MuniFin Group's strategic planning process, which covers setting strategic goals, specifying development projects and making financial forecasts for the following years. This is done in cooperation with the management and the Board of Directors. The Board of MuniFin approves the final strategy. Management ensures that the operational measures of the Group correspond with the principles determined in the strategy approved by the Board of Directors. 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 Group's risk position and its effect on the MuniFin'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 potential actions needed to strengthen own funds are determined. The adequacy of own funds is also monitored as part of monthly business analyses.

EU OVC
ICAAP information

MuniFin's capital management is an on-going process of determining and maintaining the appropriate quantity and quality of capital to support its operations. Capital is managed to maintain financial strength, absorb losses to withstand adverse economic conditions, allow for growth opportunities and meet other risk management, regulatory and business objectives. The internal capital adequacy is assessed based on the economic and normative perspectives.

The ICAAP is comprehensive and consistent, and covers all material risks that MuniFin Group is, or may be, exposed to through its business activities. The ICAAP reflects MuniFin Group's specialized business model and the overall conservative risk profile set by the Board of Directors.

The objective of the Group's capital planning is to define and maintain the amount and structure of its own funds in a correct and sufficient level relative to its overall risk profile in order to keep its credit rating at the highest possible level. The aim is to ensure that funding is available for the effective implementation of MuniFin Group's customer financing activities.

MuniFin Group's ICAAP fully reflects the still prevailing COVID-19 pandemic environment and its effects on the Group's business operations and risk positions.

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

EU CRA, EU CRC, EU CCRA
Qualitative disclosure requirements related to credit risk and credit counterparty risk

Credit risk refers to the possibility that MuniFin Group's counterparty fails to meet its obligations in accordance with the agreed terms and conditions.

Customer financing is one source of credit risk, but credit risk can also arise from other types of receivables, such as bonds, short-term debt instruments and derivative contracts. In addition, geographical concentration and settlement risks are considered as credit risks.

Concentration risk refers to the risk related to the overall spread of a Group's exposures over the variety of debtors.

Governance of credit risk
The management of credit risk in MuniFin Group is based on the Risk Appetite Framework approved by the Board of Directors and it aligns with the Group's strategy and business model.

The credit risk management operates under the three lines of defence framework as described under headline "Risk governance" in Section 2. Credit risk management utilises the existing governance structure and processes involving all organisational levels of the MuniFin Group.

The first line of defence is represented by the Group's business operations. The Customer Solutions division offers to MuniFin Group's limited clientele loans, short-term lending, financial lease assets and derivatives for hedging purposes. MuniFin Group's customers consist of municipalities, joint municipal authorities and municipality-controlled entities, as well as non-profit organisations and projects nominated by the Housing Finance and Development Centre of Finland (ARA). The Customer Solutions division 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 that credit risks are treated prudently within the Group's Risk Appetite Framework, internal policies and guidelines.

The Capital Markets and Sustainability division includes MuniFin's Treasury operations, Funding operations and ALM operations. The Treasury and Capital Market Services unit is responsible for managing MuniFin Group's liquidity portfolio. The guiding principle is to invest in cash and liquid assets as well as highly rated financial instruments to ensure business continuity under all market conditions. The Capital Markets and Sustainability division is also responsible for the Group's hedging operations using derivatives. MuniFin Group only uses derivatives for hedging purposes and it does not have a trading book.

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

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

Board of Directors and Risk Committee

The Board of Directors has the overall responsibility for Group's risk management and approves the main principles of credit risk management. MuniFin Group's risk appetite is defined in the Risk Appetite Framework, which also includes the indicators for monitoring the Group'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 supports the Board of Directors in the tasks related to credit risk management, i.e. evaluates the changes in the credit risk framework and policies before the Board's approval and follows regularly credit risk reporting and the risk indicators in the Risk Appetite Framework.

Executive Management Team and division-level management teams

The Executive Management Team is responsible for the practical implementation of the Credit Risk Policy approved by the Board of Directors and for developing the procedures necessary for identifying, measuring, managing, monitoring and reporting credit risks in MuniFin Group.

The Executive Management Team has set up a Risk MT to develop Group'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 MT members, noting that the Risk MT cannot have representatives from the business units as decision-makers. The Risk MT does not participate in business decision-making and business representatives do not participate in Risk MT's decision-making. Risk MT's decisions are decisions of its Chair, namely the CRO.

MuniFin Group has a Credit Group set up by the Executive Management Team, which decides on credit granting for customers with certain risk level. The Credit Group also follows the development of credit risk positions and customers' payment behaviour and decides on potential actions related to them. Also, Credit Group decides on forbearance measures to customers.

In addition, the Group has a Capital Markets MT 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 Group's customers consist of municipalities, joint municipal authorities and municipality-controlled entities, as well as non-profit organisations and projects nominated by the Housing Finance and Development Centre of Finland (ARA). MuniFin Group may only grant loans and lease financing without a separate security directly to a municipality or joint municipal authorities. For others, loans must be secured with an absolute guarantee issued by a municipality or joint municipal authorities, or mortgage collateral and state deficiency guarantee. When a loan has a deficiency guarantee by the Republic of Finland, primary pledge of mortgage collateral is required unless the loan is a central-government subsidised housing loan granted for a municipality or a joint municipal authority in which case there is no collateral required by law. Under a deficiency guarantee, the State of Finland is responsible for the primary debt in respect to the part that is not recovered from liquidation of the mortgage collateral. The guarantee or guarantee together with real estate collateral must fully cover the financing provided. Because such a guarantee is required to reduce the credit risk, all loans granted are classified as zero-risk when calculating capital adequacy. The Group does not bear the residual value risk related to its leasing services.

Municipal customers are divided into three sectors: municipalities, joint municipal authorities and municipality-controlled entities. By law, a Finnish municipality cannot default (Bankruptcy Act 120/2004). The municipalities have an unlimited right to increase local income tax rates and due to this, together with other elements of autonomy, the Finnish municipal sector has, similar to the sovereign, a zero credit risk weighting in capital adequacy calculation of credit institutions. Finnish municipalities can also establish joint municipal authorities to provide services that they are legally required to provide for their citizens or undertake regional development activities. Municipalities are jointly members of these joint municipal authorities and are commonly responsible for their funding and other liabilities. All loans to municipal companies are guaranteed by municipalities (or joint municipal authorities). Thus, there is always a municipality, that cannot default by law, to carry the risk of default. When a loan has a 100% absolute guarantee from a municipality or a joint municipal authority, MuniFin Group can apply for payment directly from the guarantor in accordance with the terms of the loan. The guarantor is obligated based on the guarantee commitment to pay the interest and other ancillary costs in addition to the principal.

The housing customer group consists of two types of housing institutions: institutions owned or controlled by municipalities (or joint municipal authorities) and central government subsidised housing institutions. Loans for housing companies owned by municipalities or joint municipal authorities are guaranteed by municipalities, or these loans can also at the same time be categorised as central government subsidised housing loans. In the latter cases there is real estate collateral and a deficiency guarantee from the State of Finland. Central government subsidised housing institutions are defined as corporations designated by state authority and engaged in the renting or production and maintenance of housing, or corporations controlled by them. The housing companies are nominated by the Housing Finance and Development Centre of Finland (ARA), a governmental agency operating under the supervision of the Ministry of the Environment. Loans for housing companies have a deficiency guarantee from the State of Finland that covers the residual risk over the collateral value of the respective property. When a loan has a deficiency guarantee by the State of Finland, primary pledge of mortgage collateral is mainly required unless the loan is a central government subsidised housing loan granted for municipality or joint municipal authority in which case there is no collateral required by law. The amount of the primary pledge must be at least 1.3 times the amount of the loan. Under deficiency guarantee, the State of Finland is responsible for the primary debt in respect of the part that is not covered from the liquidation of the mortgage collateral.

The Act on the Municipal Guarantee Board (MGB Act) sets limits on the operations of MuniFin Group, which can also be considered as an important credit risk management tool. The Municipal Guarantee Board (MGB) is an institution governed by the public law, whose purpose under the MGB Act is to secure and develop the joint municipal funding. To accomplish this purpose MGB can grant guarantees to the funding of credit institutions controlled or owned directly or indirectly by municipalities if the funding is used for financing of municipalities, joint municipal authorities and municipality-controlled entities, as well as non-profit corporations and other non-profit entities nominated by the Housing Finance and Development Centre of Finland (ARA). Financing, derivatives and other services can be offered only to customers and investments in accordance with the MGB Act. All funding issued by MuniFin has a MGB guarantee. In addition, MuniFin has guarantees granted by MGB to mitigate the counterparty credit risk of some derivative counterparties.

In addition to the MGB Act, a material credit risk management principle is that all customer financing and the derivatives offered to customers have to obtain a zero risk weight in MuniFin Group's capital adequacy calculation. As a business model, this zero-risk requirement for all customer financing, is different from other credit institutions and the credit risk principles inherent and required in their credit risk policies. MuniFin Group's Credit Risk Policy and credit risk management practices rely significantly on this principle.

Despite MuniFin Group's business model, which is based on the zero risk weighted customers, the Group has an internal risk-rating system for all customers, which assigns a risk score to the customer as part of the credit granting process. In addition, the independent Credit Risk Analysis unit compiles an annual analysis of all customers, which determines the respective risk rating of the customer. The annual analysis and update of the risk rating is based on key figures in the financial statements, the report of the board of directors and other available information. In addition, if available the Group takes into account the customer's exposure to environmental, social and governance risks, in particular environmental factors and the effects of climate change and assesses the appropriateness of mitigation strategies presented by the customer.

The risk rating of the customer affects the need for further analysis of the customer in the process of granting financing, the financing decision-making, decision-making power inside the Group, possibly the pricing and the monitoring of the customer. The Group has customer-specific credit limits. In addition, MuniFin Group calculates the ratio loan-to-value (LTV) for its loans with real estate collateral and regularly monitors the development of LTV values.

The Group's credit risk management is based on proactive customer relationship management, customer knowledge (KYC), careful selection of counterparties, credit rating and volume limits for counterparties, trustworthy and professional staff, decision-making powers, comprehensive documentation and an on-going internal monitoring and reporting.

Credit risk management in liquidity portfolio

MuniFin Group is also exposed to credit risk from its liquidity portfolio investments and derivative instruments. In selecting counterparties, the Group 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.

Investments in liquidity portfolio must have at least one credit rating from an approved rating agency: Standard & Poor's, Moody's or Fitch. MuniFin Group follows a principle that credit rating in liquidity portfolio must be at least A-. If credit rating is downgraded below A-, MuniFin's Risk MT decides what measures should be taken. The Group may invest in domestic financial counterparties or domestic public sector entities, which are not rated but investments in these counterparties are restricted by separate limits. MuniFin Group also limits foreign country risk exposure by setting separate limits to this risk.

MuniFin Group's liquidity portfolio is divided into a short-term and a long-term portfolio. The Group's short-term liquidity portfolio consists of cash, deposits to the central bank, money market instruments and debt securities with remaining maturity less than 12 months at the time of the purchase. The long-term liquidity portfolio can be divided into 3 different sub-portfolios based on the issuer's risk profile: government and SSA sector debt instruments, covered bonds and banks' senior preferred bonds. Long-term liquidity investments are divided into the above portfolios in accordance with the annual investment plan. The Group's risk appetite for credit risk is taken into account when planning the portfolio allocation and the maturity of the investments. The investment plan is prepared in connection with the annual planning and is part of the Group's Liquidity and Funding Plan.

Counterparty credit risk

Counterparty credit risk is the risk that the MuniFin Group's counterparty in derivative contracts or repo agreements is not able to meet its obligations. The Group uses derivatives only for hedging purposes in its own operations, for example hedging all non-euro funding and investment transactions to euros and fixed and long-term interest rate transactions to short-term interest rate (euribor). The Group also uses derivatives for hedging balance sheet fixing risk. Furthermore, derivatives transacted 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. Under the requirements set by the European Markets Infrastructure Regulation (EMIR), standard plain-vanilla OTC interest rate swaps are cleared using Central Counterparties (CCPs). In this model, at the end of the clearing process, a CCP becomes the counterparty to each cleared trade. The purpose of CCP clearing is to reduce counterparty risk. The Group has two global banks providing clearing broker services. The variation margin of the derivatives with the CCPs is based on the daily margining of the cash collateral (Collateralised-to-Market, CTM). MuniFin also exchanges initial margin with the CCP.

The counterparty credit risk is also subject to strict limits. When approving the financial counterparty for derivatives, a counterparty must have at least one credit rating from either Standard & Poor's, Moody's or Fitch and, with some exceptions, it must be at least A- or equivalent. All contracts are valued daily using market information and advanced valuation models and reconciled with counterparty valuations. Derivatives with financial counterparties are executed only under ISDA Master Agreements. MuniFin limits credit risk arising from its derivative counterparties with ISDA Credit Support Annexes (CSA). MuniFin Group has 36 derivative counterparties with which it has active derivative contracts. The Group has the above-mentioned collateral agreement with all these counterparties. MuniFin Group only enters into the trades with counterparties that have a variation margin CSA with daily margining. The Group only accepts cash as collateral in derivatives agreements. Additionally, the Municipal Guarantee Board's guarantees are used for reducing the derivative counterparty risk of certain financial 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 losses 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 Group's expected negative exposures, taking into account the probability of MuniFin's own default and the loss given default.

According to its own analysis, MuniFin Group does not have any exposures containing general or specific wrong-way risk. The general wrong-way risk is the risk that the credit quality of the counterparty might positively correlate with macro-economic factors, which also effects the value of derivatives transactions. Specific wrong-way risk is the risk when future exposure to a specific counterparty is positively correlated with the counterparty's PD due to the nature of the transactions with the counterparty.

Settlement risk

MuniFin Group may also be exposed to settlement risks in the course of its operations in respect to issued bonds, customer financing, liquidity portfolio investments or derivative transactions. Group's customer financing transactions are dependent on the operations of domestic payment banks and similarly the capital market transactions are dependent on the operations of the Group's international payment banks and clearing parties. In order to minimise the credit risk associated with clearing and settlement, transactions are in principle carried out through delivery against payment.

Concentration risk

MuniFin is the only credit institution in Finland, which specialises in the provision of financing for the local government sector and central government subsidised housing production, and is by far the largest financier for its customer base. MuniFin Group's customers consist of municipalities, joint municipal authorities, 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). All loans granted by MuniFin have the risk level associated with Finnish public sector entities.

Taking into account the nature of MuniFin Group's business, the Group has some recognised and accepted concentration risk in its customer financing, i.e. geographically (regionally), by customer type (municipality sector, central government subsidised housing production) and by collateral type (real estate). The Group's largest sub-portfolio in the customer financing is the municipality sector. This risk concentration on the municipality sector is unavoidable and inherent to MuniFin Group's business model.

Considerable portion of the exposure to customers is indirectly related to Finnish sovereign risk due to the deficiency guarantee in loan arrangements for the central government subsidised housing production. This is inextricably linked to MuniFin Group's business model and to its place in the Finnish social system. Furthermore, the ultimate purpose of MuniFin is to be a financier for the municipality sector and central government subsidised housing production and limitations on MuniFin Group's customer base and operations are set in the Act on Municipality Guarantee Board. Therefore, the concentration risk cannot be significantly modified. On the other hand, all receivables from the Group's customers have 0% risk weights in capital adequacy calculations and taking into account MuniFin Group's business model, the concentration risk is acceptable and in line with the Group's strategy. In addition, in the calculation of large exposures, all receivables from customers are zero after mitigation techniques. Concentration risk in the customer financing is inherent to the Group's business model. However, in the ICAAP, the Group has reserved some internal capital to cover this risk.

The main responsible for recognising the risk concentrations as well as managing them lies with the Customer Finance Services unit. The independent Risk Management function monitors and analyses the portfolio and reports its risk concentrations to the Risk MT, the Executive Management Team, the Risk Committee and the Board of Directors.

The Group could be exposed to concentration risk in its liquidity portfolio. However, limits related to investments in liquidity portfolio guide to diversify investments between issuers, geographical areas and instrument types, for example. The Board of Directors approves an annual Liquidity and Funding Plan, in which the investment goals are aligned with principles and limits set in risk policies. In addition to this, the Executive Management Team ensures with set guidelines that concentration risk is manageable and within the set limits. Concentration risk related to the liquidity portfolio is monitored by the first line of defence, the Treasury unit, as well as independently by the second line of defence, the Risk Management unit. Reports are submitted to the Risk MT, the Executive Management Team, the Risk Committee and the Board of Directors.

Non-performing exposures and expected credit losses

The Group defines the non-performing exposures (NPE) as receivables that fulfil at least one of the criteria below.

- Material exposures which are more than 90 days past-due;
- MuniFin Group's Credit Group's (customer financing) or Capital Markets MT's (liquidity portfolio) assessment that it is probable that the debtor is not likely to pay its credit obligations in full without realisation of the collateral, regardless of whether there have been any delays in payments or how many days the payments have been past due.

Non-performing exposures are treated as Stage 3 receivables in the calculation of expected credit losses.

Forborne receivables include receivables that have been renegotiated due to the customer's financial difficulties. Details about the principles applied to forborne and modified receivables are in the accounting policies of Consolidated Financial Statements 2021 in Note 1 available on MuniFin website.

IFRS 9 requirements for impairment are based on a three-stage approach to measure expected credit losses (ECLs). Financial assets measured at amortised cost or fair value through other comprehensive income are in scope for recognising impairment under the IFRS 9 standard. In addition, financial lease receivables and off-balance sheet binding loan commitments are in scope for recognising impairment due to their credit risk. Impairment of financial assets is calculated based on credit losses expected to arise over a 12-month period, unless there has been a significant increase in credit risk since origination, in which case, the allowance is calculated based on the expected credit losses over the life of the asset. Both lifetime and 12-month expected credit losses (ECLs) are calculated on an individual basis. The definition of default used in ECL is in line with the MuniFin Group's capital adequacy calculations and risk management as well as with that required by regulators. When estimating the ECLs, MuniFin Group considers different scenarios. Each scenario is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

In the measurement of expected credit losses, past events and forward-looking information is used. Utilising forward-looking information in the expected credit loss model requires judgement. In addition to the aforementioned factors, also meaningful macroeconomic variables are included in the model. Their forecasts are included in the macroeconomic scenarios.

In 2021, the amount of expected credit losses during the year has decreased and the amount of expected credit losses recognised in the result for the financial year was EUR 0.1 million. In addition, the MuniFin Group has recorded an additional discretionary provision (management overlay) of EUR 0.43 million to cover the planned model changes coming in 2022.

The amount of the Group's expected credit losses in relation to the Group's statement of financial position is very low, 0.003% (0.003%). Expected credit losses in relation to the total assets and commitments included in the calculations are 0.003% (0.003%). The amount of expected credit losses is materially influenced by the Group's conservative risk management principles, in particular the guarantees and collaterals received by the Group, as well as the customer base and the high credit ratings of counterparties.

Impacts of COVID-19 pandemic on credit risk

The COVID-19 pandemic has not weakened MuniFin Group's credit risk position, and the credit risk position is also expected to remain stable in the future in accordance with the Group's credit risk strategy. Few of MuniFin Group's customers run into economic challenges in the spring 2020 due to the COVID-19 pandemic. If the pandemic impacted their repayment ability, MuniFin offered them repayment holidays and concessions to the payment terms of the loans. Prolonged pandemic didn't really affect the repayment ability of MuniFin customers in 2021. More information on repayment holidays and expected credit losses is presented in a Note 27 Credit risks of financial assets and other commitments of the Consolidated Financial Statements. The sudden worsening of the pandemic could affect the Group through a widening of credit risk premiums and through valuations of the liquidity portfolio. In addition, an increase in customers' financial difficulties could increase the Group's credit risk and, to some extent, also the expected credit losses.

Measurement and reporting of credit risk and counterparty credit risk
MuniFin Group's objective for credit risks is to maintain a sound credit-risk profile, keeping inherent financial risks to capital within the boundaries of risk appetite. MuniFin Group's most material credit risks arise from its liquidity portfolio and derivatives counterparties. This exposure is managed through high credit rating requirements and daily CSA collateral management. The credit risk arising from customer financing is low due to MuniFin Group's specialised business model and restricted customer base.

Under the Risk Appetite Framework, MuniFin Group monitors credit risk using different credit risk indicators. Maintaining high credit-quality customer financing, liquidity and derivatives portfolios is a key aspect of MuniFin Group's business model. For this, the Group monitors non-performing exposures and expected credit losses on a regular basis. The expected credit loss risk indicator is fully aligned with MuniFin Group's IFRS 9 expected credit loss calculations. For customer finance portfolio, MuniFin Group monitors the average credit rating (internal rating) for certain customer portfolios, as well as single-name concentration risk indicator, which measures the share of a single-name customer group exposure to total amount of customer financing exposure. In addition, MuniFin is monitoring the energy labels of real estate collaterals for loans originated after June 2021.

MuniFin Group is also exposed to credit risk from its liquidity portfolio. In selecting counterparties, the Group evaluates credit risk with principles and limits approved by the Board of Directors, based on external credit ratings and internal credit risk analysis. In the Risk Appetite Framework, MuniFin Group monitors the credit quality of liquidity portfolio using the average rating of individual investments, which is calculated as a weighted average of the ratings of individual liquidity portfolio investments. The geographic concentration risk indicator measures the amount of liquidity portfolio exposure concentrated in any individual country. It aims to ensure that MuniFin Group's credit risk exposure from any single country is not too high. According to the Credit Risk Policy, only investments to the OECD countries and issuers operating in these countries are allowed. In addition, MuniFin is monitoring the ESG risks of the liquidity portfolio.

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

The Risk Management function 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 Group calculates capital requirements for credit risk using the standardised approach. For counterparty credit risk, the Group is applying the mark-to-market method.

EU MRA
Qualitative disclosures related to market risk

Market risk refers to the risk of losses resulting from an unfavourable change in market prices or market price volatility. Market risks include interest rate, foreign exchange, share price and other price risks.

MuniFin Group has identified under Risk Appetite Framework the following sources of relevant market risks: Interest rate risk (Interest Rate Risk in the Banking Book, IRRBB), FX risk and credit spread risk as well as fair valuation risk.

The identified relevant risks are defined as following:
- Interest rate risk is a risk of losses to earnings and capital arising from a change in the value of financial instruments, both from the economic value and earnings perspectives, due to changes in interest rates.
- FX risk is a risk of losses to earnings and capital arising from unfavourable exchange rate fluctuations.
- Credit spread risk is a risk of losses to earnings and capital arising from unfavourable credit risk spread fluctuations.
- Fair valuation risk is a risk of losses to earnings and capital arising from adverse movements in the market valuation inputs, such as tenor basis spreads, cross-currency basis spreads and credit spreads. Fair valuation risk also covers valuation uncertainties of fair valued financial instruments.

MuniFin Group manages the interest rate risk arising from its business operations by means of using derivative contracts. Interest rate risk arises mainly from the difference in euribor rate terms between assets and liabilities. The AT1 capital instrument and the Group's equity also causes interest rate risk. The Group hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding and investments into euros. The Group does not bear any material foreign exchange risk. Derivative contracts are also used to hedge against other market risks. The Group applies fair value hedge accounting in accordance with IFRS 9 and IAS 39 standards. The Group also makes use of the fair value option (FVO) permitted by IFRS 9 standard in some of its hedging relationship to eliminate or to significantly reduce accounting mismatch due to hedging. The use of hedge accounting and FVO is described in the Consolidated Financial Statements 2021, in Note 1.

MuniFin Group does not have a trading portfolio.

Governance of market risk

The market risk management operates under the three lines of defence framework as described in Governance of risk management in Section 2. Market risk management utilises the existing governance structure and processes involving all organisational levels of the MuniFin Group.

MuniFin Group's Capital Markets and Sustainability division that covers Treasury and Capital Market Services, Funding and Sustainability and ALM units is the main responsible for managing market risk. The primary first line risk owner is the Treasury and Capital Market Services unit that is responsible for managing the day-to-day market risk positions of MuniFin Group. In addition, the Funding and Sustainability unit, as another first line risk owner, is responsible for executing funding transactions so that suitability and hedging possibilities of new funding is always assessed according to the set principles before entering into a transaction.

The second line tasks are conducted by the Risk Management and Compliance division. The Risk Management function is responsible for the development of market risk policies, while the first line risk owners are responsible for making sure that guidelines, instructions and processes are in place to ensure that the relevant policies are being complied with and the Group is operating in line with the defined risk appetite at any given time. The Risk Management and Compliance division identifies, measures, manages, monitors and reports market risk independently of the business units. Furthermore, the division ensures that risks remain within permissible limits and that MuniFin Group's Risk Appetite Framework is in line with the risk strategy and the risk appetite and provides recommendations for updates and revisions where necessary. The independent Compliance function's task is to ensure that MuniFin complies with internal and external regulations related to market risk.

The independent Risk Management and Compliance division is responsible for the development and maintenance of MuniFin Group'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 MT is responsible for reviewing any changes proposed by the Risk Management and Compliance division prior to the Market Risk Policy being subject to a review by the Executive Management Team.

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

MuniFin has three division-level management teams that operate under the Executive Management Team in market risk management related matters. The Capital Markets MT's key duties are management of market risk position of the balance sheet, steering the IRRBB strategy, monitoring the balance sheet profitability as well as monitoring key Risk Appetite Framework indicators and financial markets. The Risk MT's task is to ensure that the Group's risks remain within risk appetite and at a level sufficient to maintain the Group's business continuity, strong credit rating and compliance with relevant regulatory requirements. The Finance MT monitors MuniFin Group's financial assets and liabilities fair values and is responsible for the final decision of the Group's fair values for financial reporting.

The Board of Directors approves the Market Risk Policy as well as the risk appetite set in the Risk Appetite Framework, including the market risk related risk appetite, risk indicators, limits and thresholds. The Board of Directors is responsible for setting the scope and general requirements for the risk measurement and assessment, defining the principles for organising market risk management and related quality assurance and confirming the risk level and risk appetite based on the MuniFin Group's strategy and business plan.

The Board Committee responsible for market risk management is the Risk Committee. The Risk Committee reviews and challenges the updates proposed to the Market Risk Policy. The Committee is responsible for reviewing the market risk related reporting.

Market risk appetite

MuniFin Group's overall risk appetite is described in the Risk Appetite Framework. The Group has identified the following relevant market risk areas: interest rate risk in banking book, FX risk, credit spread risk and fair valuation risk. Interest rate risk in banking book has been divided into the following sub-risk types: Economic Value of Equity (EVE risk), NII (net interest income) risk and basis risk. The fair valuation risk consists of fair value volatility and prudent valuation.

Under the Risk Appetite Framework, MuniFin Group has further defined material risks and for each material risk the Group 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 Group's strategy and external and macro-economic developments.

Due to MuniFin Group's specialised business model, the Group does not have a risk appetite for equity, equity index, commodity, or any other similar market risk types. However, MuniFin Group is exposed to these types of market risks through its funding operations. These risks are always back-to-back hedged using derivatives.

Capital requirements for market risk

MuniFin Group calculates capital requirements for the overall net foreign exchange position. The Group hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding and investments into euros. However, a small temporary exchange rate risk may arise due to collateral management in the clearing of derivatives by central counterparties. This exchange risk is actively monitored and managed.

At the end of December 2021, the FX position was less than 2% of own funds. There is no capital requirement for market risk since the FX net position did not exceed 2% of the total own funds based on CRR Article 351.

In the evaluation of the credit risk exposure, MuniFin Group uses accounting credit valuation adjustment (accounting CVA) and regulatory CVA (CVA VaR). MuniFin Group calculates CVA VaR in accordance with the standardised approach and it is an estimate of potential unexpected losses.

Management of market risk

General principles

The objective is to maintain a sound market risk profile appropriate for MuniFin Group's business model. The purpose of market risk management is to ensure that the market risk arising from the Group'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 MuniFin's credit rating remains equal to that of the Republic of Finland and MuniFin Group is able to secure customer financing in all market conditions.

IRRBB

Net Interest Income (NII) is MuniFin Group's main income. MuniFin Group's strategy for interest rate risk in the banking book (IRRBB) is to ensure sustainable profitability regardless of the level of interest rates. The focus is to stabilise earnings by minimising Earnings at Risk (mainly NII risk) measure. Economic Value of Equity (EVE) of interest rate sensitivity is a secondary measure but also kept within risk appetite. Interest rate risk arises from the operations in funding, customer financing and liquidity portfolio investment activities.

The main principle for managing Group's interest rate risk hedging is to utilise interest rate swaps to hedge fixed-rate exposures back-to-back to floating-rate. The back-to-back interest rate swaps (IRS) replicate all the details of underlying liability, asset or portfolio of assets to offset the risk of the underlying transaction.

As a norm, interest rate hedges are executed on all fixed-rate assets and liabilities with maturities longer than one year. All shorter maturities and floating-rate items are subject to tenor basis risk and fixing risk (seasonal mismatch) management on a balance sheet level and hedged as balance sheet overlay hedge.

The Capital Markets MT decides on a strategic mismatch position, i.e. to leave fixed-rate exposures unhedged in order to steer the Group's net interest income towards the objective of earnings stabilisation. The strategic mismatch position is created using assets only and includes both fixed and revisable rate loans as well as fixed-rate investments in the liquidity portfolio. Derivatives are not used in the creation of the strategic mismatch.

Fair value hedge accounting is applied to certain financial assets and liabilities denominated in euros, where the plain-vanilla interest rate of the hedged item has been swapped to a floating rate using derivatives. In addition, fair value hedge accounting is applied to foreign currency denominated financial liabilities with fixed interest rates, which have been hedged by exchanging the principal into euros and the interest rate into a floating rate. The hedging relationships within hedge accounting are documented and they comply with the Group's risk management objectives and strategy. MuniFin Group does not apply cash flow hedge accounting.

For financial assets, the Group applies fair value hedge accounting in accordance with IAS 39 portfolio hedge accounting to lending at fixed rates and long-term reference rates. For the aforementioned financial assets, the hedged risk is interest rate risk. In addition, fair value hedge accounting according to IFRS 9 is applied to lease agreements at fixed and long-term reference rates and structured lending transactions which pass the SPPI test and which have been hedged 1:1 with an interest rate swap.

The Capital Markets MT is responsible for monitoring MuniFin Group's interest rate risk and for the principles of IRRBB risk management. Treasury supports the Capital Markets MT in relation to IRRBB risk management activities and is responsible for managing interest rate risk at an operational level in accordance with the decisions made by the Capital Markets MT. Interest rate risk is regularly controlled and reported by the Risk Management and Compliance division.

MuniFin Group performs IRRBB calculations based on a number of different interest rate shock scenarios. The calculations are both from an economic value and earnings risk perspective. For earnings risk MuniFin Group have two separate calculations, one focusing on NII risk and one that also considers the effects on profit and loss or directly in equity.

MuniFin Group has implemented both internally developed scenarios and the Supervisory outlier test scenarios provided in the EBA Guidelines (EBA/GL/2018/02). The scenarios covers both parallel shifts and non-parallel shifts in the interest-rate curve.

MuniFin Group does not take deposits and such, do not model the behavior of non-maturity deposits.

Earnings at Risk and NII risk

Earnings at Risk and NII risk is measured through a financial forecast model for the Group's projected financial income by measuring how adverse changes in interest rates may affect the net interest income. The impact is assessed in proportion to MuniFin Group's profitability. The model includes the entire balance sheet of MuniFin Group (all interest rate sensitive cash flows) and takes into account any optionality in the balance sheet. Negative interest rates and zero floors are taken into account in NII scenarios.

NII risk is calculated on a daily basis where Earnings at Risk is measured monthly. Both measures calculate the risk for the following 12-month period.

NII measurement compares the projected financial income of the base scenario of the forecast model to a set of selected eight interest rate scenarios. The most negative scenario is used as a measure for NII risk.

Scenarios used are:
1. Parallel shock up (+50bp)
2. Parallel shock up (+200bp)
3. Parallel shock down (-50bp)
4. Parallel shock down (-200bp)
5. Steepener shock (short rates down and long rates up)
6. Flattener shock (short rates up and long rates down)
7. Short rates shock up
8. Short rates shock down.

NII RISK (EUR 1,000)	Impact	In relation to net interest income
31 Dec 2021	0	0.0%
31 Dec 2020	-32,180	13.4%

Earnings at risk measurement comprises the projected financial income of the base scenario of the forecast model to a set of selected four interest rate scenarios. The most negative scenario is used as a measure for Earnings at risk.

Scenarios used are:
1. Parallel shock up (+50bp)
2. Parallel shock up (+200bp)
3. Parallel shock down (-50bp)
4. Parallel shock down (-200bp)

EARNINGS AT RISK (EUR 1,000)	Impact	In relation to net interest income
31 Dec 2021	+7,410	0%
31 Dec 2020	New	

The Risk Management function performs monthly backtesting of the financial forecast model.

Interest rate sensitivity

Interest rate sensitivity or Economic Value of Equity (EVE) measures how much the present value of assets and liabilities will fluctuate due to changes in the interest rate environment. The impact is assessed in proportion to MuniFin Group's own funds. The Group applies eight interest rate scenarios to measure interest rate sensitivity of the balance sheet.

MuniFin currently applies following standard interest rate scenarios:
1. Parallel shock up (+50bp)
2. Parallel shock up (+200bp)
3. Parallel shock down (-50bp)
4. Parallel shock down (-200bp)
5. Steepener shock (short rates down and long rates up)
6. Flattener shock (short rates up and long rates down)
7. Short rates shock up
8. Short rates shock down.

ECONOMIC VALUE OF EQUITY (EUR 1,000)	Impact	In relation to own funds
31 Dec 2021	-13,180	0.75%
31 Dec 2020	-344,620	21.2%

Basis risk

Basis risk refers to the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices. Unfavourable changes in basis swap spreads may have a negative effect on MuniFin Group's net interest income (NII). Maintaining a stable earnings profile, even under stressed interest rate conditions, is an important part of ensuring MuniFin Group is able to operate according to its business model.

Basis risk at MuniFin Group refers to the single-currency basis risk arising from assets and liabilities, which are linked to different Euribor reference indices. The basis risk indicator is defined as a negative effect of an unfavourable change in basis swap spreads on NII, and calculated as a proportion of the preceding year's total NII. When measuring basis risk the Group applies two different scenarios:
1. Narrowing basis swap spreads assuming that the basis swap spreads are narrowed to zero from their current levels and
2. Widening basis swap spreads that is based on basis swap spread changes experienced during the euro area crises in 2011.

Basis risk is actively monitored and managed by Treasury both using Euribor basis swaps to mitigate the risk and by matching lending and funding fixing dates. Furthermore, basis risk is controlled by the Risk Management function.

BASIS RISK (EUR 1,000)	Impact	In relation to NII
31 Dec 2021	-450	0.2%
31 Dec 2020	-12,550	5.2%

FX risk

The Capital Markets MT is responsible for monitoring MuniFin Group's FX risk and for the principles of FX risk management. Treasury supports the Capital Markets MT in relation to FX risk management activities and is responsible for managing the FX risk at an operational level in accordance with the decisions made by the Capital Markets MT. The Risk Management function monitors and reports on FX risk related risk limits.

Based on the guidance from the Board of Directors, MuniFin Group's lending and other customer finance products are all denominated in euros. All foreign currency denominated funding and liquidity investments are translated into euros using derivatives at the time of the underlying transaction. The functionality of the cross-currency derivative markets is always assessed before entering into new funding or liquidity investments in order to ensure that currency hedges can be put in place according to the 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 Group 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 denominated funding and liquidity investments by executing hedges to the maturity date of the underlying hedged item. Thus, future changes in the cross-currency bases will not affect MuniFin Group's cash-flow-based risk profile.

The currency position is calculated as the euro-denominated difference between assets and liabilities in various currencies.

CURRENCY POSITION (EUR 1,000)	Position
31 Dec 2021	1,376
31 Dec 2020	2,146

Credit spread risk management

Credit spread risk refers to the risk premium component in the liquidity portfolio, indicating the additional return demanded by investors for an instrument with a specific credit rating instead of investing in the risk-free yield. Credit 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 Group, credit spread risk refers to the risk of loss due to a negative change in the market value of the liquidity portfolio. MuniFin performs credit spread risk calculation (CSRBB model) using a Monte Carlo simulation model based on a multivariate distribution. The methodology models credit spread risk on an instrument level, but CSRBB model's results can be aggregated and monitored on a sub-portfolio, rating, duration class, sector, country, region, issuer or even group level.

The liquidity portfolio credit spread risk is managed in Treasury within the portfolio management framework. Main principle in portfolio management is to guarantee a sufficient amount of earnings within the liquidity requirements. The credit spread risk, which affects the market value of liquidity investments, is managed on an aggregate level by controlling the average maturity of the liquidity portfolio. Targets for average maturity and portfolio composition are decided for each year as part of the Liquidity and Funding Plan, in association with business planning.

In MuniFin Group's investment policy, all investments are classified and limited according to their liquidity, credit rating and geographic concentration. Risk Management performs monthly credit spread risk simulation using CSRBB model. This will result in a VaR estimate in euros. The VaR result is then divided by total bond euro amounts used in the simulation to get the VaR ratio, which describes the relative risk of the liquidity portfolio. Back-testing of the CSRBB model is done and compared from the actual euro changes of the fair values including asset swap protection effect. This will provide a proxy for the credit spread risk in euros, which is then compared to the VaR results with tighter confidence levels and a shorter prediction time horizon, which will match the backtesting period.

SPREAD RISK (EUR 1,000)	Impact	In relation to own funds
31 Dec 2021	-22,700	1.3%
31 Dec 2020	-22,300	1.4%

Fair valuation risk

MuniFin Group has identified fair valuation risk as a material risk for its operations. Unrealised fair value changes of financial instruments increase the volatility of profits. In addition to the profit, the Group's own funds are also affected by valuations measured at fair value through other comprehensive income (OCI). The volatility of the fair valued instruments arises from changes in market risk factors, such as tenor basis spreads as the spread between different interest rate curves changes. In accordance with the market practice and IFRS 13 standard, the Group discounts the financial assets and liabilities measured at fair value and the hedged items with the swap curve and the hedging derivatives with the OIS curve, which causes a significant part of the Group's valuation volatility. The Group continuously monitors and analyses the volatility arising from valuations and prepares for its potential profitability and solvency impacts.

The fair value volatility is regularly monitored and reported to capture any changes in the financial position or in sensitivities to market movements. MuniFin Group has set up daily and monthly controls to validate the valuations and monitor PnL, Cost-of-Hedging and own credit risk volatility. The Finance Management Team, steered by the CFO, monitors Group's fair values and is responsible for the final decision of fair values for financial reporting. Fair value risk is also regularly reported to the Executive Management Team, Risk Committee and to the Board of Directors.

The Group has implemented an efficient control and performance monitoring framework with regards to its valuation models, which aims to ensure the accuracy and appropriateness of model output. The model performance monitoring consists of four main controls:

1. Counterparty valuation control (CVC),
2. Fair value explanation,
3. Independent price verification (IPV) and
4. Independent model validation.

Counterparty valuation control (CVC) is performed by Risk Management, that shall assess any deviations in valuation model output compared to MuniFin Group's own earlier valuations and to counterparty valuations. The results of the assessment shall be reported monthly to the CFO and quarterly to the Finance Management Team. Fair value explanation process consists of daily analysis and explanation of the changes in fair values by Risk Management and a monthly fair value explanation report to the CFO and quarterly to the Finance Management Team. MuniFin Group's fair valuations are produced daily by the Risk Management. Furthermore, the independent price verification (IPV) is performed monthly as part of MuniFin Group's IPV process by a third-party service provider. The results of the control activities are reported monthly to the CFO and quarterly to the Finance Management Team. Based on the results, the Finance Management Team may require making fair value adjustments. At the end of December 2021, there are no fair value adjustments based on the IPV results. The independent model validation is performed yearly for a subset of MuniFin Group's valuation models by a third-party service provider. The results of the model validation are reported to the Finance Management Team.

Through fair valuations, MuniFin Group is also exposed to prudent valuation risk. Prudent valuation risk arises from valuation uncertainties of fair valued financial instruments. Prudent valuation refers to additional valuation adjustments (AVAs) that reflect valuation uncertainties of fair valued financial instruments. Fair value is considered "prudent" following the adjustments reflecting all relevant AVAs. MuniFin applies the Core approach for prudent valuation. MuniFin Group has set limits for prudent valuation risk in its Risk Appetite Framework.

Impacts of COVID-19 pandemic on market risk

The COVID-19 pandemic caused market volatility, especially in the spring 2020, which was also reflected in increased valuation volatility in MuniFin Group's profit. The market situation has since calmed down and volatility has not been as significant during the financial year 2021. Valuations have also returned close to the pre-COVID-19 levels.

IBOR reform

The IBOR reform is a global change aimed at replacing Interbank Offered Rates (IBORs) with alternative nearly risk-free rates (RFR). The reason for the reform is, among other things, the revealed manipulation cases of the IBOR reference rates. In the European Union, the reform is regulated by the EU Benchmark Regulation (EU BMR). Most prominently, the IBOR reform affects the London Interbank Offered Rate (LIBOR), a panel-based benchmark that is available in five currencies (USD, GBP, EUR, CHF, JPY). GBP, EUR, CHF, JPY and USD (1-week and 2-month) LIBOR quotations will expire after 2021, therefore the financial instruments tied to those reference rates must have been changed or replaced during 2021. For longer maturities (1-, 3-, 6- and 12-month) of the USD LIBOR reference rate, the quotation expiring date has been postponed to June 2023. For now, the IBOR reform has not had significant impacts on the Group's risk management principles. The status of the Group's IBOR transition project is discussed more broadly in the Consolidated Financial Statements in Note 1 Accounting policies in Section 23. IBOR reform.

Stress testing

MuniFin Group's stress-testing framework documented in the Stress Testing Programme has been developed to be in line with EBA Guidelines on institutions' stress testing, taking into consideration the principle of proportionality in both the quantitative and the qualitative aspects of stress testing within MuniFin Group. Group's stress testing performed for market risks covers IRRBB related stress test for earnings or NII and economic value following EBA Guideline on IRRBB non-trading book activities (EBA/GL/2018/02) and Risk Appetite Framework calibration related to IRRBB, FX risk, credit spread risk and fair valuation risk. Market risk is also part of the comprehensive Group-wide ICAAP stress test, which measures risk over a predefined time horizon.

Stress testing enables MuniFin Group 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 the Group to gain insights into how key measures predicted as part of the planning process could change under different stress situations.

Market risk stress testing is carried out regularly and results are reported to the Risk MT, Risk Committee and to the Board of Directors.

Market risk reporting

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

For operational purposes, MuniFin Group has daily market risk dashboards to monitor and follow-up the development of certain market risk indicators such as EVE and NII risk (balance sheet interest rate sensitivities).

EU LIQA
Liquidity risk management

Liquidity and funding risk is the risk that MuniFin Group is unable to meet its financial obligations as they become due, resulting in an inability to support normal business activities or a failure to meet regulatory liquidity requirements or rating agency expectations. The Group is exposed to liquidity risk in its customer financing, funding, liquidity portfolio investments and other operations.

The objective of MuniFin Group's liquidity and funding risk management is to maintain an adequate liquidity buffer and a sustainable funding position and profile, even in stress periods.

MuniFin Group has identified a sub-set of liquidity and funding risks as material risks in the Risk Appetite Framework. When identifying liquidity and funding risks, the Group considers the connection between liquidity and funding risk and other risks, such as interest rate risk, credit risk, operational and reputational risk as these risks may have an effect on MuniFin Group's liquidity position.

MuniFin Group'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 as well as management, monitoring and reporting of liquidity and funding risks. The 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 Group's risk management framework.

MuniFin Group's liquidity risk posture is conservative. The Group 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.

MuniFin Group follows the principle of prefunding and acquires its funding in the form of short and long-term funding. For this purpose, the required minimum amount for the liquidity portfolio is determined through scenario analyses to meet internal and regulatory liquidity requirements. In the case that the Group needed to acquire additional liquidity, it would first assess the availability of funding from the capital markets in the form of short-term or long-term funding. If this is not available, the Group could utilise the liquidity portfolio as a source of liquidity by selling assets or using them as collateral in the repo markets. MuniFin Group has existing agreements in place with counterparties to enter into bilateral repurchase agreements (repo agreements). These repo arrangements could be used to cover funding redemptions in short-term and to cover any unexpected changes in the liquidity position.

MuniFin Group's funding is acquired mainly from international capital markets. The Group's funding strategy is to diversify its funding sources, which aims to ensure the availability of funding under all market conditions. MuniFin Group actively diversifies its funding across different currencies, maturities, geographical areas and investor groups. Active long-term cooperation with investors has increased name recognition of MuniFin Group in different markets. The Group has a number of debt programmes that enables to have access to funding at all time at competitive price. MuniFin Group has following programmes available for long-term funding:

- Medium Term Note (MTN) programme of EUR 40 billion. Green bonds and Social bonds are issued under this programme.
- AUD debt programme of AUD 2 billion (Kangaroo – Kauri programme), specifically for the Australian and New Zealand market

For short-term funding, MuniFin Group has following programmes and arrangements available:

- Euro Commercial Paper (ECP) programme of EUR 10 billion
- Repo transactions with selected interbank counterparties under Global Master Repurchase Agreement (GMRA), where Group's debt securities in the liquidity portfolio may use as collateral.

MuniFin Group's funding is guaranteed by the Municipal Guarantee Board (MGB), which has the same credit ratings from Moody's and Standard & Poor's as MuniFin and the state of Finland. The Municipal Guarantee Board is a public-law institution whose members are all Finnish mainland municipalities. The members are responsible for the liabilities of the Guarantee Board in proportion to their population. The MGB has granted guarantees for the debt programmes, as well as for funding arrangements outside the programmes. Based on this, debt instruments issued by MuniFin are classified as zero-risk when calculating the capital adequacy of credit institutions and solvency of insurance companies, and as Level 1 liquid assets in liquidity calculation in the EU. As defined in the Act on the Municipal Guarantee Board (487/1996) MuniFin has pledged a sufficient amount of loans for the Municipal Guarantee Board's guarantee.

A key aspect of the Group's liquidity and funding risk management is the maintenance of a well-balanced, low-risk liquidity portfolio in the form of highly liquid assets, which could be liquidised or used as collateral in the repo markets in the event that the Group experiences an unexpected and sudden liquidity shortage. The overall liquidity portfolio mainly consists of prefunding that is raised from the markets, but not yet utilised for customer financing. In case of a sudden outflow of funds, the Group holds a liquidity portfolio at such a level that its Liquidity Coverage Ratio (LCR) and Survival Horizon have a sufficient buffer to continue normal operations even under such conditions. The Net Stable Funding Ratio (NSFR) is used to measure stable funding risk.

MuniFin Group also maintains a sufficient liquidity portfolio of unencumbered, highly liquid assets to be able to continue normal operations even under severe market distress for at least a period of time defined in the Risk Appetite Framework without any new long-term funding.

MuniFin Group is a monetary policy counterparty of the Bank of Finland. This is treated as a secondary source of liquidity, if primary sources were either not sufficient, available in a timely manner or the cost of using primary sources of liquidity were considered too high. MuniFin Group may participate in Eurosystem's open market operations and use standing facilities. The minimum reserve requirement applies to MuniFin Group, and thus is required to deposit a certain amount of funds with the Bank of Finland (31 Dec 2021 EUR 36.0 million). MuniFin Group has pledged part of its lending portfolio to the Bank of Finland in order to ensure access to this secondary source of liquidity (31 Dec 2021 EUR 4,716 million).

MuniFin Group conducts systematic liquidity and funding planning. The Liquidity and Funding Plan is prepared annually, in connection with the business planning process, and the development of the Liquidity and Funding Plan is reviewed quarterly. The Liquidity and Funding Plan and the quarterly review of the plan include regular back testing. The Liquidity and Funding Plan is an integral part of the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) and it includes forecasting and planning of funding and liquidity position. The Liquidity and Funding Plan is aligned with the ICAAP baseline scenario during the annual business planning process. The plan aims at keeping the level of the Group's liquidity and funding within its risk appetite defined by the Board. It also takes into account economic perspective to ensure a sufficient long-term profitability for the Group. In addition, the plan is complemented by a rolling short-term 3-month operational plan for liquidity management.

The Group 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 indicators, limits and threshold values are reviewed and calibrated in order to align the Risk Appetite Framework with the Group's strategy and external and macro-economic developments. MuniFin Group has set targets and early-warning threshold levels which, when breached, will trigger corrective actions in order to ensure that the Group remains within its risk appetite.

MuniFin Group has implemented a comprehensive Fund Transfer Pricing (FTP) framework based on the matched-maturity, marginal cost principle. The purpose of the FTP framework is to ensure that all users and providers of liquidity are fully aware of the related costs and benefits, to support timely and accurate pricing decisions when transacting new business, and to quantify and ensure awareness of the contribution to profitability arising from the maturity mismatch of assets and liabilities and from interest rate risk. Furthermore, the FTP framework allows business units to be appropriately and correctly incentivised with regards to liquidity and interest rate risk. The FTP framework supports the overall risk management of MuniFin Group in relation to liquidity and interest rate risk and supports sustainable profitability.

Contingency Funding Plan

The MuniFin Group maintains a Contingency Funding Plan (CFP), which will be activated in the event of a liquidity crisis. The objective of the CFP is to identify key governance bodies, risk indicators, escalation processes and communication requirements to be applied in a liquidity crisis situation. Furthermore, the CFP addresses the risks identified in MuniFin Group's ILAAP and presents possible management actions that could be implemented in such liquidity stress periods.

The risk indicators, limits and thresholds used for the CFP purposes are leveraged from MuniFin Group's Risk Appetite Framework. It should be noted that a breach of any of the thresholds for liquidity and funding risk indicators in itself does not indicate that MuniFin should automatically implement CFP operational actions, rather it should be used as an indicator that MuniFin may be experiencing a level of liquidity stress, which may need prompt actions.

The governance processes to manage MuniFin's liquidity and funding risk profile under a liquidity crisis situation is aligned with the existing governance structures and processes.

Structure and organisation of the liquidity risk

In the first line of defence, MuniFin Group's Capital Markets and Sustainability division that covers Treasury and Capital Market Services, Funding and Sustainability and ALM units is responsible for managing liquidity and funding risk within limits set by the Board of Directors. The Capital Markets and Sustainability division as first line risk owners are also responsible for ensuring that liquidity guidelines, instructions and processes are in place and the Group is operating in line with the defined risk appetite at any given time. Treasury is responsible for planning and managing MuniFin Group's day-to-day liquidity and funding position. Treasury ensures that there is a sufficient amount of liquidity to cover daily and intraday needs using liquidity forecast with sufficient time horizon. Capital Market Services back-office operations monitor and manage intraday liquidity and payment transactions.

The Capital Markets and Sustainability division prepares the annual Liquidity and Funding Plan. Treasury is in charge of drafting and presenting an operational liquidity plan for the Capital Markets MT to cover all short-term funding needs and to ensure a desired risk appetite concerning liquidity and funding risk at all times. The Funding and Sustainability unit is in charge of drafting and implementing the long-term funding (over 12 months) plan. It is also responsible for all long-term funding operations of MuniFin Group. The ALM unit is responsible for funds transfer pricing, liquidity projections and supporting both Treasury and Funding in liquidity and funding related planning.

The Risk Management and Compliance division, as an independent control function in the second line of defence, is responsible for risk management policies and framework and measures, monitors and reports liquidity risk independently from the business units. It ensures that risks remain within the set limits and that the Risk Management Framework is in line with MuniFin Group's risk strategy and appetite, and provides recommendations for updates and revisions where necessary. Risk Management function is responsible for the day-to-day risk management and oversight of liquidity and funding risk in MuniFin Group. It is also responsible for validation of the FTP (Fund Transfer Pricing) methodologies and calculations implemented by the first line of defence. The Risk Management and Compliance division includes also MuniFin Group's compliance function which is responsible for monitoring Group's compliance with external regulation.

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 system.

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 limits and risk appetite based on Group's strategy and business plan and approving the Liquidity and Funding Plan for maintaining liquidity adequacy proportionate to the risk appetite. Also, the Contingency Funding Plan as part of the ILAAP framework for recognising, managing and responding to the possible future liquidity and funding stress situations, is approved by the Board of Directors. In addition, the Board of Directors approves new debt programs and sets the total amount of debt programs. The Risk Committee assists the Board of Directors in the matter of liquidity and funding risks.

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 Group's divisions, units 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 Executive Management Team makes decisions on updating the debt programmes, provided that the size of the debt program is not increased and no material changes are made to the content of the debt program.

The Capital Markets MT, which operates under the Executive Management Team, is responsible for the first line liquidity and funding risk management related to monitoring and decisions of quality and quantity of liquidity and funding. It also reviews quarterly the Liquidity and Funding Plan and makes decisions on the short-term liquidity plan taking into account the Risk Appetite Framework indicators.
The Risk Management MT, which operates also under the Executive Management Team, ensures from the second line perspective that risks of MuniFin Group remain within the risk appetite and at a level sufficient to maintain the Group's business continuity, strong credit rating and compliance with relevant regulatory requirements. It monitors the limits for liquidity and funding risks and reports any material deviations from the risk management policies and guidelines.

Measurement and reporting of liquidity risk

For each liquidity risk driver, which are assessed as relevant to MuniFin Group's business, a set of qualitative mitigation processes and quantitative measures are in place to ensure that liquidity and funding risk is managed within its risk appetite.

For quantitative measures of the liquidity and funding risk, MuniFin Group monitors both short-term and long-term liquidity. Refinancing risk occurs when MuniFin Group is holding assets with a longer-term maturity than that of its liabilities. The risk is that liabilities will need to be refinanced at a much higher cost or, in extreme cases, cannot be refinanced at all. Financing gap risk indicator measures the difference between the average maturity of assets, i.e. customer financing and liquidity portfolio, and the average maturity of liabilities. MuniFin Group also analyses the call probability related to 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.

One goal of MuniFin Group's risk appetite limits is to ensure that it has sufficient liquidity under both normal and stressed market conditions. The Group aims to have a sufficient liquidity buffer to be able to continue normal operations under extraordinary circumstances in which its access to the funding markets has temporarily ceased. Liquidity buffers are of the utmost importance in times of stress, when MuniFin Group has an urgent need to raise liquidity within a short timeframe, and normal funding sources are no longer available or do not provide enough liquidity. These buffers, composed of cash and other highly liquid unencumbered assets, should be sufficient to enable the Group to "survive" during its defined survival horizon without requiring adjustments to its business operations. This risk is included in the Risk Appetite Framework and measured by Survival Horizon risk indicator.

For measuring short-term liquidity risk, MuniFin Group uses Liquidity Coverage Ratio (LCR) as a risk indicator. Liquidity Coverage Ratio measures the adequacy of Group's high-quality liquid assets (HQLA) against total net cash outflows over a 30-day period under regulatory defined stress assumptions. The regulatory minimum requirement for the LCR is 100%. The ratio measures MuniFin Group's ability to operate even under negative market conditions. Due to the amount of callable funding, the net cash outflow fluctuations cause volatility to the ratio. Thus, large enough liquidity buffers are maintained to keep LCR at an acceptable level.

The Board of Directors has set limits for LCR in the Risk Appetite Framework. The Group is compliant with LCR according to EU regulation.

Stable funding risk is the risk that MuniFin Group does not have sufficient stable funding available to cover its funding needs in the long-term. To mitigate this, the Group ensures that it has sufficient long-term funding to cover the funding needs of its long-term assets. This is measured by the Net Stable Funding Ratio (NSFR), where the amount of long-term stable funding is weighted against funded assets and off-balance sheet liquidity exposures. The MuniFin Group applies to the NSFR a minimum requirement of 100% since June 28 2021 when the CRR II became effective.

Liquidity and funding risk indicators are reported to the Board of Directors and the Executive Management Team regularly. Both bodies are informed of any material changes in MuniFin Group's liquidity risk profile or position and of any necessary actions, which should be taken in order for the Group to remain within the set risk appetite. In addition to this, ad-hoc reporting is prepared in the event that any liquidity and funding risk appetite thresholds are breached. These breaches are reported immediately to the CRO, who in turn escalates the issue according to the escalation processes set out in the Risk Appetite Framework.

For operational purposes, MuniFin Group has daily liquidity risk dashboards for liquidity management and planning purposes. Daily liquidity projections are produced and they are taking into account forecasted new business and the latest call forecast. Risk Management monitors, on a daily basis, the development of Risk Appetite Framework liquidity risk indicators.

Internal Liquidity Adequacy Assessment Process (ILAAP)

In the Internal Liquidity Adequacy Assessment Process (ILAAP) performed annually, MuniFin Group assesses the adequacy of its liquidity resources to cover forecasted liquidity needs under the business-as-usual and stress scenarios. ILAAP is an integral part of MuniFin Group's risk management framework in addition to other strategic processes such as the Risk Appetite Framework, ICAAP, Recovery Plan and remuneration framework. The ILAAP document is approved by the Board of Directors.

ILAAP consists of a baseline scenario and adverse scenarios and is fully aligned with the ICAAP baseline scenario; the only exception being the assumed restricted access to funding markets. All liquidity risk indicators from the Risk Appetite Framework and other liquidity indicators used by MuniFin Group are included in ILAAP.

Liquidity stress testing

MuniFin Group supports its assessment of liquidity requirements with regular stress testing applying severe but plausible stress scenarios to its liquidity and funding risk profile. The liquidity stress test framework assesses MuniFin Group's liquidity adequacy and the main objective is to determine the Group'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.

Stress-testing scenarios are used to calibrate the Risk Appetite Framework threshold values for liquidity and funding risk indicators. In addition, the Group applies liquidity and funding risk related stress testing in order to define a downward scenario for the Liquidity and Funding Plan.

Impacts of COVID-19 pandemic on liquidity and funding risk

The MuniFin Group's funding has been highly successful even in the exceptional circumstances caused by the pandemic. The Group's long-standing funding strategy has relied on diversification into multiple currencies, markets, maturities and investor types. This strategy, combined with MuniFin Group's good reputation among investors as well as the safety of investments in the Finnish municipal sector, secured MuniFin's access to markets during COVID-19 pandemic and especially during spring 2020 at times when it was difficult or even impossible to many other issuers. The situation in the funding market has stabilised from that experienced in the beginning of the pandemic.

Impact of Brexit to liquidity and funding risk

A number of the Group's counterparties in capital markets transactions are based in the United Kingdom (UK). Following the UK's withdrawal from the European Union (EU), some of the Group's UK-based counterparties have become restricted in their ability to provide financial services to counterparties located in EU from their UK entities. Consequently, such counterparties have decided to transition their operations from the UK to member states of the EU. In order to ensure continuity of its funding and liquidity management activities, the Group has restructured its business relationships accordingly. Such restructuring has involved negotiating and entering into new legal documentation and transitioning business activities to new entities. The immediate effects to the Group of UK's withdrawal from the EU were very limited. However, the full impact of Brexit in the long-term to the Group and to financial markets in general remains difficult to determine.

EU ORA
Qualitative information on operational risk
Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal, conduct and compliance risks. Operational risks may result in expenses, payable compensation, loss of reputation, false information on position, risk and results or an interruption of operations.

The purpose of operational risk management is to identify, measure, monitor, manage and report operational risks related to MuniFin Group's operations. MuniFin has a low risk appetite for operational risks. However, operational risks are closely related to all business operations and they cannot be totally eliminated. Therefore, MuniFin Group aims to minimize operational risks related to its business and operations by carefully identifying and analysing the impact and probability of the risks.

Governance of operational risk
MuniFin Group's divisions and units are accountable for the operational and compliance risks related to their areas of responsibility. They are also responsible for managing the operational risks within the limits set by the Risk Appetite Framework.

MuniFin Group's independent Risk Management and Compliance division is responsible for developing and maintaining the framework for managing operational risks and for supporting and controlling the first line of defence in their implementation of the operational risk framework. The Compliance and Operational Risks unit maintains adequate operational risk policies and procedures. In addition, the unit monitors and reports the adequacy and effectiveness of operational risk framework on a regular basis to the Board of Directors.

The same function 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.

The Compliance and Operational Risks unit reports to the Risk MT on a regular basis about all operational risk incidents and controls needed. The Risk MT decides if any further actions are needed. It also reviews and approves the findings of the annual operational risk self-assessment process. Given the scale of the matter, the issue may be referred by the Risk MT to the Executive Management Team or, where appropriate, to the Board of Directors. In addition, to ensure the independence of the Compliance function, the Head of Compliance may report directly to the Board's Audit Committee and to the CEO.

Internal Audit performs regularly risk-based audits in accordance with the annual plan approved by the Board of Directors.

The Board of Directors approves the principles of operational risk management. The Risk Committee of the Board of Directors assists the Board on matters concerning the Group'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 Group adheres to the risk strategy approved by the Board.

Management and measurement of operational risk
Operational risks are recognised as part of the Group's daily operations and processes. This has been supplemented by an annual operational risk assessment, which is carried out by units through a self-assessment led by the Compliance and Operational Risks unit. The assessment of risks is conducted by assigning the probability of the occurrence and the impact on the materialisation of the event. In addition, mitigation actions are recognised and agreed upon. Each division's and unit's responsibilities include a continuous management of operational risks. In addition, the Group's Risk Management and Compliance division supports other divisions and units and have the responsibility at the Group level for coordinating the management of operational risks.

MuniFin Group uses various methods for managing operational risks. The Group has internal policies approved by the Board of Directors 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 and financial accounting are separated. The Group 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.

The Group has a contingency plan for situations in which business operations are interrupted. The plan is designed to ensure that the Group is able to continue functioning and to limit its losses in different disruptive scenarios. The business continuity and crisis management also includes disaster recovery plan for technical infrastructure and IT systems. MuniFin Group's business continuity is the responsibility of the Executive Management Team. The annual operational risk survey and the operational risk-event reporting process support the Group's continuity planning. In addition, the Group has insurance policies related to its operations and the level of the insurance coverage is assessed on a regular basis.

MuniFin Group's compliance function continuously monitors the development in legislation and regulations issued by authorities relevant to the Group's operations and ensures that any regulatory changes are appropriately responded to. The legislation and regulation 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 the Group's Compliance unit. The Group mitigates this risk by maintaining active contacts with the authorities and interest groups as well as through the organisation of the Group's internal compliance unit (incl. system support, reporting and evaluation of effects).

MuniFin Group has a whistleblowing process in place for reporting potential internal or external misconducts, breaches of ethical standards and internal or external rules. The whistleblowing channel for employees and other stakeholders is a safe way to report any misconduct. Concerns can be raised anonymously and confidentially through MuniFin's website.

MuniFin Group 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 Group 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, project audits are in scope of the internal audit when included in the annual audit plan.

The Group 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 Group has outsourcing arrangements of which the most important are IT and infrastructure services. In 2019, the MuniFin Group signed outsourcing agreements for IT end-user and infrastructure services as well as the operation of the business IT systems to improve operational reliability and the availability of services. This implementation project was completed in late 2021.

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. Operational risk events are reported to the Executive Management Team and the Board of the Directors. Only small losses from operational risks have been realized during 2021.

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 CRR Article 316.

Impacts of COVID-19 pandemic on operational risk
The effects of the COVID-19 pandemic on the Group's continuity and operational risks have been small. The organisation's transition to remote working did not significantly increase operational risks or resulting losses. The functions and processes of the various divisions were adapted on a fast schedule to suit continuous remote working. In addition, efforts were made to improve internal communication and continuity, as well as to reduce operational risks.

EU OVB
Information on governance arrangements

Information on governance arrangements is described in a separate document, Corporate Governance Statement 2021, which is available on MuniFin's website at www.munifin.fi.

EU REMA
Remuneration policy

Remuneration of the Board of Directors

In accordance with MuniFin's articles of association, the fees paid to the members of the Board of Directors are decided by the Annual General Meeting (AGM). The remuneration of a Board member consists of a fixed annual fee and meeting fees. The remuneration of each Board member is paid for a term starting from the end of an AGM and ends at the end of the next AGM. In 2021 the Board members were paid in accordance with the resolution of the AGM 2020 until the AGM held on 25 March 2021 and thereafter in accordance with the resolution of the AGM 2021.

The AGM 2020 confirmed the following fees for the Board members:
- Annual fee for the Chair of the Board EUR 35,000;
- Annual fee for the Vice-Chair of the Board EUR 23,000;
- Annual fee for the Chair of the Audit Committee and the Chair of the Risk Committee EUR 25,000;
- Annual fee for a member of the Board EUR 20,000
- To the members, a fee of EUR 500 per a Board and a committee meeting attended; and to the chairs, EUR 800 per meeting attended. Such fees are also paid per each meeting required by authorities.

The AGM 2021 resolved that the fees of the Board members be kept at the same level as in the previous year. Travel expenses and per diem allowances are paid in accordance with the company's travel policy.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD IN 2021	(EUR 1,000)
Helena Walldén, Chair until the AGM held on 25 March 2021	14
Tuula Saxholm, Vice-Chair until the AGM held on 25 March 2021	9
Kari Laukkanen, Chair	52
Maaria Eriksson, Vice-Chair	32
Markku Koponen	42
Vivi Marttila	31
Tuomo Mäkinen, appointed as a new member by the AGM held on 25 March 2021	22
Minna Smedsten, appointed as a new member by the AGM held on 25 March 2021	22
Denis Strandell	31
Leena Vainiomäki, appointed as a new member by the AGM held on 25 March 2021	30
Kimmo Viertola	28
TOTAL	**313**

More quantitative information on the remuneration is presented in other parts of this report. For the sake of clarity, the Board of Directors is the management body in its supervisory function of MuniFin and any reference to the remuneration of such a body means the remuneration of the Board of Directors. The members of the Board are not employed (i.e. are all non-executive members) by the company and are not covered by the company's Remuneration Policy.

At the end of 2021, the members of the Board were Kari Laukkanen (Chair of the Board), Maaria Eriksson, Markku Koponen, Vivi Marttila, Tuomo Mäkinen, Minna Smedsten, Denis Strandell, Leena Vainiomäki and Kimmo Viertola. In 2021, the Board convened 13 times. One of the meetings was conducted by email. The Board of Directors has established an Audit Committee, a Risk Committee and a Remuneration Committee and their roles in relation to remuneration are explained under the section "Remuneration Governance". During 2021, the Audit Committee convened 10 times, the Risk Committee 8 times and the Remuneration Committee 4 times. Furthermore, MuniFin has a Shareholders' Nomination Committee established by the AGM and its members are not paid any remuneration.

Remuneration of the Executive Management and the Employees

Remuneration Governance

The Board of Directors and the Remuneration Committee

MuniFin has a Remuneration Policy approved by the Board of Directors, which applies both to the executive management and to all employees. One remuneration framework applies to the executive management and the entire staff, unless otherwise decided due to the nature of employment (e.g. temporary employments). Within the remuneration framework, the targets and the maximum and target levels concerning variable remuneration vary depending on the position. The Remuneration Policy applies to the subsidiary Financial Advisory Services Inspira Ltd (Inspira).

The Board of Directors decides all principles related to variable remuneration including the Remuneration Policy and changes thereto, setting of the company level targets, assessment of the achievement of company-level targets and subsequent performance pay, variable remuneration paid to the CEO and persons reporting to the CEO and any changes to their fixed remuneration. The Board also follows the total remuneration of the entire personnel with the assistance of the Remuneration Committee. In addition, the Board assesses the Remuneration Policy annually and determines the payment of deferred remuneration in accordance with the regulations.

The Board of Directors decides the remuneration paid to the CEO and their deputy, and the terms of their employment. Furthermore, the Board of Directors confirms the remuneration paid to the employees who report directly to the CEO, based on a proposal made by the CEO. The key employee responsible for internal control (Executive Vice President, Risk Management and Compliance) is part of the Executive Management Team (EMT) and their remuneration is conditional to Board-supervision due to regulatory requirements. The Board may separately decide, based on the proposal by the Remuneration Committee, on the remuneration of the Head and employees of Internal Audit. The Board also monitors the remuneration of risk takers (including the remuneration of the internal control functions such as compliance).

At the end of 2021, the members of the Remuneration Committee were Kari Laukkanen (Chair), Leena Vainiomäki and Kimmo Viertola.

The purpose of the Remuneration Committee is to prepare all remuneration related Board-level matters for the Board discussion and to advice the Board. The main duties of the committee include but are not limited to:

- overseeing the remuneration process with the assistance of the HR and internal control functions
- preparing the Board decisions on remuneration;
- setting and assessment of the achievement of company level targets and
- the remuneration of the CEO, the Deputy to the CEO, and the members of the EMT (also independent control functions) and the employees who report directly to the CEO, as well as of other identified employees.

Other stakeholders

The Risk Committee monitors the setting of targets and remuneration to ensure compliance with the company's risk appetite. The executive responsible for risk management and the Head of Compliance and Operational Risk Unit also provide the Board of Directors and its Committees with statements on whether the targets and remuneration are consistent with the company's risk appetite and regulations. The Audit Committee's role is to assist the Board in duties related to internal controls, financial reporting and internal and external auditing which are all relevant also for remuneration related processes.

The internal audit provides the Remuneration Committee and the Board of Directors with an annual statement on whether or not the Remuneration Policy has been complied with. In addition, the internal audit regularly assesses the Remuneration Policy and the related documentation and the processes to the extent required by the legislation.

External consultants

In accordance with MuniFin's strategy approved by the Board of Directors, MuniFin follows the development of salaries and remuneration in the finance sector and the operating environment. An evaluation has been carried out for each position to establish sufficient comparability with market data. The help of KornFerry Hay Group Oy has been used for market comparisons that have been based on evaluation of each position and related classification of positions. The company has also obtained benchmark data of the remuneration of the management roles by participating in the remuneration study of Evli Alexander Incentives Oy. The purpose of using external support is to ensure that the remuneration framework is consistent with the market practise.

Structure of the Remuneration System

General Information

Remuneration paid to the executive management and to the employees comprises of fixed remuneration (salary in money and benefits in kind) and variable remuneration. A car benefit may be part of an individual's fixed total salary. MuniFin does not offer any unusual benefits in kind. A fixed total salary forms the major portion of the total annual remuneration paid to the executive management and to other employees.

Remuneration of the persons working in the key control functions is not linked to the business operations they are controlling, but only to the performance of the entire company, their own unit and the person in question.

The pensionable age and pensions of the executive management and the employees are determined in accordance with the Employees' Pensions Act. Some members of the EMT (starting in the position before 2018) have a contribution-based group pension insurance taken out by the company. Pension can be paid from the insurance to members who have turned 63. In 2021, the CEO and the members of the EMT entitled to this pension at 1.1.2021 were paid a total of EUR 59,072.23 in pension insurance. The contribution-based pension benefit is part of fixed remuneration and not dependent on performance.

If the company dismisses the CEO, the period of notice is six months. The CEO's benefits in kind (car, meal and telephone benefit) are cancelled at the end of the period of notice. Should the company give notice to the CEO for reasons beyond him or her, the company shall pay the CEO's salary for the period of notice and a severance pay corresponding to the CEO's total salary of six months.

The purpose of the Remuneration Policy and decision-making

The purpose of the Remuneration policy and variable remuneration is to promote achievement of challenging targets, to ensure availability and retention of skilled employees and to ensure and promote sound and effective management of remuneration process and practices considering MuniFin's business model, risk profile (including all risk types), corporate values, and the size of the organization.

The Board approves the Remuneration Policy based on a proposal by the Remuneration Committee. The Board assesses whether the overall remuneration policies, practices and processes operate as intended, are compliant with the regulation, principles and standards and are consistently implemented across the group. The Board is entitled to decide on any changes or termination to the Remuneration Policy at any time. The different roles and responsibilities regarding the decision-making process are described also under the section "Remuneration Governance".

Requirements applied to variable remuneration

As referred to in point (k) of Article 450(1) CRR, MuniFin benefits from a derogation laid down in Article 94(3) of CRD on the basis of point (b), according to which certain (for example deferral of payment and the use of other instruments) remuneration requirements of Article 94(1) CRD) do not apply to a staff member whose annual variable remuneration does not exceed EUR 50 000 and does not represent more than one third of the staff member's total annual remuneration. Pursuant to the Article 94(3) point (b), MuniFin derogates from the points (l) and (m) of Article 94(1). In 2021, 147 persons benefitted from the derogation and their total fixed remuneration was EUR 13,291,985.67 and variable remuneration EUR 1,254,513.48.[1]

If an individual's variable remuneration for the earnings year is EUR 50,000 or more, 60% of the remuneration shall be paid over the following year, and 40% shall be deferred and paid in instalments of equal amounts over the four years following the payment year. However, the deferral period for the CEO and other members of the EMT is five years. The limit of EUR 50,000 applies to all individuals, regardless of their position in the company. In addition, if the variable remuneration exceeds EUR 135,000, 40% of the remuneration shall be paid over the following year and 60% of the remuneration shall be deferred.

Furthermore, if the variable remuneration of an employee exceeds one-third (1/3) of the total remuneration, including the fixed salary and variable remuneration of an employee, the payment of the variable remuneration shall be deferred. The minimum time for deferral is four years.

Variable remuneration is invariably paid in money. The company does not have any share- or option-based remuneration due to the specific busines model and the ownership restrictions laid down in MuniFin's articles of association, which prevent all employees and management from holding or acquiring the shares of the company.

For those who the deferral rules apply to, half of the variable remuneration is tied to the development of Municipal Finance's Common Equity Tier 1, CET1 (a class of instrument used in remuneration in compliance with the regulations). According to the terms and conditions, the value of variable remuneration can be temporarily reduced if the company's CET1 capital falls below 15.90 %. Finally, for those who the deferral rules apply to, variable remuneration is subject to a 12-months' waiting period, referring to the time between the remuneration decision and the payment of remuneration. Variable remuneration is paid annually, after the financial statements have been adopted for the earnings year. The recipients of remuneration may not use the financial instruments to protect themselves against personal risk related to variable remuneration.

In accordance with the Remuneration Policy, a maximum of the variable pay cannot exceed 100% of the fixed pay. The General Meeting can decide to increase the ratio to 200%, but such a decision requires a majority of the shareholders' votes in accordance with the national laws.

[1] The reported numbers concern Municipality Finance Plc as the parent company and not the whole MuniFin Group.

MuniFin does not have a clawback right on any paid remuneration based on the Finnish labour law, as MuniFin's only remuneration instrument is cash. However, this would be possible through a court claim if there was evidence that a person has gained variable remuneration unlawfully.

Guaranteed Variable Remuneration and Severance Payments

MuniFin does not give guaranteed variable remuneration in any form.

The CEO, the CEO of Inspira, the members of the EMT and certain key function holders are entitled to a severance pay as determined in their director contracts. The Board approves the terms of director contracts. A fixed salary payment during the notice period is not considered to be a severance payment. In general, should MuniFin give notice to the CEO or other member of the EMT for reasons beyond them, MuniFin will award them a severance pay as per terms of the director contracts.

Link Between Pay and Performance

MuniFin's business model and strategy are the key drivers of its financial success. Remuneration is always based on performance supporting MuniFin's business model, strategy and annual planning.

The targets and the weights of the targets related to the variable remuneration framework are set for each calendar year (earnings year). Across all pay grades, the variable remuneration is based on both company level and/or unit/individual performance targets. The targets are set to support the company's strategy, operational targets and efficient risk management. The targets may not encourage employees to take risks that exceed the confirmed risk appetite. The weight of company, unit and individual level targets varies between the remuneration categories. The CEO and the members of the EMT have company level targets, in addition to which they have their individual performance targets, relating to each member's respective area of responsibility, set by the Board. The targets for the other staff are set on the company and division level or on a unit level. In addition, all employees have individual performance targets. The achievement of the individual targets may have a positive or negative impact on the performance assessment of the unit level target.

A company level performance appraisal is approved by the Board of Directors. The EMT approves unit level performance appraisals, and personal performance appraisals are approved by the supervisors. The remuneration of employees working in risk management is not based on results of the controlled operations. Their company level target is the company's operating profit. The Board of Directors approves the remuneration of the CEO, the employees reporting directly to the CEO and the persons working in internal audit. The CEO approves the remuneration paid to the other employees.

In accordance with the Remuneration Policy, the set performance targets may be adjusted (by the same body having approved the original target) in case of substantial extraordinary events during the performance year. This kind of event may be e.g., extraordinary changes in the business or market environment, an acquisition or a divestment, a considerable investment, an incidental capital gain or loss, an outside and unforeseen circumstance that has an impact upon fulfilment of the targets or any other circumstance that could not be considered upon election of performance criteria but has a material impact on the achievement of the targets. Furthermore, the CEO or the Board has the right to decide on the non-payment or reduction of variable remuneration at any time, as described in more detail in the section "Risk Adjustments - Ex Post Risk Adjustments".

Risk Adjustments

Key Risks

The key risks of MuniFin are described in the previous parts of this report.

Ex Ante Risk Adjustments

MuniFin has a very simple business model having only one business line, financing its customers. Nevertheless, the business model requires other functions such as funding and liquidity portfolio management. MuniFin's 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. This results in a very conservative risk profile and compared to other credit institutions in general, limiting widely an individual employees' powers in functions such as treasury and liquidity portfolio management.

As described above, MuniFin's business model, alone, protects MuniFin from excessive risk taking. It is in practice, impossible, to exceed the approved risk appetite without breaching internal guidelines. MuniFin does not have trading activities or commission-based remuneration scheme. The maximum amount of variable remuneration per employee is moderate and consistent with MuniFin's low risk profile. The amounts of remuneration are well known in advance and they cannot unexpectedly exceed the predetermined maximum amount.

The CRO reviews the performance target setting process and confirms that it does not pose a threat to MuniFin's capital or liquidity. The Compliance function reviews the target setting process to confirm the compliance with regulation.

Ex Post Risk Adjustments

Variable remuneration is based on an actual performance, and the company does not commit to paying variable remuneration in advance. The Board of Directors is always entitled to make the final decision on changing or terminating the Remuneration Policy, or not paying variable remuneration.

After the calculation of variable remuneration, the CEO or the Board determines if the variable remuneration can be confirmed to be earned by an employee and paid. The CEO or the Board has the right to decide on the non-payment or reduction (malus) of variable remuneration at any time. The decision on non-payment can be made on the company or an individual level, depending on the reasoning. A risk-based approach may lead to the non-payment decision if the payment would endanger company's capital adequacy, liquidity or otherwise would be against sound business practices. The risk determination has a specific focus on the RAF indicators and breaching the indicators may lead to the non-payment. The actions of individual persons are also considered in the risk-based approach. With any deferred payments, the risk determination will be done again when the deferred amounts are due.

Material Risk Takers

The company conducts annually a self-assessment to identify all employees whose professional activities have or may have a material impact on the institution's risk profile. The self-assessment is conducted based on criteria laid down in applicable legislation.

The company maintains a list of the persons considered as the material risk takers. The positions at the company meeting the criteria are identified in the Remuneration Policy and are as follows:

- the CEO and all other members of the EMT;
- the CEO of Inspira;
- the heads of the following units: Customer Relations, Customer Finance Services, Funding and Sustainability, Treasury and Capital Markets Services, Risk Management and Analytics, Compliance and Operational Risks, Legal, Financial Control and Regulatory Reporting, Business System Development, ICT Services and Production and Value Added Services;
- members of the Risk management and Compliance Management Team;
- members of the Capital Markets and Sustainability Management Team;
- members of the Credit Group; and
- the following staff members of Treasury and Capital Market Services: Senior Managers, Managers and Senior Analysts.

There are no shareholding requirements of any kind that may be imposed on the identified employees or any other employee or management.

Variable remuneration in 2021

In 2021, the variable remuneration was paid based on the Board approved remuneration framework and the 2020 performance targets set therein. The company level targets of 2020, affecting the variable remuneration of all employees, focused on the company's operating profit, and customer satisfaction of both customers and capital markets counterparties. The economic targets were in line with the company's risk appetite and were based on the economic forecasts for the company, taking into account the limits and the limitations of activities. In addition, in 2021 MuniFin paid remuneration that had been awarded from previous years and deferred for 2021.

All targets have a maximum level, a target level and a minimum level and the remuneration amount is paid based on achieving those levels. Even if the maximum level of a target is exceeded, the variable remuneration cannot exceed the maximum amount of remuneration and correspondingly, if the minimum level is not reached, no remuneration will be paid. The target and maximum remuneration levels vary by the remuneration category. In 2021, the target variable remuneration of the CEO and the members of the EMT corresponded to 2.5 months' fixed salary, with a maximum remuneration amount corresponding to 5 months' salary. For the remaining remuneration categories, the target remuneration levels varied between amounts corresponding to 1 months' and 2 months' salary, with the maximum remuneration levels of 2 to 4 months' salary. Ratio of a maximum remuneration to a fixed annual salary is 39.7%, taking into account holiday compensation, for the CEO and the other members of the EMT and between 15.7% and 31.7% for the other remuneration categories. A maximum remuneration amount can only be considered in cases of exceptional performance. In 2021, the maximum remuneration was not paid to any individuals out of all individuals covered by the Remuneration Policy. In 2021, the company did not employ any individuals whose remuneration exceeded a million euros during the financial year. In 2021, the amount of paid variable remuneration to CEO corresponded 2.9 months' salary, for deputy to the CEO the amount of paid variable remuneration corresponded 1.5 months' salary and for other members of the EMT the amount corresponded 1.6 months' salary. The variable remuneration paid for CEO was 22.4% of fixed remuneration in 2021, for the deputy of CEO 11.7 % and for other members of the EMT 12.2% of fixed remuneration.

More detailed quantitative information on the remuneration paid in 2021 is disclosed in the later stages of this report.

Changes to the Remuneration Policy

The Board of Directors and the Remuneration committee reviewed the Remuneration Policy twice during 2021 and most of the amendments were related to adjusted regulation. The first round of review took place at the beginning of 2021 and the Remuneration Policy was amended as follows: If the variable remuneration exceeds one-third (1/3) of the total remuneration including fixed salary and variable remuneration of an employee, the payment of variable remuneration shall be deferred. The minimum time for deferral is four years. The amendment became effective from the performance period 2021. The second round of review took place at the end of 2021 and the changes included amendments to the material risk takers and amendments to take into account the requirement for gender neutral remuneration policies based on the updated EBA guidelines. In addition, some adjustments were made to the remuneration categories (Inspira's remuneration categories included to match the parent company's). These changes had no material impact on the company level on total remuneration.

Section 3

Key metrics and overview of risk-weighted exposure amounts

EU KM1
Key metrics template

Changes to the regulation of banks' capital adequacy (CRR II and CRD V) were applied at the end of June 2021. The total capital ratio decreased to 118.43% (132.74%) over the financial year. The change was driven by increase in the risk exposure amount due to the changes in the standardised method for measuring counterparty credit risk (SA-CCR) and the credit valuation adjustment of value-at-risk (CVA VaR).

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 2.25% (Pillar 2 Requirement, P2R) on MuniFin Group to cover additional risks not covered in Pillar I. The amount of the additional capital requirement is evaluated by the ECB at least annually. For 2021 SREP, MuniFin Group received the decision early February 2022. The P2R is 2.00% from 1 March 2022 onwards, and the minimum level of total capital ratio is 13.15% and TSCR is 10.00%.

		a	b	c	d	e
	(EUR 1,000)	**31 Dec 2021**	**30 Sep 2021**	**30 Jun 2021**	**31 Mar 2021**	**31 Dec 2020**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,408,270	1,332,350	1,346,255	1,244,129	1,276,812
2	Tier 1 capital	1,755,723	1,679,804	1,693,708	1,591,582	1,624,265
3	Total capital	1,755,723	1,679,804	1,693,708	1,591,582	1,624,265
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,482,496	1,459,329	1,477,110	1,196,435	1,223,668
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	94.9932%	91.2988%	91.1411%	103.9863%	104.3430%
6	Tier 1 ratio (%)	118.4302%	115.1080%	114.6636%	133.0270%	132.7374%
7	Total capital ratio (%)	118.4302%	115.1080%	114.6636%	133.0270%	132.7374%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional CET1 SREP requirements (%)	1.2656%	1.2656%	1.2656%	-	-
EU 7b	Additional AT1 SREP requirements (%)	0.4219%	0.4219%	0.4219%	-	-
EU 7c	Additional T2 SREP requirements (%)	0.5625%	0.5625%	0.5625%	-	-
EU 7d	Total SREP own funds requirements (%)	10.2500%	10.2500%	10.2500%	-	-
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	-	-
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0000%	0.0000%	0.0000%	-	-
9	Institution specific countercyclical capital buffer (%)	0.1496%	0.1546%	0.1560%	-	-
EU 9a	Systemic risk buffer (%)	0.0000%	0.0000%	0.0000%	-	-
10	Global Systemically Important Institution buffer (%)	0.0000%	0.0000%	0.0000%	-	-
EU 10a	Other Systemically Important Institution buffer (%)	0.5000%	0.5000%	0.5000%	-	-
11	Combined buffer requirement (%)	3.1496%	3.1546%	3.1560%	-	-
EU 11a	Overall capital requirements (%)	13.3996%	13.4046%	13.4060%	-	-
12	CET1 available after meeting the total SREP own funds requirements (%)	1,341,557	1,266,680	1,279,785	-	-

	(EUR 1,000)	a 31 Dec 2021	b 30 Sep 2021	c 30 Jun 2021	d 31 Mar 2021	e 31 Dec 2020
	Leverage ratio					
13	Total exposure measure	13,715,604	14,245,535	13,401,150	44,707,889	42,102,840
14	Leverage ratio (%)	12.8009%	11.7918%	12.6385%	3.5600%	3.8579%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%	3.0000%	-	-
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%	-	-
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	11,324,635	10,711,419	9,889,130	9,067,658	8,508,303
EU 16a	Cash outflows - Total weighted value	4,063,442	4,239,365	4,267,112	4,153,650	4,120,209
EU 16b	Cash inflows - Total weighted value	1,221,764	1,306,457	1,354,013	1,486,021	1,300,308
16	Total net cash outflows (adjusted value)	2,841,678	2,932,908	2,913,099	2,667,629	2,819,901
17	Liquidity coverage ratio (%)	440.1467%	396.3133%	355.4500%	355.1342%	318.1633%
	Net Stable Funding Ratio					
18	Total available stable funding	33,637,629	33,842,769	33,449,232	-	-
19	Total required stable funding	27,221,383	27,100,609	27,258,091	-	-
20	NSFR ratio (%)	123.5706%	124.8783%	122.7130%	-	-

EU OV1
Overview of total risk exposure amounts

The regulatory capital requirement for credit risk is calculated using the standardised approach and for counterparty credit risk MuniFin Group uses SA-CCR method. The total risk exposure amount increased from the year-end 2020 EUR 1,224 million to EUR 1,482 million at the end of the reporting period. The figures are not comparable due to changes in the regulation of banks' capital adequacy (CRR II and CRD V), which has particularly influenced the counterparty credit risk and CVA VaR. The total risk exposure amount for counterparty credit risk increased to EUR 553 million (EUR 272 million), of which CVA VaR increased to EUR 494 million (EUR 231 million). Guarantees granted by the Municipal Guarantee Board for certain derivative counterparties are not taken into account in credit valuation adjustment risk.

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 Group's foreign exchange position is small and consists of FX trades made for daily collateral management purposes in other currencies than euros. On 31 December 2021, the FX net position was EUR 1.4 million, which is less than 2% of total own funds. There was no capital requirement for market risk since the FX net position did not exceed 2% of the total own funds (CRR 575/2013 Art. 351).

The capital requirement for operational risk is calculated using the basic indicator approach. The risk exposure amount of operational risk was EUR 457 million (EUR 412 million).

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
(EUR 1,000)		31 Dec 2021	30 Sep 2021	31 Dec 2021
1	Credit risk (excluding CCR)	472,453	472,776	37,796
2	Of which the standardised approach	472,453	472,776	37,796
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	553,455	574,357	44,276
7	Of which the standardised approach	58,407	80,048	4,673
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	686	581	55
EU 8b	Of which credit valuation adjustment - CVA	494,362	493,728	39,549
9	Of which other CCR	-	-	-
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	-	-	-

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
(EUR 1,000)		31 Dec 2021	30 Sep 2021	31 Dec 2021
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	456,587	412,196	36,527
EU 23a	Of which basic indicator approach	456,587	412,196	36,527
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**1,482,496**	**1,459,329**	**118,600**

(EUR 1,000)		RWAs		Minimum capital requirements	
		31 Dec 2020	30 Sep 2020	31 Dec 2020	30 Sep 2020
1	Credit risk (excluding CCR)	539,658	591,848	43,173	47,348
2	Of which the standardised approach	539,658	591,848	43,173	47,348
6	CCR	271,814	244,712	21,745	19,577
7	Of which mark to market	40,938	35,630	3,275	2,850
12	Of which CVA	230,876	209,083	18,470	16,727
14	Securitisation exposures in the banking book (after the cap)	-	-	-	-
18	Of which standardised approach	-	-	-	-
19	Market risk	-	-	-	-
20	Of which the standardised approach	-	-	-	-
23	Operational risk	412,196	408,795	32,976	32,704
24	Of which basic indicator approach	412,196	408,795	32,976	32,704
29	**Total**	**1,223,668**	**1,245,355**	**97,893**	**99,628**

IFRS 9-FL
Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

MuniFin Group is not applying the transitional arrangements specified in Capital Requirements Regulation's Article 473a for IFRS 9 or analogous ECLs. MuniFin Group's own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs.

As the Group has not applied this transitional arrangement, it does not have nothing to report regarding the EBA Guidelines (EBA/GL/2020/12) amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic.

Section 4

Scope of application

EU LI1
Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

The following table 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.

31 Dec 2021 (EUR 1,000)		a & b	c	d	e	f	g
			Carrying values of items				
		Carrying values as reported in published financial statements & Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements						
	Assets						
1	Cash and balances with central banks	8,399,045	8,399,045	-	-	-	-
2	Loans and advances to credit institution	1,417,310	106,738	1,310,572	-	28,643	-
3	Loans and advances to the public and public sector entities	29,214,043	29,214,043	-	-	-	-
4	Debt securities	4,841,428	4,841,428	-	-	30,202	-
5	Shares and participations	-	-	-	-	-	-
6	Derivative contracts	1,999,676	-	1,999,676	-	767,432	-
7	Intangible assets	12,296	-	-	-	-	12,296
8	Tangible assets	7,491	7,491	-	-	-	-
9	Other assets	256,117	256,927	22,943	-	-	-89
10	Accrued income and prepayments	212,655	72,392	140,263	-	-	-721
11	**Total assets**	**46,360,060**	**42,898,064**	**3,473,453**	**-**	**826,278**	**11,486**

31 Dec 2021 (EUR 1,000)		a & b	c	d	e	f	g
		Carrying values as reported in published financial statements & Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by liability classes according to the balance sheet in the published financial statements						
	Liabilities						
1	Liabilities to credit institutions	2,801,016	-	741,110	-	-	-
2	Liabilities to the public and public sector entities	3,324,685	-	-	-	61,885	-
3	Debt securities issued	35,327,525	-	-	-	20,690,731	-
4	Derivative contracts	2,224,294	-	2,224,294	-	1,482,813	2,048
5	Other liabilities	349,331	-	333,295	-	27,267	-
6	Accrued expenses and deferred income	181,732	-	8,333	-	-	-
7	Deferred tax liabilities	289,887	-	-	-	-	-
8	**Total liabilities**	**44,498,470**	**-**	**3,307,033**	**-**	**22,262,697**	**2,048**

31 Dec 2020 (EUR 1,000)	a & b	c	d	f	g
		Carrying values of items			
	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 balances with central banks	5,565,801	5,565,801	-	-	-
Loans and advances to credit institution	1,841,853	234,785	1,607,069	161,636	-
Loans and advances to the public and public sector entities	28,022,325	28,022,325	-	-	-
Debt securities	5,763,214	5,763,214	-	44,375	-
Shares and participations	27	27	-	-	-
Derivative contracts	2,358,163	-	2,358,163	452,902	-
Intangible assets	17,346	-	-	-	17,346
Tangible assets	10,364	10,364	-	-	-
Other assets	259,785	248,499	12,272	-	-986
Accrued income and prepayments	203,547	69,587	134,686	-	-727
Total assets	**44,042,426**	**39,914,602**	**4,112,191**	**658,914**	**15,633**
Liabilities					
Liabilities to credit institutions	2,001,478	-	657,828	-	-
Liabilities to the public and public sector entities	3,884,026	-	-	87,202	-
Debt securities issued	32,911,906	-	-	18,884,547	-
Derivative contracts	2,860,570	-	2,860,570	1,900,878	2,453
Other liabilities	247,021	-	231,332	159,489	-
Accrued expenses and deferred income	152,398	-	1,588	-	-
Deferred tax liabilities	279,906	-	-	-	-
Total liabilities	**42,337,306**	**-**	**3,751,318**	**21,032,116**	**2,453**

EU LI2
Main sources of differences between regulatory exposure amount and carrying values in financial statements

		a	b	c	d	e
			Items subject to			
31 Dec 2021 (EUR 1,000)		**Total**	**Credit risk framework**	**Securitisation framework**	**CCR framework**	**Market risk framework**
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	46,348,575	42,898,064	-	3,473,453	826,278
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	-44,500,518	-	-	-3,307,033	-22,262,697
3	Total net amount under the scope of prudential consolidation	1,848,056	42,898,064	-	166,625	-21,436,419
4	Off-balance-sheet amounts	2,592,873	2,592,873	-	-	-
5	Differences in valuations	-42,174	-42,174	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	2,925	2,925	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-	-	-	-	-
9	Differences due to credit conversion factors	-1,365,525	-1,365,525	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	969,738	-13,999	-	983,531	-
12	**Exposure amounts considered for regulatory purposes**	**45,223,699**	**44,072,166**	**-**	**1,150,157**	**1,376**

31 Dec 2020 (EUR 1,000)	a	b	c	d	e
		Items subject to			
	Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1 Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	44,042,426	39,914,602	-	4,112,191	658,914
2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	-24,783,434	-	-	-3,751,318	-21,032,116
3 Total net amount under the scope of prudential consolidation	19,258,991	39,914,602	-	360,873	-20,373,203
4 Off-balance-sheet amounts	2,353,973	2,353,973	-	-	-
5 Differences due to Article 274 mark-to-market method and carrying amounts	596,673	-	-	596,673	-
6 Differences due to Article 352 foreign exchange risk treatment and carrying amounts	-	-	-	-	20,373,203
7 Exposure amounts considered for regulatory purposes	**43,226,120**	**42,268,575**	**-**	**957,545**	**-**

EU LI3
Outline of the differences in the scopes of consolidation (entity by entity)

There has been no changes in the scope of the consolidation compared to year-end 2020.

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Municipalitu Finance Plc	*Full consolidation*	*X*					*Credit institution*
Financial Advisory Services Inspira Ltd	*Full consolidation*	*X*					*Financial advisory services*

MuniFin

EU LIA
Explanation of differences between accounting and regulatory exposure amounts

a) Differences between columns (a) and (b) in template EU LI1

No differences reported between columns (a) and (b) in template EU LI1.

b) Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2

The differences between the carrying values used in the Financial Statements and regulatory exposure amounts arise mainly from off-balance sheet items, the difference in the treatment of derivatives between the IFRS framework and regulatory framework and treatment of market risk. Off-balance sheet items include credit commitments, which are included in the regulatory exposure on row 4, but not included in the carrying amounts in the Financial Statements. The difference in the treatment of derivatives between the IFRS and regulatory frameworks is shown on row 11 and arises from the counterparty credit risk framework and applying CRR SA-CCR method to derivatives. The derivative assets and liabilities in the Financial Statements are fair valued on instrument level, with no netting applied on counterparty level and without considering the impact of any collateral. A difference also arises from the market risk framework in comparison to the accounting framework. 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. With regard to foreign exchange risk, 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 treatment of foreign currency positions in CRR Article 352. As foreign exchange risk is hedged by swapping all currency denominated assets and liabilities into euros, the Group's net foreign exchange position is small. In practice, small temporary exchange rate risk may arise due to collateral management in the clearing of derivatives by central counterparties. This exchange rate risk is actively monitored and hedged. There is no capital requirement for foreign exchange risk, as the Group's net position does not exceed 2 percent of own funds at the end of 2021 (CRR Article 351).

The basis of consolidation does not differ between the Consolidated Financial Statements and regulatory consolidation.

Fair value is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair values of financial instruments are determined on the basis of either price quotations obtained from functioning markets or, if such markets do not exist, by applying valuation methods. A market is deemed to be functioning if price quotations are readily and consistently available, and they reflect real market transactions executed in a consistent manner between independent parties. If a quoted price in an active market is not available for a financial instrument, MuniFin Group uses valuation techniques standard across the industry and for which sufficient information is available to determine the fair value. The chosen valuation technique should include all factors that market participants would consider in pricing the financial instrument. The valuation technique uses as much observable inputs as possible and as little unobservable inputs as possible.

Financial instruments are valued in accordance with MuniFin Group's Valuation Policy. MuniFin Group assigns fair value to its financial instruments based on quotes and market data input from Bloomberg, Reuters and other external sources. Instruments are valued by using the quotes either directly or indirectly, i.e. using them as inputs of the valuation techniques used to assign fair value. MuniFin Group applies both market approach and income approach in its valuation of financial instruments.

MuniFin Group applies a market-based approach when the instrument has a functioning market and public price quotations are available. The market approach is used mainly for the valuation of investment bonds. All instruments for which quoted market prices are available, the Group uses quoted unadjusted market price for identical instruments in active markets that the Group can access at the measurement date. The market is considered to be active if trading is frequent and price data is regularly available. The mid price quotes are considered to represent the price for an orderly transaction between parties in the market on the valuation date.

Income approach is applied when valuation is based, for example, on determining the present value of future cash flows (discounting). The Group uses the income approach for many of its financial instruments, for example derivatives, lending and funding. If the market has a well-established valuation approach for a financial instrument that is not quoted, the fair value is based on an established, appropriate underlying valuation method provided that sufficient information is available to determine fair value for that purpose. If a valuation practice is not established on the market, the valuation model for the product concerned is based on commonly used calculation methods covering all the elements that would be taken into account by market participants when setting the price. In addition, the selected method is required to be consistent with the accepted financial methods used in pricing financial instruments.

All valuation models, both complex and simple models, use market prices and other inputs. These market prices and inputs comprise interest rates, FX rates, volatilities, correlations etc. MuniFin Group applies different types of valuation inputs depending on the type and complexity of the instruments and the related risk factors and payoff structures. Valuation methods take into account an assessment of the credit risk, discount rates used, the possibility of early repayment and other factors that influence the fair value of a financial instrument reliably. Stochastic models are used to generate a distribution of future rates, FX, equity or inflation values. These values are used in the payoff of each instrument to generate a distribution of possible instrument values in the future. The future values are then discounted in order to produce valuations for the instruments.

MuniFin Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

MuniFin Group applies different models in order to derive the fair value of a certain type of instruments. The choice of base models and model calibration depends on the complexity of the financial instrument and the observability of the relevant inputs. In line with market practice, the primary choice of base model is contingent on the underlying instrument classes. Additionally instruments are broken down into different categories granular enough to capture the most important risk drivers and different kind of calibration techniques. The specific combination of base models and the different assumptions and calibrations techniques are documented. The Group's fair value instruments that are subject to mark-to-model valuation techniques consists out of four asset classes:

- Interest rate instruments,
- Foreign exchange instruments,
- Equity-linked instruments and
- Hybrid instruments.

MuniFin Group has implemented a framework for the arrangements, activities and procedures with regards to the Group's model risk management. The purpose of the model risk management framework is to ensure the effective management of model risk and mitigation of fair value uncertainty, as well as to ensure compliance with external and internal requirements. The Group ensures that all aspects of the lifecycle of valuation models (i.e. approval, design and development, testing and maintenance, monitoring and execution) are subject to effective governance, clear roles and responsibilities and effective internal control.

The Group manages and maintains a model inventory which provides a holistic view of all valuation models, their business purpose and characteristics as well as their applications and conditions for use. All approved valuation models within the model inventory are subject to annual review and re-approval by the EMT.

The Finance Management Team acts as a valuation control group for MuniFin Group's fair values and is responsible for the final approval of the Group's fair values for financial reporting. The Finance Management Team monitors and controls MuniFin Group's valuation process and the performance of valuation models, decides on the necessary measures and reports to the EMT. The Finance Management Team assesses whether the valuation models and valuation process provide sufficiently accurate information to be used in financial reporting and, based on the information received, decides on possible adjustments to the values generated by the valuation process.

The Group has implemented an efficient control and performance monitoring framework with regards to its valuation models, which aims to ensure the accuracy and appropriateness of model output. The model performance monitoring consists of four main controls:

- Counterparty valuation control (CVC),
- Fair value explanation,
- Independent price verification (IPV) and
- Independent model validation.

Counterparty valuation control (CVC) is performed daily by Risk Management, who assesses any deviations in valuation model output compared to MuniFin Group's own earlier valuations and to counterparty valuations. The results of the assessment are reported monthly to the CFO and quarterly to the Finance Management Team. Fair value explanation process consists of a daily analysis and explain of the changes in fair values by Risk Management and a monthly fair value explain report to the CFO and quarterly to the Finance Management Team. The independent price verification is performed monthly as part of MuniFin Group's IPV process by a third party service provider. The results of the control activities are reported monthly to the CFO and quarterly to the Finance Management Team. The independent model validation is performed annually for a subset of MuniFin Group's valuation models by a third-party service provider. The results of the model validation are reported to the Finance Management Team.

MuniFin Group does not have a trading book.

At year end 2021, MuniFin Group deducted a prudent valuation adjustment totalling EUR 42.2 million (EUR 32.0 million) from Common Equity Tier 1 as shown on row 5 of template EU LI2. MuniFin Group's fair valued assets and liabilities exceed the threshold of EUR 15 billion set for applying the simplified approach and when calculating prudent valuation adjustment MuniFin Group applies core approach. The template EU LI2 row 11 includes in column B intangible assets (net of related tax liability), gains or losses on liabilities valued at fair value resulting from changes in own credit standing and other regulatory adjustments.

In addition to the prudent valuation adjustment, MuniFin Group has calculated Credit Valuation and Debit valuation adjustments in accordance with IFRS 13 to account for the non-performance risk in the fair values of its derivatives.

EU LIB
Other qualitative information on the scope of application

a) Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group

MuniFin Group does not have any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking (MuniFin) and its subsidiaries (Inspira).

b) Subsidiaries not included in the consolidation with own funds less than required

All subsidiaries are included in the consolidation with own funds.

c) Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR

MuniFin Group does not use the derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR. MuniFin's subsidiary Inspira is not individually subject to supervision by the FIN-FSA.

d) Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation

Reference to question (b), MuniFin are including all subsidiaries in the consolidation with own funds.

EU PV1
Prudent valuation adjustments (PVA)

CATEGORY LEVEL AVA 31 Dec 2021 (EUR 1,000)		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty				
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	1,174	13,449	4,673	-	-	1,834	-	11,482	-	11,482
2	Not applicable										
3	Close-out cost	1,866	21,374	7,426	-	-	-	-	15,333	-	15,333
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	288	3,296	1,145	-	-	-	-	2,364	-	2,364
7	Operational risk	304	3,482	1,210	-	-	-	-	4,996	-	4,996
8	Not applicable										
9	Not applicable										
10	Future administrative costs	487	5,575	1,937	-	-	-	-	7,998	-	7,998
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								**42,174**	**-**	**42,174**

Section 5
Own funds

EU CC1
Composition of regulatory own funds

At the end of the reporting period, the Group's CET1 capital totalled EUR 1,408 million (EUR 1,277 million) and Tier 1 capital EUR 1,756 million (1,624 million). MuniFin Group had no Tier 2 capital. The Group's own funds totalled EUR 1,756 million (EUR 1,624 million).

CET1 capital includes profit for the period of 1 January–31 December 2021, as the profit has been subject to a review by the external auditor, 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 CET1 capital are made up of MuniFin Group's debt value adjustment (DVA), prudent valuation adjustment (PVA) and changes in the fair value due to own credit risk standing. In addition, the amount of foreseeable dividend for 2021 has been deducted from CET1 capital.

MuniFin Group applies the core approach for additional valuation adjustment (AVA) in prudent valuation. At the end of 2020, the Group applied the Commission's Delegated Regulation that relaxed the aggregation factor that is applied in certain valuations in the AVA calculation. The aggregation factor was returned to its previous level at the start of 2021, and at the end of the reporting period, the Group deducted the prudent valuation adjustment from its CET1 capital in full. At the end of December 2020, this temporary relief had a EUR 8 million effect on the Group's own funds.

Additional Tier 1 capital contains MuniFin's AT1 capital instrument EUR 350 million at face value, from which EUR 347.5 million can be included in own funds. The AT1 capital instrument was issued on 1 October 2015. A more detailed description of AT1 capital instrument is in table EU CCA.

31 Dec 2021 (EUR 1,000)		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	82,949	(c)
	of which: Share capital	42,583	(c)
	of which: Reserve for invested non-restricted equity	40,366	(c)
2	Retained earnings	1,225,311	(h)
3	Accumulated other comprehensive income (and other reserves)	14,271	(d)+(e)
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	141,911	(g)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,464,442**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-42,174	
8	Intangible assets (net of related tax liability) (negative amount)	-12,296	(a)
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-64	(e)
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	

31 Dec 2021 (EUR 1,000)		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	-1,638	(b)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-56,172**	
29	**Common Equity Tier 1 (CET1) capital**	**1,408,270**	

31 Dec 2021 (EUR 1,000)		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	347,454	(f)
31	of which: classified as equity under applicable accounting standards	347,454	(f)
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**347,454**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
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)**	**1,755,723**	

31 Dec 2021 (EUR 1,000)		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	

31 Dec 2021 (EUR 1,000)		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	-	
59	**Total capital (TC = T1 + T2)**	**1,755,723**	
60	**Total risk exposure amount**	**1,482,496**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	94.9932%	
62	Tier 1 capital	118.4302%	
63	Total capital	118.4302%	
64	Institution CET1 overall capital requirements	8.9152%	
65	of which: capital conservation buffer requirement	2.5000%	
66	of which: countercyclical capital buffer requirement	0.1496%	
67	of which: systemic risk buffer requirement	0.0000%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.5000%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	-	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**90.4932%**	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		

31 Dec 2021 (EUR 1,000)		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

31 Dec 2020 (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	1,102,924	26 (1) c	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	57,114	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	125,529	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,328,150**		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-32,029	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-17,346	36 (1) (b), 37, 472 (4)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-1,963	33 (b)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-51,338**		
29	**Common Equity Tier 1 (CET1) capital**	**1,276,812**		
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)**	**1,624,265**		

31 Dec 2020 (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
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	-	62, 63	
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)**	**1,624,265**		
60	**Total risk weighted assets**	**1,223,668**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as percentage of risk exposure amount)	104.3430%	92 (2) (a), 465	
62	Tier 1 (as percentage of risk exposure amount)	132.7374%	92 (2) (b), 465	
63	Total capital (as percentage of risk exposure amount)	132.7374%	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)	7.7150%	CRD 128, 129, 130, 131, 133	
65	of which: capital conservation buffer requirement	2.5000%	CRD 129	
66	of which: countercyclical buffer requirement	0.2150%	CRD 130	
67	of which: systemic risk buffer requirement	0.0000%	CRD 133	
67a.	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.5000%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	99.8430%	CRD 128	

EU CC2

Reconciliation of regulatory own funds to balance sheet in the audited financial statements

31 Dec 2021 (EUR 1,000)		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
	Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1	Cash and balances with central banks	8,399,045	8,399,045	
2	Loans and advances to credit institution	1,417,310	1,417,310	
3	Loans and advances to the public and public sector entities	29,214,043	29,214,043	
4	Debt securities	4,841,428	4,841,428	
5	Shares and participations	-	-	
6	Derivative contracts	1,999,676	1,999,676	
7	Intangible assets	12,296	12,296	(a)
8	Tangible assets	7,491	7,491	
9	Other assets	256,117	256,117	
10	Accrued income and prepayments	212,655	212,655	
11	**Total assets**	**46,360,060**	**46,360,060**	
	Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1	Liabilities to credit institutions	2,801,016	2,801,016	
2	Liabilities to the public and public sector entities	3,324,685	3,324,685	
3	Debt securities issued	35,327,525	35,327,525	
4	Derivative contracts	2,224,294	2,224,294	
4a	Of which: Debt value adjustment	-1,638	-1,638	(b)
5	Other liabilities	349,331	349,331	
6	Accrued expenses and deferred income	181,732	181,732	
7	Deferred tax liabilities	289,887	289,887	
8	**Total liabilities**	**44,498,470**	**44,498,470**	

31 Dec 2021 (EUR 1,000)		a Balance sheet as in published financial statements As at period end	b Under regulatory scope of consolidation As at period end	c Reference
	Shareholders' Equity			
1	Share capital	42,583	42,583	(c)
2	Reserve fund	277	277	(d)
3	Fair value reserve of investments	309	309	(d)
4	Own credit revaluation reserve	64	64	(e)
5	Cost-of-Hedging reserve	13,621	13,621	(d)
6	Reserve for invested non-restricted equity	40,366	40,366	(c)
7	Retained earnings	1,416,916	1,416,916	
7a	Of which: Retained earnings from previous years	1,225,311	1,225,311	(h)
7b	Of which: Independently reviewed interim profits	191,605	141,911	(g)
8	Total equity attributable to parent company equity holders	1,514,136	1,514,136	
9	Other equity instruments issued	347,454	347,454	(f)
10	**Total shareholders' equity**	**1,861,590**	**1,861,590**	
11	**Total liabilities and shareholder's equity**	**46,360,060**	**46,360,060**	

MuniFin Group's the scope of accounting consolidation and the scope of prudential consolidation do not differ.
** DVA includes tax impact reducement of 20%.

EU CCA
Main features of regulatory own funds instruments and eligible liabilities instruments

31 Dec 2021		a Common Equity Tier 1 capital Shares A and B of share capital	b 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 (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	ISIN: XS1299724911
2a	Public or private placement	Private	Public
3	Governing law(s) of the instrument	Finnish law	Subordination (section 3) and Enforcement Events (section 10) which are governed by Finnish law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)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 or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 42.583 million	EUR 347.454 million
9	Nominal amount of instrument	N/A	EUR 350 million
EU-9a	Issue price	N/A	100%
EU-9b	Redemption price	Redemption price according to the Articles of Association depending of the redemption situation	100%
10	Accounting classification	Shareholders' equity	Other equity instrument issued
11	Original date of issuance	N/A	Oct 1, 2015

31 Dec 2021		a Common Equity Tier 1 capital Shares A and B of share capital	b Additional Tier 1 instrument EUR 350,000,000 Perpetual Fixed Rate Resettable Additional Tier 1 Securities
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	Floating	Fixed to 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
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretionary	Full discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretionary	Full discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
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 into	N/A	N/A

		a	b
31 Dec 2021		**Common Equity Tier 1 capital** **Shares A and B of share capital**	**Additional Tier 1 instrument** **EUR 350,000,000 Perpetual Fixed Rate Resettable Additional Tier 1 Securities**
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	Fully 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 discreationary
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A
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
37a	Link to the full term and conditions of the instrument (signposting)	-	https://www.kuntarahoitus.fi/app/uploads/sites/2/2019/09/munifin_at1_-_offering_circular.pdf

(1) 'N/A' if the question is not applicable.

Section 6

Capital buffers

Minimum capital requirements and capital buffers

MINIMUM CAPITAL REQUIREMENTS AND CAPITAL BUFFERS (%) 31 Dec 2021	Capital requirement	Capital conservation buffer [1]	Countercyclical buffer [2]	O-SII [3]	Systemic risk buffer [4]	Total capital buffers	Total
Common Equity Tier 1 capital (CET1)	4.5000%	2.5000%	0.1496%	0.5000%	0.0000%	3.1496%	7.6496%
Tier 1 Capital (T1)	6.0000%	2.5000%	0.1496%	0.5000%	0.0000%	3.1496%	9.1496%
Total own funds	8.0000%	2.5000%	0.1496%	0.5000%	0.0000%	3.1496%	11.1496%

MINIMUM CAPITAL REQUIREMENTS AND CAPITAL BUFFERS (EUR 1,000) 31 Dec 2021	Capital requirement	Capital conservation buffer [1]	Countercyclical buffer [2]	O-SII [3]	Systemic risk buffer [4]	Total capital buffers	Total
Common Equity Tier 1 capital (CET1)	66,712	37,062	2,217	7,412	0	46,692	113,404
Tier 1 Capital (T1)	88,950	37,062	2,217	7,412	0	46,692	135,642
Total own funds	118,600	37,062	2,217	7,412	0	46,692	165,292

MINIMUM CAPITAL REQUIREMENTS AND CAPITAL BUFFERS (%) 31 Dec 2020	Capital requirement	Capital conservation buffer 1)	Countercyclical buffer 2)	O-SII 3)	Systemic risk buffer 4)	Total capital buffers	Total
Common Equity Tier 1 capital (CET1)	4.5000%	2.5000%	0.2150%	0.5000%	0.0000%	3.2150%	7.7150%
Tier 1 Capital (T1)	6.0000%	2.5000%	0.2150%	0.5000%	0.0000%	3.2150%	9.2150%
Total own funds	8.0000%	2.5000%	0.2150%	0.5000%	0.0000%	3.2150%	11.2150%

MINIMUM CAPITAL REQUIREMENTS AND CAPITAL BUFFERS (EUR 1,000) 31 Dec 2020	Capital requirement	Capital conservation buffer 1)	Countercyclical buffer 2)	O-SII 3)	Systemic risk buffer 4)	Total capital buffers	Total
Common Equity Tier 1 capital (CET1)	55,065	30,592	2,630	6,118	0	39,340	94,405
Tier 1 Capital (T1)	73,420	30,592	2,630	6,118	0	39,340	112,760
Total own funds	97,893	30,592	2,630	6,118	0	39,340	137,234

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 10:4-6 § and Capital Requirements Regulation and the EU capital requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). On 16 December 2021 (18 December 2020), 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 Group it is 0.15% (0.21%).

3) Other Systemically Important Institutions additional capital requirements: Act on Credit Institutions (610/2014) Sect 10:8 § and the EU Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). Additional capital requirement (*O-SII*) for MuniFin Group is 0.5% (0.5%). The decision of the Board of FIN-FSA on 29 June 2021, effective immediately.

4) Act on Credit Institutions (610/2014) Sect 10:6a § and the EU Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). On 6 April 2020, the FIN-FSA made a decision to remove the additional capital requirement determined on the basis of the structural characteristics of the financial system (systemic risk buffer) from Finnish credit institutions. The aim of the decision is to mitigate the negative effects of the COVID-19 pandemic on the stability of the financial markets. The decision entered into force immediately. By the end of the financial year, the FIN-FSA had not imposed a new systemic risk buffer for the MuniFin Group. The systemic risk buffer and the O-SII additional capital requirement are parallel buffers, of which the greater is applied.

ECB has imposed a bank-specific Pillar 2 Requirement (P2R) of 2.25% on MuniFin Group as part of the annual Supervisory Review and Evaluation Process (SREP). Including this P2R requirement, the total SREP capital requirement ratio (TSCR) was 10.25% (10.25%) at the end of December 2021. The minimum level of total capital ratio was 13.40% (13.46%) including P2R and other additional capital buffers. For 2021 SREP, MuniFin Group received the decision early February 2022. The P2R is 2.00% from 1 March 2022 onwards, and the minimum level of total capital ratio is 13.15% and TSCR is 10.00%.

EU CCyB1
Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Countercyclical capital buffer is calculated only for the relevant credit exposure classes as defined in Article 140(4) of the Capital Requirement Directive. Exposure classes not included in the calculation are exposures to a) central governments or central banks; b) regional governments or local authorities; c) public sector entities; d) multilateral development banks; e) international organisations; f) institutions.

At 31 December 2021, the institution-specific countercyclical buffer rate for MuniFin Group was 0.15% (0.21%).

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
31 Dec 2021 (EUR 1,000)		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
010	Breakdown by country:													
	BE	33,148	-	-	-	-	33,148	265	-	-	265	3,315	1.4776%	0.0000%
	DK	110,691	-	-	-	-	110,691	886	-	-	886	11,069	4.9342%	0.0000%
	FI	414,906	-	-	-	-	414,906	5,277	-	-	5,277	65,961	29.4030%	0.0000%
	FR	95,216	-	-	-	-	95,216	762	-	-	762	9,522	4.2444%	0.0000%
	GB	458,003	-	-	-	-	458,003	6,038	-	-	6,038	75,471	33.6420%	0.0000%
	NL	20,278	-	-	-	-	20,278	162	-	-	162	2,028	0.9039%	0.0000%
	NO	335,499	-	-	-	-	335,499	2,684	-	-	2,684	33,550	14.9553%	1.0000%
	SE	234,199	-	-	-	-	234,199	1,874	-	-	1,874	23,420	10.4397%	0.0000%
020	**Total**	**1,701,940**	**-**	**-**	**-**	**-**	**1,701,940**	**17,947**	**-**	**-**	**17,947**	**224,335**	**100.0000%**	

31 Dec 2020 (EUR 1,000)		General credit exposures	Own funds requirements			
Breakdown by country		Exposure value for SA	Of which: General credit exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Row		**010**	**070**	**100**	**110**	**120**
010	BE	67,706	542	542	3.7871%	0.0000%
010	DK	112,040	896	896	6.2669%	0.0000%
010	FI	464,238	5,503	5,503	38.4759%	0.0000%
010	FR	117,344	939	939	6.5636%	0.0000%
010	GB	95,698	766	766	5.3528%	0.0000%
010	NL	39,029	312	312	2.1831%	0.0000%
010	NO	384,295	3,074	3,074	21.4955%	1.0000%
010	SE	283,814	2,271	2,271	15.8751%	0.0000%
020	**Total**	**1,564,164**	**14,302**	**14,302**	**100.0000%**	

EU CCyB2
Amount of institution-specific countercyclical capital buffer

31 Dec 2021
(EUR 1,000)

		a
1	Total risk exposure amount	1,482,496
2	Institution specific countercyclical capital buffer rate	0.1496%
3	Institution specific countercyclical capital buffer requirement	2,217

31 Dec 2020
(EUR 1,000)

		a
1	Total risk exposure amount	1,223,668
2	Institution specific countercyclical capital buffer rate	0.2150%
3	Institution specific countercyclical capital buffer requirement	2,630

Section 7

Leverage ratio

EU LR1

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

31 Dec 2021 (EUR 1,000)		a
		Applicable amount
1	Total assets as per published financial statements	46,360,060
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	-959,149
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,227,349
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-42,174
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-32,912,656
13	**Total exposure measure**	**13,715,604**

31 Dec 2020 (EUR 1,000)		a
		Applicable amount
1	Total assets as per published financial statements	44,042,426
4	Adjustments for derivative financial instruments	-3,006,046
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,081,310
7	Other adjustments	-14,850
8	**Leverage ratio total exposure measure**	**42,102,840**

EU LR2
LRCom: Leverage ratio common disclosure

Changes to the regulation of banks' capital adequacy (CRR II and CRD V) were applied at the end of June 2021. The Group's leverage ratio was 12.8009% (3.8579%) at the end of December 2021.

The balance sheet exposures grew by net EUR 1,341 million during the year. The change was mainly driven by increased lending to the public and public sector entities. Off-balance sheet exposures, loan promises to public and public sector entities, increased by EUR 146 million during the year. Own funds grew in the period by EUR 131 million, mainly driven by increase in CET1 capital, namely from the continued profit generation.

MuniFin fulfills the CRR II definition of a public development credit institution and may therefore deduct all credit receivables fom the central government and municipalities in the calculation of its leverage ratio exposure measure. The total amount exempted is EUR 31,568 million. It consists of loans and loan commitments to regional governments and non-financial corporations of which the latter includes municipal companies and municipality owned or central government subsidised housing companies.

(EUR 1,000)		CRR leverage ratio exposures a 31 Dec 2021
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	44,221,104
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-1,333,593
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital)	-12,296
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	42,875,215
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	354,140
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	827,305
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-
EU-9b	Exposure determined under Original Exposure Method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-
11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	**Total derivatives exposures**	1,181,445
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
16	Counterparty credit risk exposure for SFT assets	-

(EUR 1,000)		CRR leverage ratio exposures a 31 Dec 2021
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-
17	Agent transaction exposures	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-
18	**Total securities financing transaction exposures**	-
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	2,592,877
20	(Adjustments for conversion to credit equivalent amounts)	-1,365,528
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-
22	**Off-balance sheet exposures**	1,227,349
	Excluded exposures	
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-31,568,405
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-
EU-22k	**(Total exempted exposures)**	-31,568,405
	Capital and total exposure measure	
23	**Tier 1 capital**	1,755,723
24	**Total exposure measure**	13,715,604

		CRR leverage ratio exposures
		a
(EUR 1,000)		31 Dec 2021
	Leverage ratio	
25	**Leverage ratio (%)**	12.8009%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	3.8771%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	12.8009%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-
EU-26b	of which: to be made up of CET1 capital	-
27	Leverage ratio buffer requirement (%)	-
EU-27a	Overall leverage ratio requirement (%)	3.0000%
	Choice on transitional arrangements and relevant exposures	
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-
	Disclosure of mean values	
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13,715,604
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13,715,604
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12.8009%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12.8009%

		CRR leverage ratio exposures
		b
(EUR 1,000)		31 Dec 2020
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	41,551,321
2	(Asset amounts deducted in determining Tier 1 capital)	-17,346
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	41,533,974
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	424,006
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	682,921
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)	-1,619,372
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)**	-512,445
	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)**	-

	(EUR 1,000)	CRR leverage ratio exposures b 31 Dec 2020
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	2,353,973
18	(Adjustments for conversion to credit equivalent amounts)	1,272,663
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	1,081,310
	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**	1,624,265
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	42,102,840
	Leverage ratio	
22	**Leverage ratio**	3.8579%
	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	-

EU LR3
LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Due to changes to the regulation of banks' capital adequacy (CRR II and CRD V) applied at the end of June 2021, the figures on 31 December 2021 and 31 December 2020 are not comparable. MuniFin fulfills the CRR II definition of a public development credit institution and may therefore deduct all credit receivables fom the central government and municipalities in the calculation of its leverage ratio exposure measure. The total amount exempted is EUR 31,568 million.

31 Dec 2021 (EUR 1,000)		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**12,546,455**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	12,546,455
EU-4	Covered bonds	1,216,705
EU-5	Exposures treated as sovereigns	9,618,861
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	72,202
EU-7	Institutions	1,285,401
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporates	336,701
EU-11	Exposures in default	-
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16,585

31 Dec 2020 (EUR 1,000)		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**39,931,948**
EU-3	Banking book exposures, of which:	39,931,948
EU-4	Covered bonds	1,530,373
EU-5	Exposures treated as sovereigns	20,533,442
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	73,627
EU-7	Institutions	1,970,555
EU-8	Secured by mortgages of immovable properties	9,275,460
EU-10	Corporate	6,360,654
EU-11	Exposures in default	136,700
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	51,137

EU LRA
Disclosure of LR qualitative information

a) Description of the processes used to manage the risk of excessive leverage

The risk of excessive leverage is managed as part of the internal capital management process. Within this process, the target level for leverage ratio is defined. The leverage ratio is part of MuniFin Group's Risk Appetite Framework and is regularly monitored in Risk Appetite Dashboard and in internal monthly reporting. Leverage ratio is also one of the Recovery Plan indicators. The principles for managing maturity mismatch and asset encumbrance are defined in the Liquidity and Funding Risk policy. The maturity mismatch is followed and managed through the Financing gap indicator within the Risk Appetite Framework. The Group maintains a sufficient liquidity portfolio of unencumbered, highly liquid assets at all times.

b) Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The consolidated leverage ratio was 12.8009% at the end of 2021 compared to 3.8579% at the end of previous year. Main reason for the change was that MuniFin fulfills the CRR II definition of a public development credit institution and may therefore deduct all credit receivables from the central government and municipalities. Without the exemption, the balance sheet exposures grew by net EUR 1,341 million during the year. The change was mainly driven by increased lending to the public and public sector entities. Off-balance sheet exposures, loan promises to public and public sector entities, increased by EUR 146 million during the year. Own funds grew in the period by EUR 131 million, mainly driven by increase in CET1 capital, namely from the continued profit generation.

Section 8
Liquidity requirements

EU LIQ1
Quantitative information of LCR

SCOPE OF CONSOLIDATION: CONSOLIDATED (EUR 1,000)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					11,324,635	10,711,419	9,889,130	9,067,658
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	2,023,840	2,229,248	2,261,932	2,179,079	2,023,840	2,229,248	2,261,932	2,179,079
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	36,567	46,042	24,785	27,700	36,567	46,042	24,785	27,700
8	Unsecured debt	1,987,273	2,183,206	2,237,147	2,151,380	1,987,273	2,183,206	2,237,147	2,151,380
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	3,828,228	3,745,097	3,767,387	3,781,917	1,521,164	1,517,411	1,531,600	1,529,275
11	Outflows related to derivative exposures and other collateral requirements	1,265,544	1,270,616	1,283,879	1,279,606	1,264,895	1,269,963	1,283,249	1,279,044

SCOPE OF CONSOLIDATION: CONSOLIDATED (EUR 1,000)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	2,562,684	2,474,481	2,483,509	2,502,311	256,268	247,448	248,351	250,231
14	Other contractual funding obligations	36,448	27,444	28,502	28,729	31,916	23,168	26,092	26,536
15	Other contingent funding obligations	4,865,222	4,695,379	4,474,885	4,187,590	486,522	469,538	447,488	418,759
16	**TOTAL CASH OUTFLOWS**					**4,063,442**	**4,239,365**	**4,267,112**	**4,153,650**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	285,685	331,482	357,408	476,326	199,895	239,683	265,828	341,197
19	Other cash inflows	1,021,869	1,066,774	1,088,185	1,144,825	1,021,869	1,066,774	1,088,185	1,144,825
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**	**1,307,554**	**1,398,256**	**1,445,593**	**1,621,150**	**1,221,764**	**1,306,457**	**1,354,013**	**1,486,021**
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows subject to 90% cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows subject to 75% cap**	**1,307,554**	**1,398,256**	**1,445,593**	**1,621,150**	**1,221,764**	**1,306,457**	**1,354,013**	**1,486,021**
TOTAL ADJUSTED VALUE									
EU-21	**LIQUIDITY BUFFER**					**11,324,635**	**10,711,419**	**9,889,130**	**9,067,658**
22	**TOTAL NET CASH OUTFLOWS**					**2,841,678**	**2,932,908**	**2,913,099**	**2,667,629**
23	**LIQUIDITY COVERAGE RATIO**					**440.1467%**	**396.3133%**	**355.4500%**	**355.1342%**

SCOPE OF CONSOLIDATION: CONSOLIDATED (EUR 1,000)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				**Total weighted value (average)**			
EU 1a	Quarter ending on (DD Month YYY)	**31 Dec 2020**	**30 Sep 2020**	**30 Jun 2020**	**31 Mar 2020**	**31 Dec 2020**	**30 Sep 2020**	**30 Jun 2020**	**31 Mar 2020**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					8,508,303	8,323,631	8,219,628	8,020,003
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	2,278,038	2,210,006	2,217,534	2,195,685	2,278,038	2,210,006	2,217,534	2,195,685
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	23,211	17,728	21,829	24,828	23,211	17,728	21,829	24,828
8	Unsecured debt	2,254,828	2,192,277	2,195,706	2,170,857	2,254,828	2,192,277	2,195,706	2,170,857
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	3,685,935	3,543,764	3,402,429	3,297,060	1,425,041	1,262,714	1,091,699	984,413
11	Outflows related to derivative exposures and other collateral requirements	1,174,368	1,009,708	835,312	727,719	1,173,884	1,009,309	834,987	727,479
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	2,511,567	2,534,056	2,567,117	2,569,341	251,157	253,406	256,712	256,934
14	Other contractual funding obligations	25,331	22,522	13,439	3,381	22,801	20,156	11,238	1,375
15	Other contingent funding obligations	3,943,295	3,792,069	3,654,971	3,688,155	394,329	379,207	365,497	369,498
16	**TOTAL CASH OUTFLOWS**					**4,120,209**	**3,872,083**	**3,685,969**	**3,550,971**

SCOPE OF CONSOLIDATION: CONSOLIDATED (EUR 1,000)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	655,930	750,244	882,101	882,080	441,202	477,394	530,622	508,895
19	Other cash inflows	859,106	673,143	444,502	224,965	859,106	673,143	444,502	224,965
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**	**1,515,036**	**1,423,387**	**1,326,603**	**1,107,045**	**1,300,308**	**1,150,537**	**975,124**	**733,860**
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows subject to 90% cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows subject to 75% cap**	**1,515,036**	**1,423,387**	**1,326,603**	**1,107,045**	**1,300,308**	**1,150,537**	**975,124**	**733,860**
TOTAL ADJUSTED VALUE									
EU-21	**LIQUIDITY BUFFER**					**8,508,303**	**8,323,631**	**8,219,628**	**8,020,003**
22	**TOTAL NET CASH OUTFLOWS**					**2,819,901**	**2,724,046**	**2,713,345**	**2,819,611**
23	**LIQUIDITY COVERAGE RATIO**					**318.1633%**	**321.4921%**	**324.4163%**	**307.9684%**

EU LIQ2
Net Stable Funding Ratio

31 Dec 2021 (EUR 1,000)		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	1,408,270	347,454	-	-	1,408,270
2	*Own funds*	1,408,270	-	-	-	1,408,270
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		7,432,780	3,117,247	30,253,486	31,812,110
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		7,432,780	3,117,247	30,253,486	31,812,110
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	73,712	-	436,618	417,249
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		73,712	-	436,618	417,249
14	**Total available stable funding (ASF)**					**33,637,629**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					209,730
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-

31 Dec 2021 (EUR 1,000)		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
17	Performing loans and securities:		2,169,543	1,143,453	27,360,299	26,277,632
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		36,459	-	34,292	37,938
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,003,739	1,034,863	27,084,326	25,415,298
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		798,344	774,956	17,228,973	15,980,900
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1,129,345	108,590	241,681	824,397
25	Interdependent assets		-	-	-	-
26	Other assets:	-	1,811,408	849	128,095	600,096
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		216,000	-	-	183,600
29	*NSFR derivative assets*		190,601			190,601
30	*NSFR derivative liabilities before deduction of variation margin posted*		1,346,810			67,341
31	*All other assets not included in the above categories*		57,997	849	128,095	158,555
32	Off-balance sheet items		356,860	66,208	2,169,809	133,925
33	**Total RSF**					**27,221,383**
34	**Net Stable Funding Ratio (%)**					**123.5706%**

30 Sep 2021 (EUR 1,000)		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	1,332,350	-	347,454	-	1,332,350
2	*Own funds*	1,332,350	-	-	-	1,332,350
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		7,022,803	4,016,950	30,020,771	32,029,246
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		7,022,803	4,016,950	30,020,771	32,029,246
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	41,528	-	502,757	481,172
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		41,528	-	502,757	481,172
14	**Total available stable funding (ASF)**					**33,842,769**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					211,698
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-

		a	b	c	d	e
		Unweighted value by residual maturity				
30 Sep 2021 (EUR 1,000)		**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
17	Performing loans and securities:		2,322,740	1,105,063	26,943,538	26,053,582
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		70,948	-	33,792	40,887
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,043,470	971,007	26,683,099	25,148,856
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		846,116	717,522	16,733,208	15,614,850
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1,208,322	134,056	226,647	863,839
25	Interdependent assets		-	-	-	-
26	Other assets:	-	1,825,952	679	112,528	710,269
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		216,000	-	-	183,600
29	*NSFR derivative assets*		299,244			299,244
30	*NSFR derivative liabilities before deduction of variation margin posted*		1,231,586			61,579
31	*All other assets not included in the above categories*		79,123	679	112,528	165,846
32	Off-balance sheet items		349,380	163,493	1,902,691	125,059
33	**Total RSF**					**27,100,609**
34	**Net Stable Funding Ratio (%)**					**124.8783%**

30 Jun 2021 (EUR 1,000)		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	1,346,255	-	347,454	-	1,346,255
2	*Own funds*	1,346,255	-	-	-	1,346,255
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		6,777,094	3,801,755	29,807,967	31,708,844
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		6,777,094	3,801,755	29,807,967	31,708,844
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	42,644	-	418,234	394,133
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		42,644	-	418,234	394,133
14	**Total available stable funding (ASF)**					**33,449,232**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					200,115
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-

	30 Jun 2021 (EUR 1,000)	a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
17	Performing loans and securities:		2,640,756	1,120,066	26,857,585	26,177,393
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		98,477	-	32,192	42,040
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,040,244	955,366	26,493,944	25,020,254
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		893,182	705,734	16,582,339	15,541,636
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1,502,036	164,699	331,449	1,115,099
25	Interdependent assets		-	-	-	-
26	Other assets:	-	1,940,992	780	114,764	749,224
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		256,000	-	-	217,600
29	*NSFR derivative assets*		298,692			298,692
30	*NSFR derivative liabilities before deduction of variation margin posted*		1,305,224			65,261
31	*All other assets not included in the above categories*		81,075	780	114,764	167,670
32	Off-balance sheet items		234,718	144,650	2,162,197	131,359
33	**Total RSF**					**27,258,091**
34	**Net Stable Funding Ratio (%)**					**122.7130%**

EU LIQB
On qualitative information on LCR, which complements template EU LIQ1

(a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The main items which effect the outflows of MuniFin Group's LCR are funding outflows and the impact of an adverse market scenario on derivatives transactions. On the inflow side larger than normal principal payments of loan contracts and non-ISIN short-term papers may have impact on the LCR ratio.

(b) Explanations on the changes in the LCR over time

MuniFin Group has had steady figures in LCR for over a year.

(c) Explanations on the actual concentration of funding sources

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

(d) High-level description of the composition of the institution` s liquidity buffer.

MuniFin Group holds a diversified liquidity buffer of Level 1 and Level 2A investments. The liquidity buffer is composed of the following Level 1 assets: withdrawable central bank reserves, coins and banknotes, central government assets, regional government / local authority assets, public sector entity assets, multilateral development bank and international organization assets and extremely high quality covered bonds. The liquidity buffer is composed of the following Level 2 assets: regional government / local authorities or public sector entity assets (Member State, risk-weight 20%), central bank or central / regional government or local authorities or public sector entity assets (Third Country, risk-weight 20%), high quality covered bonds (CQS2) and high quality covered bonds (Third Country, CQS1). MuniFin Group holds a liquidity buffer in EUR and USD.

(e) Derivative exposures and potential collateral calls

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

(f) Currency mismatch in the LCR

MuniFin Group monitors and calculates LCR in all significant currencies on a regular basis. The Group hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding into euros. MuniFin Group does not bear any material foreign exchange risk.

(g) 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.

Section 9

Credit risk quality

EU CRB
Additional disclosure related to the credit quality of assets

(a) The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition default in accordance with Article 178 CRR.

Definition of default: A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: (i) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; (ii) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

Past due: A credit obligation is recognised past due when any amount of principal, interest or fee has not been paid at the date it was due according to the latest (modified) schedule of payments.

The definitions of past due and default for accounting and regulatory purposes are the same.

Impaired: At the end of each reporting period, MuniFin Group 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.

(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

All past-due exposures (more than 90 days) are impaired. There are no past-due exposures that would not be considered impaired.

(c) Description of methods used for determining general and specific credit risk adjustments.

MuniFin Group is only applying specific credit risk adjustments (SCRA). All SCRA for stage 3 assets under IFRS 9 are considered to be a result of a significant perceived decline in the credit quality of a credit obligation and hence are treated as an indication of unlikeliness to pay. If exposure losses recognised in the profit or loss account or losses are result of current or past events, exposure is treated as credit-impaired under SCRA and it is considered defaulted.

(d) The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on defaultin accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

MuniFin Group does not have an own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on defaultin accordance with Article 178 CRR. The definition of a restructured exposure correspond to the definition of a forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

EU CR1

Performing and non-performing exposures and related provisions.

Total row 220 includes row 005 Cash balances at central banks and other demand deposits in 2021 but not in 2020.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
31 Dec 2021 (EUR 1,000)			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	8,471,482	8,471,482	-	-	-	-	0	0	-	-	-	-	-	-	-
010	Loans and advances	30,603,664	30,308,194	221,029	129,996	-	127,628	-698	-120	-578	-546	-	-539	-	16,354,083	129,438
020	Central banks	19,826	19,826	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	14,086,143	13,994,618	61,129	-	-	-	-90	-18	-72	-	-	-	-	1,683,593	-
040	Credit institutions	1,344,295	1,344,295	-	-	-	-	-82	-82	-	-	-	-	-	-	-
050	Other financial corporations	238,945	238,945	-	-	-	-	-13	-13	-	-	-	-	-	-	-
060	Non-financial corporations	14,560,611	14,371,868	151,917	129,996	-	127,628	-456	-7	-449	-546	-	-539	-	14,316,753	129,438
070	Of which SMEs	3,018,724	2,969,779	48,945	103,946	-	103,946	-127	-1	-126	-106	-	-106	-	3,017,838	103,840
080	Households	353,843	338,642	7,983	-	-	-	-57	0	-57	-	-	-	-	353,737	-

31 Dec 2021 (EUR 1,000)		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
090	Debt securities	4,854,225	1,293,022	9,550	-	-	-	0	0	0	-	-	-	-	270,683	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,921,260	1,006,053	2,200	-	-	-	0	0	0	-	-	-	-	62,402	-
120	Credit institutions	2,473,300	158,793	-	-	-	-	-	-	-	-	-	-	-	128,359	-
130	Other financial corporations	339,729	15,590	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	119,936	112,586	7,350	-	-	-	0	0	0	-	-	-	-	79,922	-
150	Off-balance sheet exposures	2,588,371	2,585,204	3,167	4,506	-	4,506	4	4	0	-	-	-		605,713	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	916,118	916,118	-	-	-	-	1	1	-	-	-	-		-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
200	Non-financial corporations	1,659,766	1,656,600	3,167	4,506	-	4,506	2	2	0	-	-	-		598,249	-
210	Households	12,487	12,487	-	-	-	-	0	0	-	-	-	-		7,464	-
220	**Total**	**46,517,743**	**42,657,903**	**233,746**	**134,502**	**-**	**132,134**	**-695**	**-117**	**-578**	**-546**	**-**	**-539**	**-**	**17,230,479**	**129,438**

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
31 Dec 2020 (EUR 1,000)			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
010	Loans and advances	35,117,567	34,928,130	144,846	136,751	-	136,751	-915	-79	-835	-224	-	-224	-	15,575,920	136,528
020	Central banks	5,603,911	5,603,911	-	-	-	-	0	0	-	-	-	-	-	-	-
030	General governments	13,526,374	13,512,873	7,188	-	-	-	-40	-23	-17	-	-	-	-	1,765,274	-
040	Credit institutions	1,806,223	1,806,223	-	-	-	-	-43	-43	-	-	-	-	-	-	-
050	Other financial corporations	243,277	243,277	-	-	-	-	-4	-4	-	-	-	-	-	-	-
060	Non-financial corporations	13,589,226	13,430,099	128,891	136,751	-	136,751	-760	-8	-752	-224	-	-224	-	13,466,365	136,528
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	348,556	331,747	8,767	-	-	-	-67	0	-67	-	-	-	-	344,282	-
090	Debt securities	5,781,486	1,726,740	7,200	-	-	-	0	0	0	-	-	-	-	282,649	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	2,295,533	1,252,897	-	-	-	-	0	0	-	-	-	-	-	38,004	-
120	Credit institutions	3,075,888	368,372	-	-	-	-	-	-	-	-	-	-	-	182,669	-
130	Other financial corporations	313,081	15,687	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	96,984	89,784	7,200	-	-	-	-0	-0	-0	-	-	-	-	61,976	-

31 Dec 2020 (EUR 1,000)		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
150	Off-balance sheet exposures	2,352,777	2,348,271	4,506	1,201	-	1,201	4	4	0	0	-	-		1,700,008	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	783,268	783,268	-	-	-	-	1	1	-	-	-	-		130,512	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
200	Non-financial corporations	1,546,718	1,542,212	4,506	1,201	-	1,201	3	3	0	0	-	-		1,546,705	-
210	Households	22,791	22,791	-	-	-	-	0	0	-	-	-	-		22,791	-
220	**Total**	**43,251,830**	**39,003,141**	**156,552**	**137,952**	**-**	**137,952**	**-910**	**-75**	**-835**	**-224**	**-**	**-224**	**-**	**17,558,577**	**136,528**

EU CR1-A
Maturity of exposures

Table CR1-A shows breakdown by residual maturity for on- and off balance sheet exposures. At the end of December 2021, 70.2% of the exposures were within the "> 5 years" bucket.

31 Dec 2021 (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
1	Loans and advances	1,556,490	898,419	4,577,717	26,292,668	-	33,325,294
2	Debt securities	65,704	1,776,750	2,497,958	513,814	-	4,854,225
3	**Total**	**1,622,194**	**2,675,169**	**7,075,674**	**26,806,482**	**-**	**38,179,519**

EU CR2
Changes in the stock of non-performing loans and advances

31 Dec 2021 (EUR 1,000)		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**136,751**
020	Inflows to non-performing portfolios	19,751
030	Outflows from non-performing portfolios	-26,506
040	Outflow due to write-offs	-
050	Outflow due to other situations	-26,506
060	**Final stock of non-performing loans and advances**	**129,996**

EU CQ1
Credit quality of forborne exposures

The COVID-19 pandemic affected the financial situation and liquidity of MuniFin Group's customers. The Group has therefore offered concessions to the payment terms of the loans to customers whose finances have been temporarily affected by the pandemic. By 31 December 2021, 58 loans were classified as forborne exposures, of which 39 were offered due to the COVID-19 pandemic.

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
31 Dec 2021 (EUR 1,000)		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	61,792	25,749	25,749	25,749	-213	-25	87,291	25,714
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	56,605	25,749	25,749	25,749	-162	-25	82,154	25,714
070	*Households*	5,188	-	-	-	-51	-	5,137	-
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	**Total**	**61,792**	**25,749**	**25,749**	**25,749**	**-213**	**-25**	**87,291**	**25,714**

31 Dec 2020 (EUR 1,000)		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
010	Loans and advances	68,150	19,480	19,480	19,480	-226	-62	87,342	19,418
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	62,877	19,480	19,480	19,480	-170	-62	82,125	19,418
070	*Households*	5,274	-	-	-	-56	-	5,217	-
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	**Total**	**68,150**	**19,480**	**19,480**	**19,480**	**-226**	**-62**	**87,342**	**19,418**

EU CQ3
Credit quality of performing and non-performing exposures by past due days

The following table shows the counterparty breakdown for the gross carrying amount of performing and non-performing exposures. The gross NPL ratio is 0.42% (0.39%).

Total row 220 includes row 005 Cash balances at central banks and other demand deposits in 2021 but not in 2020.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
31 Dec 2021 (EUR 1,000)			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	8,471,482	8,471,482	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	30,603,664	30,603,664	-	129,996	116,092	-	1,245	12,659	-	-	-	129,996
020	*Central banks*	19,826	19,826	-	-	-	-	-	-	-	-	-	-
030	*General governments*	14,086,143	14,086,143	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	1,344,295	1,344,295	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	238,945	238,945	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	14,560,611	14,560,611	-	129,996	116,092	-	1,245	12,659	-	-	-	129,996
070	*Of which SMEs*	3,018,724	3,018,724	-	103,946	98,096	-	-	5,850	-	-	-	103,946
080	*Households*	353,843	353,843	-	-	-	-	-	-	-	-	-	-

31 Dec 2021 (EUR 1,000)		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
090	Debt securities	4,854,225	4,854,225	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	1,921,260	1,921,260	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	2,473,300	2,473,300	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	339,729	339,729	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	119,936	119,936	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,588,371			4,506								4,506
160	*Central banks*	-			-								-
170	*General governments*	916,118			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	1,659,766			4,506								4,506
210	*Households*	12,487			-								-
220	**Total**	**46,517,743**	**43,929,372**	**-**	**134,502**	**116,092**	**-**	**1,245**	**12,659**	**-**	**-**	**-**	**134,502**

31 Dec 2020 (EUR 1,000)		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
010	Loans and advances	35,117,567	35,117,567	-	136,751	116,963	-	19,788	-	-	-	-	136,751
020	*Central banks*	5,603,911	5,603,911	-	-	-	-	-	-	-	-	-	-
030	*General governments*	13,526,374	13,526,374	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	1,806,223	1,806,223	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	243,277	243,277	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	13,589,226	13,589,226	-	136,751	116,963	-	19,788	-	-	-	-	136,751
080	*Households*	348,556	348,556	-	-	-	-	-	-	-	-	-	-
090	Debt securities	5,781,486	5,781,486	-	-	-	-	-	-	-	-	-	-
110	*General governments*	2,295,533	2,295,533	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	3,075,888	3,075,888	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	313,081	313,081	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	96,984	96,984	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,352,777	-	-	1,201	-	-	-	-	-	-	-	1,201
170	*General governments*	783,268	-	-	-	-	-	-	-	-	-	-	-
200	*Non-financial corporations*	1,546,718	-	-	1,201	-	-	-	-	-	-	-	1,201
210	*Households*	22,791	-	-	-	-	-	-	-	-	-	-	-
220	**Total**	**43,251,830**	**40,899,053**	**-**	**137,952**	**116,963**	**-**	**19,788**	**-**	**-**	**-**	**-**	**137,952**

EU CQ4
Quality of non-performing exposures by geography

The Group's non-domestic original exposures are 12% of total exposures on 31 Dec 2021. 5 largest countries are reported below.
Other countries include exposures in following countries: AT, AU, BE, DK, IE, JP, KR, LU, NL, NO, NZ and SE.

		a	b	c	d	e	f	g
		Gross carrying/nominal amount						
			Of which non-performing					
31 Dec 2021 (EUR 1,000)				Of which defaulted	Of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	**On-balance-sheet exposures**	**35,587,885**	**129,996**	**129,996**	**31,961,792**	**-1,243**		**-**
020	FI	30,866,185	129,996	129,996	30,247,470	-1,157		-
030	GB	993,967	-	-	934,574	-52		-
040	DE	669,048	-	-	429,280	-28		-
050	FR	516,014	-	-	67,753	-2		-
060	CA	453,809	-	-	19,806	0		-
070	Other countries	2,088,862	-	-	262,908	-4		-
080	**Off-balance-sheet exposures**	**2,592,877**	**4,506**	**4,506**			**4**	
090	FI	2,592,877	4,506	4,506			4	
150	**Total**	**38,180,762**	**134,502**	**134,502**	**31,961,792**	**-1,243**	**4**	**-**

EU CQ5
Credit quality of loans and advances to non-financial corporations by industry

31 Dec 2021 (EUR 1,000)		a	b	c	d	e	f
		Gross carrying amount					
			Of which non-performing				
				Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	2,372	-	-	2,372	0	-
030	Manufacturing	7,241	-	-	7,241	0	-
040	Electricity, gas, steam and air conditioning supply	313,691	-	-	313,691	0	-
050	Water supply	609,142	-	-	596,038	-1	-
060	Construction	167,430	-	-	167,430	-2	-
070	Wholesale and retail trade	-	-	-	-	-	-
080	Transport and storage	103,468	-	-	103,468	0	-
090	Accommodation and food service activities	4,351	-	-	4,351	0	-
100	Information and communication	903	-	-	903	0	-
110	Real estate activities	13,316,275	128,247	128,247	13,292,554	-988	-
120	Financial and insurance activities	13,106	-	-	13,106	-2	-
130	Professional, scientific and technical activities	24,614	-	-	24,614	-2	-
140	Administrative and support service activities	24,071	-	-	24,071	0	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	57,693	-	-	57,693	0	-
180	Arts, entertainment and recreation	46,250	1,749	1,749	46,250	-6	-
190	Other services	-	-	-	-	-	-
200	**Total**	**14,690,607**	**129,996**	**129,996**	**14,653,781**	**-1,002**	**-**

EU CQ7
Collateral obtained by taking possession and execution processes

MuniFin Group has not obtained collateral by taking possession and execution processes.

Section 10

Use of credit risk mitigation techniques

EU CR3
CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

In the following table the unsecured loans include loans granted to MuniFin Group's customers, cash held at the central bank and loans and advances in credit institutions other than posted cash collateral as variation margin. Collaterals reported in this table consist exclusively of immovable property. For further credit risk mitigation, all loans secured by immovable property have guarantees from the State of Finland or municipalities.

On 31 December 2021, unsecured debt securities include covered bonds by EUR 1,217 million (EUR 1,530 million) and municipal commercial paper investments in municipalities by EUR 930 million (EUR 1,200 million).

	31 Dec 2021 (EUR 1,000)	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	22,720,378	16,483,521	10,730,811	5,752,710	-
2	Debt securities	4,583,542	270,683	-	270,683	-
3	**Total**	**27,303,920**	**16,754,204**	**10,730,811**	**6,023,393**	**-**
4	Of which non-performing exposures	12	129,438	100,361	29,077	-
EU-5	Of which defaulted	12	129,438	-	-	-

	31 Dec 2020 (EUR 1,000)	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
1	Total loans	18,054,570	15,907,439	9,275,460	6,631,979
2	Total debt securities	5,498,837	282,649	-	282,649
3	**Total exposures**	**23,553,407**	**16,190,088**	**9,275,460**	**6,914,628**
4	Of which defaulted	-	-	-	136,700

Section 11

Credit risk standardised approach

EU CRD

Qualitative disclosure requirements related to standardised approach

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 Group uses external credit assessment institutions (ECAI) recognized by EBA to determine the risk-weight for liquidity portfolio issuers and issues. MuniFin Group 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 year-end of 2020.

31 Dec 2021 and 31 Dec 2020	External rating equivalent		
ASSET CLASS (DEBT SECURITIES)	Standard & Poor's	Moody's	Fitch
Exposures to central governments or central banks	x	x	x
Exposures to regional governments or local authorities	x	x	x
Exposures to public sector entities	x	x	x
Exposures to multilateral development banks	x	x	x
Exposures to international organisations	x	x	x
Exposures to institutions	x	x	x
Exposures to corporates	x	x	x
Exposures in the form of covered bonds	x	x	x
Exposures in other items	x	x	x

EU CR4
Standardised approach – Credit risk exposure and CRM effects

This table shows on- and off-balance sheet exposures, items treated within the scope of counterparty credit risk are excluded.

Total on- and off-balance sheet exposure amount post CCF and CRM was EUR 44,125 million at the end of December 2021 increasing by 3,129 million from the year-end 2020. The change was mainly driven by increased lending volumes.

The increase in exposures to corporates is stemming from exposures to credit institutions and clearing houses domiciled in the United Kingdom. After withdrawal of the UK from the EU, these counterparties are no longer reported in the exposure class 'Institutions' based on CRR Art. 107(3).

31 Dec 2021 (EUR 1,000)		a	b	c	d	e	f
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	EXPOSURE CLASSES	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1	Central governments or central banks	8,636,433	-	20,564,957	920,664	-	0.0000%
2	Regional government or local authorities	14,297,717	906,117	18,980,586	306,684	5,634	0.0292%
3	Public sector entities	342,672	-	318,970	-	8,807	2.7610%
4	Multilateral development banks	152,387	-	152,387	-	-	0.0000%
5	International organisations	143,579	-	143,579	-	-	0.0000%
6	Institutions	1,285,401	-	1,157,041	-	277,870	24.0155%
7	Corporates	6,457,680	1,682,251	336,702	-	31,279	9.2899%
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	10,208,300	-	-	-	-	-
10	Exposures in default	130,053	4,506	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	1,216,705	-	1,216,705	-	121,670	10.0000%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	27,232	-	27,232	-	27,194	99.8607%
17	**TOTAL**	**42,898,158**	**2,592,873**	**42,898,158**	**1,227,349**	**472,453**	**1.0707%**

31 Dec 2020 (EUR 1,000)		a	b	c	d	e	f
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
EXPOSURE CLASSES		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1	Central goverments or central banks	5,873,259	-	16,932,960	741,242	-	0.0000%
2	Regional governments or local authorities	13,893,677	753,517	18,813,914	340,069	5,721	0.0299%
3	Public sector entities	495,823	-	471,369	-	8,975	1.9040%
4	Multilateral development banks	185,612	-	185,612	-	-	0.0000%
5	International organisations	158,697	-	158,697	-	-	0.0000%
6	Institutions	1,970,555	-	1,787,886	-	346,183	19.3627%
7	Corporates	6,360,654	1,594,447	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	9,275,460	4,809	-	-	-	-
10	Exposures in default	136,700	1,201	-	-	-	0.0000%
11	Items associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	1,530,373	-	1,530,373	-	153,037	10.0000%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-
16	Other exposures	33,791	-	33,791	-	25,742	76.1818%
17	**Total**	**39,914,602**	**2,353,973**	**39,914,602**	**1,081,310**	**539,658**	**1.3164%**

EU CR5
Standardised approach

This table shows on- and off-balance sheet exposures post conversion factor and post risk mitigation techniques. Items treated within the scope of counterparty credit risk are excluded. To determine the exposure's risk weight, MuniFin Group applies credit ratings by Moody's Investors Service, Fitch Ratings or Standard & Poor's Financial Services.

The largest change took place in the 0% risk weight bucket, which increased from EUR 37,576 million to EUR 41,315 million being driven by increased volumes in central governments or central bank exposures. 93.6% (91.7%) of the total exposure amount is risk-weighted by 0%.

31 Dec 2021 (EUR 1,000)		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
EXPOSURE CLASSES		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
1	Central governments or central banks	21,485,621	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,485,621	-
2	Regional government or local authorities	19,259,103	-	-	-	28,168	-	-	-	-	-	-	-	-	-	-	19,287,271	19,273,045
3	Public sector entities	274,936	-	-	-	44,035	-	-	-	-	-	-	-	-	-	-	318,970	-
4	Multilateral development banks	152,387	-	-	-	-	-	-	-	-	-	-	-	-	-	-	152,387	-
5	International organisations	143,579	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,579	-
6	Institutions	-	-	-	-	1,002,170	-	154,871	-	-	-	-	-	-	-	-	1,157,041	34,300
7	Corporates	-	238,930	-	-	74,617	-	23,154	-	-	-	-	-	-	-	-	336,702	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	1,216,705	-	-	-	-	-	-	-	-	-	-	-	1,216,705	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	38	-	-	-	-	-	-	-	-	27,194	-	-	-	-	-	27,232	27,196
17	**TOTAL**	**41,315,663**	**238,930**	**-**	**1,216,705**	**1,148,990**	**-**	**178,025**	**-**	**-**	**27,194**	**-**	**-**	**-**	**-**	**-**	**44,125,507**	**19,334,541**

31 Dec 2020
(EUR 1,000)

		Risk weight								
	EXPOSURE CLASSES	**0%**	**2%**	**10%**	**20%**	**50%**	**100%**	**Others**	**Total**	**Of which unrated**
1	Central goverments or central banks	17,674,201	-	-	-	-	-	-	17,674,201	-
2	Regional governments or local authorities	19,125,380	-	-	28,603	-	-	-	19,153,982	19,139,620
3	Public sector entities	426,495	-	-	44,874	-	-	-	471,369	-
4	Multilateral development banks	185,612	-	-	-	-	-	-	185,612	-
5	International organisations	158,697	-	-	-	-	-	-	158,697	-
6	Institutions	-	230,996	-	1,456,272	100,618	-	-	1,787,886	35,000
7	Corporates	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-
9	Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	1,530,373	-	-	-	-	1,530,373	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other exposures	5,614	-	-	3,043	-	25,134	-	33,791	25,134
17	**Total**	**37,576,000**	**230,996**	**1,530,373**	**1,532,791**	**100,618**	**25,134**	**-**	**40,995,912**	**19,199,754**

Section 12

Exposures to counterparty credit risk

EU CCR1
Analysis of CCR exposure by approach

MuniFin Group has 36 counterparties with which it has active derivative contracts in the interbank financial markets. The Group limits the credit risk arising from these derivative contracts with ISDA Credit Support Annexes. The Group has the above-mentioned collateral agreement with all of these counterparties. Additionally, the Municipal Guarantee Board's guarantees are used for reducing the derivative counterparty risk of certain counterparties. In addition to the interbank counterparties, MuniFin Group has derivative contracts with its clients. The counterparty credit risk RWEA has increased to EUR 58 million (EUR 41 million) when excluding CCP exposures. With CCP exposures the RWEA is EUR 59 million.
The change is due to regulatory change in the calculation methodology (CRR II new standardised approach for counterparty credit risk).

31 Dec 2021 (EUR 1,000)		a Replacement cost (RC)	b Potential future exposure (PFE)	c EEPE	d Alpha used for computing regulatory exposure value	e Exposure value pre-CRM	f Exposure value post-CRM	g Exposure value	h RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	252,011	545,037		1.4	2,118,948	440,301	440,301	58,407
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**2,118,948**	**440,301**	**440,301**	**58,407**

The table above represents counterparty credit risk exposures without exposures to CCP. With CCP exposures included, the exposure value is EUR 1,150 million and RWEA is EUR 59 million.

31 Dec 2020 (EUR 1,000)		b Replacement cost / current market value	c Potential future credit exposure	f EAD post CRM	g RWAs
1	Mark to market	415,573	541,973	600,859	40,938
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**				**40,938**

MuniFin

EU CCR2
Transactions subject to own funds requirements for CVA risk

The CVA capital charge has increased significantly due to regulatory changes (CRR II SA-CCR impacted exposure values in the CVA charge calculation). MuniFin Group manages the CVA capital charge with comprehensive use of CSAs and CCP clearing. The number and value of derivatives cleared through the Central Counterparty has increased in 2021.

31 Dec 2021 (EUR 1,000)		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	736,189	494,362
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**736,189**	**494,362**

31 Dec 2020 (EUR 1,000)		a	b
		Exposure value	RWEA
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	431,835	230,876
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**431,835**	**230,876**

EU CCR3
Standardised approach – CCR exposures by regulatory exposure class and risk weights

This table shows classification of counterparty credit risk exposure value in exposure classes and risk weights after credit risk mitigation. After changes to the regulation of banks' capital adequacy (CRR II and CRD V) coming in to force on 28 June 2021, MuniFin Group applies SA-CCR method in calculating the counterparty credit risk. The new calculation method has affected the total exposure value with an increase of EUR 193 million from the year-end 2020. After credit risk mitigation, 86.9% of the total exposure value is in the 0% risk weight bucket.¨Credit risk mitigation techniques applied are guarantees granted by the Municipal Guarantee Board and municipalities. The increase in exposures to corporates is stemming from exposures to credit institutions and clearing houses located in the United Kingdom. After withdrawal of the UK from the EU these counterparties are no longer reported in the exposure class 'Institutions' based on CRR Art. 107(3). 31 December 2020 figures have been revised and are now post credit risk mitigation figures instead of pre credit risk mitigation figures as previously published.

31 Dec 2021 (EUR 1,000)		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
EXPOSURE CLASSES		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	413,967	-	-	-	-	-	-	-	-	-	-	413,967
3	Public sector entities	585,085	-	-	-	-	-	-	-	-	-	-	585,085
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	29,803	-	-	-	-	-	29,803
7	Corporates	-	34,290	-	-	-	87,011	-	-	-	-	-	121,302
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**999,052**	**34,290**	**-**	**-**	**-**	**116,815**	**-**	**-**	**-**	**-**	**-**	**1,150,157**

31 Dec 2020
(EUR 1,000)

EXPOSURE CLASSES		Risk weight 0%	2%	20%	50%	Total	Of which unrated
1	Central goverments or central banks	-	-	-	-	-	-
2	Regional governments or local authorities	397,641	-	-	-	397,641	397,641
3	Public sector entities	356,686	-	-	-	356,686	356,686
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-		-	-
6	Institutions	-	126,399	-	76,819	203,219	-
7	Corporates	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other exposures	-	-	-	-	-	-
11	**Total**	**754,327**	**126,399**	**-**	**76,819**	**957,545**	**754,327**

EU CCR5
Composition of collateral for CCR exposures

The amount of collaterals posted for derivative transactions at the end of December 2021 was EUR 1,550 million (EUR 1,850 million). MuniFin holds a strong credit rating (Aa1/AA+). The impact of a possible credit downgrade lower than four notches of MuniFin would not have any impact on the collateral posted.

31 Dec 2021 (EUR 1,000)	a	b	c	d	e	f	g	h
	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
COLLATERAL TYPE	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	1,047,138	216,000	1,333,593	-	-	-	-
2 Cash – other currencies	-	27,267	-	-	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	**-**	**1,074,405**	**216,000**	**1,333,593**	**-**	**-**	**-**	**-**

31 Dec 2020 (EUR 1,000)	a	b	c	d
	Collateral used in derivative transactions			
	Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated
Cash	-	889,300	230,996	1,619,372
Total	**-**	**889,300**	**230,996**	**1,619,372**

Template EU CCR8 – Exposures to CCPs

Exposures for qualified central clearing counterparties decreased to EUR 34 million (EUR 92 million).
The decrease was due to a regulatory change (SA-CCR in CRR II) in the methodology for measuring counterparty credit risk.

31 Dec 2021 (EUR 1,000)		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**686**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	34,290	686
3	(i) OTC derivatives	34,290	686
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	216,000	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
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	-	-

31 Dec 2020 (EUR 1,000)		a EAD post CRM	b RWAs
1	**Exposures to QCCPs (total)**		**2,528**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	126,399	2,528
3	(i) OTC derivatives	126,399	2,528
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	230,996	
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	-	-

Section 13

Use of standardised approach and internal model for market risk

EU MR1 - Market risk under the standardised approach

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

The foreign exchange risk position was EUR 1.4 million at the end of December 2021 (EUR 2.1 million). Since the foreign exchange risk position was less than 2% of the own funds, there was no capital requirement for it (CRR 575/2013 Art. 351).

MuniFin Group does not hold trading book exposures.

31 Dec 2021 (EUR 1,000)		a RWEAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,376
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**1,376**

Section 14

Disclosure of operational risk

EU OR1
Operational risk own funds requirements and risk-weighted exposure amounts

31 Dec 2021 (1,000 EUR)		a	b	c	d	e
		Relevant indicator				
BANKING ACTIVITIES		Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
1	Banking activities subject to basic indicator approach (BIA)	183,054	242,146	305,340	36,527	456,587
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	Subject to TSA:	-	-	-	-	-
4	Subject to ASA:	-	-	-	-	-
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Section 15

Remuneration policy

EU REM1
Remuneration awarded for the financial year

31 Dec 2021 (EUR 1,000)			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	11	1	7	19
2		Total fixed remuneration	313	351	1,312	2,334
3		Of which: cash-based	313	351	1,312	2,334
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				

31 Dec 2021 (EUR 1,000)			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
9	Variable remuneration	Number of identified staff	11	1	5	21
10		Total variable remuneration	-	96	291	458
11		Of which: cash-based	-	48	146	458
12		Of which: deferred	-	19	58	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	48	146	-
EU-14y		Of which: deferred	-	48	146	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**313**	**447**	**1,604**	**2,792**

EU REM2
Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

31 Dec 2021 (EUR 1,000)		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	2
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	150
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	0	1	1
7	Severance payments awarded during the financial year - Total amount	-	-	50	69
8	Of which paid during the financial year	-	-	50	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	50	69

EU REM3
Deferred remuneration

31 Dec 2021 (EUR 1,000) DEFERRED AND RETAINED REMUNERATION	a	b	c	d	e	f	EU - g	EU - h
	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 MB Supervisory function								
2 Cash-based	-	-	-	-	-	-	-	-
3 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5 Other instruments	-	-	-	-	-	-	-	-
6 Other forms	-	-	-	-	-	-	-	-
7 MB Management function								
8 Cash-based	52	19	33	-	-	-	14	-
9 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11 Other instruments	95	48	47	-	-	-	36	43
12 Other forms	-	-	-	-	-	-	-	-

31 Dec 2021 (EUR 1,000) **DEFERRED AND RETAINED REMUNERATION**		**a** **Total amount of deferred remuneration awarded for previous performance periods**	**b** **Of which due to vest in the financial year**	**c** **Of which vesting in subsequent financial years**	**d** **Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year**	**e** **Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years**	**f** **Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)**	**EU - g** **Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year**	**EU - h** **Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods**
13	Other senior management								
14	Cash-based	72	58	14	-	-	-	8	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	168	146	22	-	-	-	21	95
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff								
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**388**	**271**	**117**				**79**	**138**

EU REM4
Remuneration of 1 million EUR or more per year

MuniFin Group does not have any high earners as set out in Article 450(i) CRR.

EU REM5
Information of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
31 Dec 2021 (EUR 1,000)		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										38
2	Of which: members of the MB	11	1	12							
3	Of which: other senior management				-	-	-	4	1	2	
4	Of which: other identified staff				-	-	-	5	4	10	
5	Total remuneration of identified staff	313	447	760	-	-	-	1,648	803	1,945	
6	Of which: variable remuneration	-	96	96	-	-	-	288	126	336	
7	Of which: fixed remuneration	313	351	664	-	-	-	1,360	677	1,609	

Section 16

Encumbered and unencumbered assets

EU AE1

Encumbered and unencumbered assets

Presented figures for years 2021 and 2020 are based on median values of quarterly data on a rolling basis over previous twelve months.

31 Dec 2021 (1,000 EUR)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**17,517,191**	**37,765**			**28,619,423**	**11,774,812**		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	-	-	-	-	5,254,777	3,512,781	5,254,777	3,512,781
050	of which: covered bonds	-	-	-	-	1,306,335	1,306,335	1,306,335	1,306,335
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-	-	2,137,006	1,015,435	2,137,006	1,015,435
080	of which: issued by financial corporations	-	-	-	-	2,947,212	2,441,121	2,947,212	2,441,121
090	of which: issued by non-financial corporations	-	-	-	-	93,800	-	93,800	-
120	Other assets	17,517,191	37,765			23,456,764	8,210,219		

31 Dec 2020 (1,000 EUR)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**16,807,083**	**34,071**			**25,545,895**	**8,469,567**		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	-	-	-	-	6,392,468	3,927,887	6,392,468	3,927,887
050	of which: covered bonds	-	-	-	-	2,170,354	2,037,221	2,170,354	2,037,221
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-	-	2,484,221	1,047,173	2,484,221	1,047,173
080	of which: issued by financial corporations	-	-	-	-	3,679,610	2,900,663	3,679,610	2,900,663
090	of which: issued by non-financial corporations	-	-	-	-	101,602	-	101,602	-
120	Other assets	16,807,083	34,071			19,153,426	4,605,510		

EU AE2
Collateral received and own debt securities issued

Collateral received is cash collateral related to CSA agreements on derivatives. Presented figures for years 2021 and 2020 are based on median values of quarterly data on a rolling basis over previous twelve months.

				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
31 Dec 2021 (EUR 1,000)		010	030	040	060
130	**Collateral received by the disclosing institution**	-	-	948,597	948,597
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	948,597	948,597
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			-	-
250	**Total colleteral received and own debt securities issued**	**17,517,191**	**37,765**		

31 Dec 2020 (EUR 1,000)		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	-	-	997,759	997,759
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	997,759	997,759
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			-	-
250	**Total collateral received and own debt securities issued**	**16,807,083**	**34,071**		

EU AE3
Sources of encumbrance

Presented figures for years 2021 and 2020 are based on median values of quarterly data on a rolling basis over previous twelve months.

31 Dec 2021 (EUR 1,000)		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	41,087,681	17,479,426

31 Dec 2020 (EUR 1,000)		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	38,329,565	16,771,396

EU AE4
Accompanying narrative information

(a) General narrative information on asset encumbrance

The above disclosures represents the median values of quarterly data, on a rolling basis over the previous twelve months. The same scope of regulatory consolidation is used for the disclosures on asset encumbrance as for the liquidity requirements used to define HQLA eligibility. Only the assets of the parent company entail asset encumbrance.

(b) Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.

Financial assets classified as encumbered assets relate to loans that have been pledged to the Municipal Guarantee Board as counter collateral for guarantees it has given to MuniFin's funding, loans that are pledged to the central bank for possible monetary policy operations and cash collateral pertaining to derivatives. MuniFin Group does not have any covered bond or asset-backed security issuances.

During the reporting period, the medium values of encumbered assets related to loans pledged to Municipal Guarantee Board (EUR 11,245 million), loans pledged to Central Bank for possible monetary policy operations (EUR 4,684 million), cash collateral related to derivatives (EUR 1,557 million) and minimum reserves held at the central bank (EUR 38 million).
During the reporting period, all encumbered assets have been EUR nominated.

MuniFin Group maintains a sufficient liquidity portfolio of unencumbered, highly liquid assets at all times. MuniFin Group constantly monitors the amount of encumbered assets within the liquidity portolio. MuniFin Group uses cash for derivatives collateral management and hence the only source of asset encumbrance in the liquidity portfolio is repo related collateral management. During the reporting period, all assets within liquidity portfolio were unencumbered, of which EUR 11,775 million were HQLA eligible.

Other assets within template A, that have been classified as unencumbered, include cash with central banks, loans and advances, derivative contracts, intangible assets, tangible assets and other fixed assets.

The additional columns for asset quality indicators have been disclosed according to Article 2 (1) of the EBA/RTS/2017/03 to the templates A and B as of 31 December 2021.

Section 17

Disclosure of exposures to interest rate risk on positions not held in the trading book

EU IRRBB1
Interest rate risks of non-trading book activities

Current period is as of 31st of December 2021. Last period is 30th of June 2021. In current period, a 50% weight is used to positive EVE changes when summing up the EVE, inline with the Supervisory outlier test specifications in EBA/GL/2018/02 . Most of all EVE risk comes from EUR. The weighting factor was not used in last period.

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
SUPERVISORY SHOCK SCENARIOS		Current period	Last period	Current period	Last period
1	Parallel up	-6,579	-128,734	48,297	41,792
2	Parallel down	76,716	427,930	33,942	42,700
3	Steepener	40,168	103,094		
4	Flattener	14,401	288,677		
5	Short rates up	345	-104,934		
6	Short rates down	73,810	357,875		

Section 18
CRR reference table

Pillar 3 disclosures in accordance with the Articles 435–455 of CRR.

CRR ref.	High level summary	Reference
Article 435	**Disclosure of risk management objectives and policies**	
1(a)	Strategies and processes to manage risks;	Pillar III Disclosure Report 2021 Section 2
1(b)	Governance structure and organisation;	Pillar III Disclosure Report 2021 Section 2, Corporate Governance Statement 2021 pages 3–13
1(c)	Scope and nature of risk reporting and measurement systems;	Pillar III Disclosure Report 2021 Section 2
1(d)	Policies for hedging and mitigating risk;	Pillar III Disclosure Report 2021 Section 2
1(e)	Declaration approved by the management body on the adequacy of risk management arrangements;	Pillar III Disclosure Report 2021 Section 2 pages 11–13
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 2021 Section 2 pages 11–13
2(a)	Number of directorships held by members of the Board of Directors;	Corporate Governance Statement 2021 pages 7–8
2(b)	Recruitment policy for the selection of members of the Board of Directors and their actual knowledge, skills and expertise;	Corporate Governance Statement 2021 pages 4–10
2©	Policy on diversity with regard to selection of members of the Board of Directors;	Corporate Governance Statement 2021 page 6
2(d)	Set up a separate risk committee and the number of times the risk committee has met;	Corporate Governance Statement 2021 page 10
2(e)	Description of the information flow on risk to the management body.	Pillar III Disclosure Report 2021 Section 2, Corporate Governance Statement 2021 pages 17–20

CRR ref.	High level summary	Reference
Article 436	**Disclosure of scope of application**	
(a)	The name of the institution to which the CRR requirements apply;	Pillar III Disclosure Report 2021 Section 1, Annual Report 2021 and website www.munifin.fi
(b)	Reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirement on regulatory consolidation;	Pillar III Disclosure Report 2021 Section 4 templates EU LI3 and EU LIA
(c)	Breakdown of assets and liabilities of the consolidated financial statements;	Pillar III Disclosure Report 2021 Section 4 template EU LI1
(d)	Reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope;	Pillar III Disclosure Report 2021 Section 4 templates EU LI2 and EU LIA
(e)	Exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105 of CRR;	Pillar III Disclosure Report 2021 Section 4 template EU PV1
(f)	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;	Pillar III Disclosure Report 2021 Section 4 template EU LIB
(g)	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;	Pillar III Disclosure Report 2021 Section 4 template EU LIB
(h)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	Pillar III Disclosure Report 2021 Section 4 template EU LIB
Article 437	**Disclosure of 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 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	Pillar III Disclosure Report 2021 Section 5 templates EU CC1 and EU CC2
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 2021 Section 5 template EU CCA
1(c)	Full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Pillar III Disclosure Report 2021 Section 5 template EU CCA
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 2021 Section 5 template EU CC1
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

CRR ref.	High level summary	Reference
Article 437a	**Disclosure of own funds and eligible liabilities**	
	Institutions that are subject to Article 92a or 92b shall disclose information regarding their own funds and eligible liabilities.	Not applicable to MuniFin Group as MuniFin Group is not a G-SII institution.
Article 438	**Disclosure of own funds requirements and risk-weighted exposure amounts**	
(a)	A summary of the approach to assessing the adequacy of its internal capital to support current and future activities;	Pillar III Disclosure Report Section 2 table EU OVC page 18, Corporate Governance Statement 2021 pages 16–17
(b)	The amount of the additional own funds requirements based on the SREP and its composition;	Pillar III Disclosure Report Section 3 template EU KM1, Section 5 and 6
(c)	Upon demand from the supervisory authority, the result of the institution's internal capital adequacy assessment process;	Not applicable. No such demand has been made by the supervisory authority.
(d)	Total risk-weighted exposure amount and the corresponding total own funds requirement;	Pillar III Disclosure Report Section 3 template EU OV1
(e)	The on- and off-balance sheet exposures, the risk-weighted exposure amounts and associated expected losses for specialised lending and equity exposures;	Not applicable
(f)	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company;	Not applicable
(g)	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate;	Not applicable
(h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to immediately preceding disclosure period that result from the use of internal models.	Not applicable
Article 439	**Exposure to counterparty credit risk**	
(a)	A description of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	Pillar III Disclosure Report 2021 Section 2 page 23
(b)	A description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	Pillar III Disclosure Report 2021 Section 2 page 23
(c)	A description of policies for wrong-way risk;	Pillar III Disclosure Report 2021 Section 2 page 23
(d)	The amount of collateral the institution would have to provide if its credit rating was downgraded;	Pillar III Disclosure Report 2021 Section 12 template EU CCR5
(e)	The amount of segregated and unsegregated collateral received and posted	Pillar III Disclosure Report 2021 Section 12 template EU CCR5
(f)	For derivative transactions, the exposure values before and after the effect of the credit risk mitigation;	Pillar III Disclosure Report 2021 Section 12 template EU CCR1
(g)	For securities financing transactions, the exposure values before and after tge effect of the credit risk mitigation;	Not applicable

CRR ref.	High level summary	Reference
(h)	The exposure values after credit risk mitigation effects and the associated risk exposure for credit valuation adjustment capital charge;	Pillar III Disclosure Report 2021 Section 12 template EU CCR2
(i)	The exposure value to central counterparties and the associated risk exposures;	Pillar III Disclosure Report 2021 Section 12 template EU CCR8
(j)	The notional amounts and fair value of credit derivative transactions;	Not applicable
(k)	The estimate of α if the institution has received the permission of the competent authorities to estimate α;	Not applicable
(l)	The disclosures included in point € of Article 444 and point (g) of Article 452;	Pillar III Disclosure Report 2021 Section 11 templates EU CR4 and EU CR5, Section 12 template EU CCR3
(m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of on- and off-balance-sheet derivative business.	Pillar III Disclosure Report 2021 Section 12
Article 440	**Disclosure of capital buffers**	
(a)	The geographical distribution of credit exposures relevant for the calculation of countercyclical capital buffer;	Pillar III Disclosure Report 2021 Section 6 template EU CCyB1
(b)	The amount of institution specific countercyclical capital buffer.	Pillar III Disclosure Report 2021 Section 6 template EU CCyB2
Article 441	Disclosure of indicators of global systemic importance	
	Indicator values used for determining the score of the institution.	Not applicable
Article 442	**Disclosure of exposures ti credit risk and dilution risk**	
(a)	The scope and definitions for accounting purposes of past due and impaired;	Pillar III Disclosure Report 2021 Section 9 table EU CRB
(b)	A description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Pillar III Disclosure Report 2021 Section 9 table EU CRB
(c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures;	Pillar III Disclosure Report 2021 Section 9 templates EU CR1, EU CQ1, EU CQ3, EU CQ4 and EU CQ5
(d)	An ageing analysis of accounting past due exposures;	Pillar III Disclosure Report 2021 Section 9 template EU CQ3
(e)	The gross carrying amounts of defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs and the net carrying amounts and their distribution by geographical area;	Pillar III Disclosure Report 2021 Section 9 templates EU CR1, EU CQ4 and EU CQ5
(f)	Anu changes in the gross amount of defaulted on- ja off-balance-sheet exposures;	Pillar III Disclosure Report 2021 Section 9 templates EU CR1, EU CR2 and EU CQ4
(g)	The breakdown of loans and debt securities by residual maturity.	Pillar III Disclosure Report Section 9 template EU CR1-A

CRR ref.	High level summary	Reference
Article 443	**Disclosure of encumbered and unencumbered assets**	
	Information on encumbered and unencumbered assets.	Pillar III Disclosure Report Section 16
Article 444	**Disclosure of the use of the Standardised Approach**	
(a)	Names of the nominated ECAIs and ECAs and the reasons for any changes;	Pillar III Disclosure Report Section 11 template EU CRD
(b)	The exposure classes for which each ECAI or ECA is used;	Pillar III Disclosure Report Section 11 template EU CRD
(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 Section 11 template EU CRD
(d)	The association of the external rating of each nominated ECAI or ECA with the risk-weights that correspond to the credit quality steps as set out 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 EBA;	Not applicable as MuniFin Group complies with the standard association published by EBA.
(e)	The exposure values 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 2021 Section 11 templates EU CR4 and EU CR5, Section 12 template EU CCR3
Article 445	**Disclosures of 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 2021 Section 13 template EU MR1
Article 446	**Disclosure of operational risk management**	
(a)	The approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;	Pillar III Disclosure Report 2021 Section 14 template EU OR1
(b)	Where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;	Not applicable
(c)	In the case of partial use, the scope and coverage of the different methodologies used.	Not applicable
Article 447	**Disclosures of key metrics**	
(a)	The composition of own funds and own funds requirements;	Pillar III Disclosure Report 2021 Section 3 template EU KM1
(b)	The total risk exposure amount;	Pillar III Disclosure Report 2021 Section 3 templates EU KM1 and EU OV1
(c)	Where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU;	Pillar III Disclosure Report 2021 Section 3 template EU KM1
(d)	Combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	Pillar III Disclosure Report 2021 Section 3 template EU KM1

CRR ref.	High level summary	Reference
(e)	Leverage ratio and the total exposure amount;	Pillar III Disclosure Report 2021 Section 3 template EU KM1
(f) (i)-(iii)	Information in relation to liquidity coverage ratio: (i) the average of LCR based on end-of-month observations over the preceding 12 months for each quarter of the relevant disclosure period (ii) the average of total liquid assets after applying relevant haircuts based on end-of-month observations oover preceding 12 months for each quarter of the relevant disclosure period (iii) the averaged of liquidity outflows, inflows and net liquidity outflows based on end-of-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Pillar III Disclosure Report 2021 Section 3 template EU KM1
(g) (i)-(iii)	Information in relation to net stable funding requirement: (i) the NSFR at the end of each quarter of the relevant disclosure period (ii) the available stable funding at the end of each quarter of the relevant disclosure period (iii) the required stable funding at the end of each quarter of the relevant disclosure period;	Pillar III Disclosure Report 2021 Section 3 template EU KM1
(h)	Own funds and eligible liabilities ratios and components as calculated in accordance with Articles 92a and 92b.	Pillar III Disclosure Report 2021 Section 3 template EU KM1
Article 448	**Disclosures of exposure to interest rate risk on positions not held in the trading book**	
1(a)	The changes in the economic value of equity calculated under the six supervisory shock scenarios;	Pillar III Disclosure Report 2021 Section 17 template EU IRRBB1
1(b)	The changes in the net interest income calculated under the two supervisory shcok scenarios;	Pillar III Disclosure Report 2021 Section 17 template EU IRRBB1
1(c)	A description of key modelling and parametric assumptions to calculate in the economic value of equity and in the net interest income;	Not applicable
1(d)	An explanation of the significance of the risk disclosed and of any significant variations of those risk measures;	Pillar III Disclosure Report 2021 Section 2 pages 29–34
1(e) (i)-(v)	The description of how institutions define, measure and mitigate and control interest rate risk of non-trading book activities: (i) a description of the specific risk measures (ii) a description of the key modelling and parametric assumptions used (iii) a description of interest rate shock scenarios (iv) the recognition of the effect of hedges against those interest rate risks (v) an outline of how often the evaluation of the interest rate risk occurs;	Not applicable
1(f)	The description of the overall risk management and mitigation strategies;	Pillar III Disclosure Report 2021 Section 2 pages 29–34
1(g)	Average and longest repricin maturity assigned to non-maturity deposits.	Not applicable
Article 449	**Disclosure of exposures to securitisation positions**	
	Exposure to securitisation positions	Not applicable

CRR ref.	High level summary	Reference
Article 450	**Disclosure of remuneration policy**	
1(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 2021 page 10, Pillar III Disclosure Report 2021 Section 2 pages 45–46
1(b)	Information on link between pay and performance;	Pillar III Disclosure Report 2021 Section 2 pages 46–47
1(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;	Pillar III Disclosure Report 2021 Section 2 pages 47–50
1(d)	Ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of the CRDIV;	Pillar III Disclosure Report 2021 Section 15 template EU REM1
1(e)	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	Pillar III Disclosure Report 2021 Section 2 pages 44–50, MuniFin does not grant variable remuneration in the form of shares or options.
1(f)	The main parameters and rationale for any variable component scheme and any other non-cash benefits;	Pillar III Disclosure Report 2021 Section 2 pages 44–50
1(g)	Aggregate quantitative information on remuneration, broken down by business area;	Pillar III Disclosure Report 2021 Section 15 template EU REM5
1(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;	Pillar III Disclosure Report 2021 Section 15 template EU REM2
1(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 2021 being remunerated EUR 1 million or more.
1(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.
1(k)	Information on whether the institution benefits from a derogation laid down in Article 94(3) of CRDIV.	Not applicable
2	The quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	Pillar III Disclosure Report 2021 Section 15
Article 451	**Disclosure of leverage ratio**	
1(a)	The leverage ratio and how the institution applies Article 499(2);	Pillar III Disclosure Report 2021 Section 7 template EU LR2 - LRCom
1(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 2021 Section 7 templates EU LR1 - LRSum, EU LR2 - LRCom and EU LR3 - LRSpl
1(c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	Pillar III Disclosure Report 2021 Section 7 pages 91–100

CRR ref.	High level summary	Reference
1(d)	A description of the processes used to manage the risk of excessive leverage;	Pillar III Disclosure Report 2021 Section 7 table EU LRA
1(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 2021 Section 7 table EU LRA
2	Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	Pillar III Disclosure Report 2021 Section 7 template EU LR2 - LRCom
3	In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Pillar III Disclosure Report 2021 Section 7 template EU LR2 - LRCom
Article 451a	**Disclosure of liquidity requirement**	
1	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	Pillar III Disclosure Report 2021 Section 8
2(a)	Information on LCR: the average of LCR based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Pillar III Disclosure Report 2021 Section 8 template EU LIQ1 and EU LIQB
2(b)	Information on LCR: the average of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Pillar III Disclosure Report 2021 Section 8 template EU LIQ1 and EU LIQB
2(c)	Information on LCR: the averages of liquidity outflows, inflows and net liquidity outflows based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Pillar III Disclosure Report 2021 Section 8 template EU LIQ1 and EU LIQB
3(a)	Information on NSFR: quarter-end figures of NSFR for each quarter of the relevant disclosure period;	Pillar III Disclosure Report 2021 Section 8 template EU LIQ2
3(b)	Information on NSFR: an overview of the amount of available stable funding;	Pillar III Disclosure Report 2021 Section 8 template EU LIQ2
3(c)	Information on NSFR: an overview of the amount of required stable funding.	Pillar III Disclosure Report 2021 Section 8 template EU LIQ2
4	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of CRDIV.	Pillar III Disclosure Report 2021 Section 2 pages 35–40 and Section 8 EU LIQA
Article 452	**Disclosure of the use of the IRB Approach to credit risk**	
	IRB Approach to credit risk	Not applicable

CRR ref.	High level summary	Reference
Article 453	**Disclosure of the use of credit risk mitigation techniques**	
(a)	The core features of 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 2021 Section 2 pages 20–22
(b)	The core features of the policies and processes for eligible collateral valuation and management;	Pillar III Disclosure Report 2021 Section 2 pages 20–22
(c)	A description of the main types of collateral taken by the institution to mitigate credit risk;	Pillar III Disclosure Report 2021 Section 2 pages 20–22
(d)	The main types of guarantor and credit derivative counterparty and their creditworthiness;	Pillar III Disclosure Report 2021 Section 2 pages 20–22
(e)	Information about market or credit risk concentrations within the credit mitigation taken;	Pillar III Disclosure Report 2021 Section 2 page 24
(f)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Pillar III Disclosure Report 2021 Section 11 template EU CR4
(g)	The corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Pillar III Disclosure Report 2021 Section 11 template EU CR4
(h)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Pillar III Disclosure Report 2021 Section 11 template EU CR4
(i)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Pillar III Disclosure Report 2021 Section 11 template EU CR4
(j)	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives.	Not applicable
Article 454	**Disclosure of the 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

Section 19

Information not disclosed due to non-materiality, proprietary or confidential nature or not applicable to MuniFin Group

REFERENCE	REASON FOR NOT DISCLOSING	INFORMATION PROVIDED IN PILLAR III DISCLOSURE
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of risk management objectives and policies Table EU OVA (b), CRR Article 435(1)(b): The approved limits of risks to which the institution is exposed.	Risk Appetite Framework (RAF) limits and thresholds are defined strictly confidential. Limits and thresholds are of strategic nature and as such defined confidential. The Financial Supervisory Authorities have full access to MuniFin Group's RAF limits and thresholds.	RAF is described in detail in Section 2 Risk management objectives and policies, subsection MuniFin Group's overall risk profile associated with the business strategy and business model.
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of credit risk quality Templates EU CR2a, EU CQ2, EU CQ6 and EU CQ8	EBA/ITS/2020/04 templates EU CR2a, EU CQ2, EU CQ6 and EU CQ8 are applicable only to significant credit institutions with a gross NPL ratio of 5% or above. As the NPL ratio does not exceed 5%, MuniFin Group has not disclosed these templates.	MuniFin Group complies with the EBA/ITS/2020/04 disclosure requirements by disclosing the templates applicable to all credit institutions.
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of the use of the IRB approach to credit risk All templates	MuniFin Group do not apply IRB approach.	

REFERENCE	REASON FOR NOT DISCLOSING	INFORMATION PROVIDED IN PILLAR III DISCLOSURE
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of specialised lending and equity exposures under the simple riskweighted approach Template EU CR10	MuniFin Group do not hold such exposures.	
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of exposures to counterparty credit risk Templates EU CCR4, EU CCR6 and EU CCR7	MuniFin Group do not apply IRB approach or internal model method for CCR. MuniFin Group do not hold credit derivatives.	
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of exposures to securitisation positions All templates	MuniFin Group do not hold such exposures.	
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of use of standardised approach and internal model for market risk Templates EU MRB, EU MR2-A, EU MR2-B, EU MR3 and EU MR4	MuniFin Group do not apply internal model for market risk.	

REFERENCE	REASON FOR NOT DISCLOSING	INFORMATION PROVIDED IN PILLAR III DISCLOSURE
EBA/ITS/2020/04 Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 Disclosure of key metrics and overview of risk-weighted exposure amounts Templates EU INS-1 and EU INS-2	MuniFin Group is not classified as a financial conglomerate and does not have own funds instruments held in insurance.	
EBA/GL/2020/07 Disclosure of exposures subject to measures applied in response to the COVID-19 crisis. Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria Template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	For the purpose of EBA/GL/2020/07 templates 1 and 2, moratoria refers to general moratoria in accordance with paragraph 10 of EBA Guidelines (EBA/GL/2020/02) on legislative and non-legislative moratoria. The concessions MuniFin Group has made in response to the COVID-19 crisis have been assessed individually for each counterparty, hence the concessions do not meet the criteria of moratoria in accordance with EBA/GL/2020/02. For the purpose of EBA/GL/2020/07 Template 3, MuniFin Group has not received any public guarantees introduced in response to the COVID-19 crisis. As a result, MuniFin Group has not disclosed these templates.	
EBA/GL/2020/11 Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic	MuniFin Group has not applied the reliefs stated in the Guideline and as such, do not have nothing to report regarding this Guideline.	
EBA/GL/2020/12 EBA Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic.	MuniFin Group is not applying the transitional arrangements specified in Capital Requirements Regulation's Article 473a for IFRS 9 or analogous ECLs. MuniFin Group's own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs. Based on this, there is nothing to report regarding EBA/GL/2020/12.	

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