Supplemental Offering Circular dated 7 September 2022

MuniFin

MUNICIPALITY FINANCE PLC

(Kuntarahoitus Oyj)

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

€45,000,000,000
Programme for the Issuance of Debt Instruments

Guaranteed by

THE MUNICIPAL GUARANTEE BOARD
(Kuntien takauskeskus)

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

This supplement (the "**Supplement**") to the offering circular dated 4 May 2022 (the "**Offering Circular**") is prepared in connection with the €45,000,000,000 Programme for the Issuance of Debt Instruments established by Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**"). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

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

Application may be made for Notes to be listed and admitted to trading on the Helsinki Stock Exchange maintained by Nasdaq Helsinki or to any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer. Notes will not be subject to the prospectus requirements of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as a result of the exemption provided by Article 1.2(d) of the Prospectus Regulation for securities unconditionally and irrevocably guaranteed by a local authority of an EEA member state.

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

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

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

AMENDMENTS TO THE OFFERING CIRCULAR

With effect from 7 September 2022, the information appearing in the Offering Circular shall be supplemented in the manner described below.

Important Notices

The section headed "Important Notices" staring on page 1 of the Offering Circular shall be deemed to be amended by the addition of the following.

Forward-Looking Statements

The subsection headed " Forward-Looking Statements" on page 5 of the Offering Circular shall be deemed to be amended by the addition of the following:

This Supplement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Group regarding such items. These statements include matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes", "expects", "are expected to", "anticipates", "intends", "estimates", "should", "will", "will continue", "may", "is likely to", "plans" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and the development of the industry in which it operates may differ significantly from those predicted or suggested by the forward-looking statements contained in this Supplement. In addition, even if the Group's results of operations, financial condition and business and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Supplement, those results or developments may not be indicative of results or developments in subsequent periods.

Presentation of Financial and Other Data

The subsection headed "Presentation of Financial and Other Data" starting on page 5 of the Offering Circular shall be deemed to be amended by the following:

Unless otherwise indicated, financial information set forth herein related to the Group has been derived from the unaudited consolidated IFRS (including the auditors' report thereon and notes thereto) of the Issuer in respect of the six months ended 30 June 2022 and 30 June 2021 (the "**Interim 2022 Financials**") which are appended to this Supplement.

Risk Factors

The risk factor section starting on page 12 of the Offering Circular shall be deemed to be supplemented by the following.

The risk factor titled "The Group is exposed to the economic conditions in Finland and globally" starting on page 12 of the Offering Circular shall be deemed to be replaced by the following:

The Group conducts its lending operations exclusively in Finland and its lending growth is reliant on the prospects of Finnish municipalities and joint municipal authorities, Finnish municipality-controlled entities and housing corporations providing housing on social grounds in Finland. Therefore, the macroeconomic factors relating to Finland, and more specifically its municipalities, such as GDP, the inflation rate, interest rates, currency exchange rates and tax rates as well as unemployment, personal income and the financial situation of companies, together with various other factors, have a material impact on customer demand and margins for Group's products and services. According to the Ministry of Finance, global inflation is expected to have an impact on the Finnish economy in 2022. Economic growth in the first half of 2022 decelerated and inflation accelerated in Finland at rates higher than what was previously projected. In addition, high energy and commodity prices continue to contribute to inflationary pressures, which may trigger wage inflation spiral and interest rate hikes, all of which may materially affect the Group's business, financial condition and results of operations.

Should Finland's GDP slow or decline or Finnish municipalities' relative indebtedness increase, the Group may be exposed to instability in the prospects of both its customers and their ultimate guarantors. Additionally, should any of these factors result in Finland having its credit rating downgraded, it may cause an increase in the cost of the Group's future funding transactions and thereby put further pressure on the price of any lending required by the Group's customers. As a result, any of these factors relating to Finland or its municipal sector may have a material adverse effect on the Group's business, financial condition and results of operations.

The United Kingdom left the European Union on 31 January 2020 at 11pm local time, with a one-year transition period afterwards ("**Brexit**"). The United Kingdom is also no longer part of the EEA. An agreement in principle was reached in relation to the EU-UK Trade and Cooperation Agreement (the "**Trade and Cooperation Agreement**") on 24 December 2020 and the Trade and Cooperation Agreement was signed on 30 December 2020. The long-term effects of Brexit and the extent of the impact of Brexit on the Group will depend in part on the Trade and Cooperation Agreement and the nature of any future arrangements (or lack thereof) that are put in place between the United Kingdom and the EU. The Notes are subject to the jurisdiction of English courts and the Recast Brussels Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012) has ceased to apply to the United Kingdom (and English court judgments). As no new reciprocal agreement on civil justice has been agreed, there will be a period of uncertainty concerning the enforcement of English court judgments in Finland following Brexit. As a result, a judgment entered against the Issuer in an English court may not be recognised or enforceable in Finland as a matter of law without a re-trial on its merits. See "*Risk Factors– Judgments entered against the Issuer in the courts of a state which is not subject to the Brussels Regulations or the Lugano Convention may not be recognised or enforceable in Finland*".

Continuing uncertainty regarding the effects of the United Kingdom's withdrawal from the European Union may continue to adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the Sterling and Euro. The Group also has derivatives transactions cleared centrally through London Clearing House ("**LCH**"). LCH has been recognized as a third country CCP under Regulation (EU) No 648/2012, as amended ("**EMIR**"), eligible to provide their services in the EU until 30 June 2025. It remains uncertain whether LCH will remain a recognized central counterparty for the purposes of EMIR after June 2025. A lack of such recognition may result in significant market disruption when entities with derivatives cleared through LCH may need to transfer the transactions to another central counterparty. The aforementioned factors could have a material adverse effect on the Group's business, financial condition and results of operations.

From time to time, the global credit and financial markets have experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. The financial markets, the global economy as well as the economy of Finland may also be adversely affected by the current or anticipated impact of military conflict, including the conflict between Russia and Ukraine, terrorism or other geopolitical events. Sanctions imposed by the United States, the United Nations, and the European Union, and other countries in response to such conflicts, including the one in Ukraine, may also adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. Russia's invasion of Ukraine has rapidly increased prices of energy, raw materials and food. The subsequent further rise in consumer prices is expected to cut household purchasing power, consumption and economic growth significantly. The Finnish government has proposed measures to support companies engaged in energy production. Measures are intended to address situations where companies face increased liquidity needs arising out of increased margin requirements in respect of their electricity derivatives agreements. A number of Finnish energy companies are owned by Finnish municipalities. The MGB is currently exploring possibilities for the funding guaranteed by the MGB to be used to finance municipality-owned energy companies to a larger extent than previously. The ongoing conflict between Russia and Ukraine is expected to have a significant impact on the Finnish economic outlook, including in relation to foreign trade and exports. Given the uncertainty of the situation, the exact impact on Finland's economy is not yet known but it is expected that the Finnish economy's growth outlook will decline given the conflict in Ukraine and the resulting rising inflation and rapidly tightening monetary policy. In the event geopolitical tensions fail to abate or deteriorate further, additional governmental sanctions may be enacted adversely impacting the global economy and supply chain, banking and monetary systems, which may have a material adverse effect on the Group's financial condition and results of operations.

The risk factor titled "The Group may be exposed to risks arising from the current global COVID-19 pandemic" on page 13 of the Offering Circular shall be deemed to be replaced by the following:

The Group is exposed to risks arising out of the COVID-19 pandemic which began in late 2019. The uncertainty surrounding the pandemic has caused the global financial markets to experience their largest losses in over a decade despite globally coordinated efforts by central banks, such as cutting interest rates to the lowest levels in recent history, to stimulate and shield the world economy.

The ongoing pandemic is expected continue to have an impact on the Finnish economy and globally. According to the Ministry of Finance, the Finnish economy grew by 3.5 per cent. in 2021. By the end of 2021, the Finnish economy reached pre-COVID-19 levels. In June 2022, the Ministry of Finance published its annual Economic Survey, which stated that Finnish economic growth is projected to grow by 1.4 per cent. in 2022. Public consumption expenditure is projected to decrease in 2022, as compared with 2021, as the additional spending prompted by the COVID-19 pandemic decreases. In addition, the general government budgetary position has improved, following the growth in the Finnish economy as a result of the lifting of COVID-19 measures and restrictions. Even though new cases and variants of the COVID-19 pandemic are still emerging, the Ministry of Finance does not expect that any restrictions would be put in place to curb the spread of COVID-19 that would result in negative economic impacts. As the COVID-19 pandemic remains ongoing as of September 2022, the estimates expressed herein are subject to change. The Finnish government deficit decreased in 2021 due to a rapid decrease in tax receipts and a decrease in the number of COVID-19 support measures. However, as economic growth is expected to slow in 2022 and 2023, it is expected that the deficit of the central government, local government and well-being services counties will remain substantial and the debt-ratio is expected to increase. The ongoing effects of COVID-19 and any future measures undertaken to contain its spread could have a material adverse effect on the Group's business, financial condition and results of operations.

The risk factor titled "The proposed Finnish social and healthcare system reform may adversely affect the Group" on page 14 of the Offering Circular shall be deemed to be replaced by the following:

The Finnish health and social services reform may adversely affect the Group

The Finnish Parliament passed the legislative proposals in respect of health and social services reform in June 2021. The Finnish Parliament adopted the new legislation on establishing wellbeing services counties (*Fi: hyvinvointialue*) which are public bodies separate from the municipalities of Finland and the Finnish government that will become responsible for organising healthcare, social welfare and rescue services in 2023. Currently the municipalities are responsible for organising these services. The reform will involve transfer of existing loans and liabilities from joint municipal authorities to 21 wellbeing services counties (the City of Helsinki and autonomous Region of Åland will remain outside the wellbeing services counties, and will be responsible for organising these services within their own area). The new legislation includes, *inter alia*, amendments to the Act on the Municipal Guarantee Board (487/1996, as amended, "**the MGB Act**") which will allow the Issuer to continue to act as a lender and counterparty to the loans and other liabilities to be transferred. At this stage, the wellbeing services counties will be largely funded by the central government, but the counties will have government authorisation for long-term borrowing. For short-term borrowing (i.e. maturities less than a year), the wellbeing services counties will not need separate authorisation from the government.

The Finnish Parliament approved a further amendment to the MGB Act in April 2022. This amendment entered into force on 1 May 2022 and it will allow the Group to finance new investments and service other new financing needs of the wellbeing services counties. During 2022, the Group intends to take appropriate actions to prepare to act as a financing counterparty to the new wellbeing services counties. The total amount of loans and other liabilities to be transferred to the wellbeing services counties is expected to be around Euro 3 billion to 4 billion. The Group can start granting short-term financing to wellbeing services counties this year.

At this stage the wellbeing services counties, unlike the municipalities, will not be members in the MGB. Accordingly, they will not be liable for the guarantee provided for the Group's funding. For this reason, the MGB will set an annual limit to the Group in respect of wellbeing services counties' new financing. This is to ensure that the municipalities will retain their ability to decide on how the funding guaranteed by them will be used, particularly in the situation where the responsibility to organise the health, social and rescue services is transferred from municipalities to wellbeing services counties. It is difficult to estimate the wider economic impact of the health and social services reform and its specific impact on individual municipalities at the current stage. Accordingly, it is also difficult to estimate the specific impact on the Group's future lending volumes. However, it is expected that the Group's financing volumes will be affected by the wellbeing services counties' future level of investments, the limit set by MGB and the fact that the operating expenses of the wellbeing services counties are covered from the central government's budget. The surrounding uncertainties may have a material adverse effect on the Group's business, financial condition and results of operations.

The risk factor titled "Increased capital requirements and standards" starting on page 14 of the Offering Circular shall be deemed to be amended by replacing the eleventh paragraph thereof with the following:

The CRR II became applicable in June 2021 and introduces a new category of credit institutions, namely "public development credit institutions", and sets out criteria based on which an institution can be considered a public development credit institution. If a credit institution meets such criteria and accordingly constitutes a public development credit institution, it can, for the purposes of calculating the leverage ratio, deduct exposures arising from assets that constitute claims on central governments, regional governments, local authorities or public sector entities in relation to public sector investments and promotional loans. The Issuer meets the criteria of a public development credit institution set out in the CRR II and accordingly it may deduct all credit receivables from the central government and municipalities in the calculation of its leverage ratio. Although the Group has currently sufficient Tier 1 capital in excess of the leverage ratio minimum requirement and it meets the requirements set for the public development credit institution, there can be no assurance that this situation will not change. The Issuer's new status as a public development credit institution may also have an effect on its future capital structure and its relationship with the MGB, inter alia, by way of changes to the guarantee premium. The Group and the MGB have initiated discussions regarding changes to the method with which the guarantee premium is determined. Discussions may result in better predictability of the guarantee premium. As at the date of this Supplement, the Group does not expect the guarantee premium to increase to an extent that would have a material effect on the Group's financial position.

Capitalisation and Indebtedness

The section headed "Capitalisation and Indebtedness" on page 97 of the Offering Circular shall be deemed to be replaced by the following information:

The following table sets forth consolidated cash and balances with central banks and capitalisation (including short-term debt, long-term debt and shareholders' equity) of the Group as at 30 June 2022.

The information in this table should be read in conjunction with "*Management's Discussion and Analysis of Financial Position and Results of Operations of the Group*", the Group's Consolidated Financial Statements and the notes to those statements included elsewhere in the Offering Circular and the Interim 2022 Financials and the notes to that statement included elsewhere in this Supplement.

	As at 30 June 2022
	(Euro '000)
Cash and balances with central banks	**8,423,269**
Indebtedness:	
Liabilities to credit institutions	2,664,945
Liabilities to the public and public sector entities	2,834,846
Debt securities issued	35,905,065
Total indebtedness	**41,404,856**
Shareholders' equity	
Share capital	42,583
Reserve fund	277
Fair value reserve of investments	(3,111)
Own credit revaluation reserve	(24,217)
Cost-of-hedging reserve	(7,960)
Reserve for invested non-restricted equity	40,366
Retained earnings	1,432,937
Total equity attributable to parent company equity holders	**1,480,876**
Other equity instruments issued	**-**
Total equity	**1,480,876**

	As at 30 June 2022
	(Euro '000)
Total Capitalisation[(1)]	**42,885,732**

(1) Total capitalisation is the sum of total indebtedness and total equity.

Selected Financial Information Relating to the Group

The section headed "Selected Financial Information Relating to the Group" starting on page 98 of the Offering Circular shall be deemed to be supplemented by the addition of the following information:

The following tables set out, in summary form, selected consolidated financial information for the Group for the six months ended 30 June 2022 as derived from the Interim 2022 Financials prepared in accordance with IAS 34. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Interim 2022 Financials and the section entitled "*Management's Discussion and Analysis of Financial Position and Results of Operations of the Group*" appearing elsewhere in this Supplement.

INCOME STATEMENT DATA

	For the six months ended 30 June	
	2022	**2021**
	(Euro '000)	
Interest and similar income	240,952	256,572
Interest and similar expense	(119,236)	(118,381)
NET INTEREST INCOME	**121,716**	**138,191**
Commission income	1,175	899
Commission expense	(2,761)	(2,426)
Net income from securities and foreign exchange transactions	2,956	17,148
Net income on financial assets at fair value through other comprehensive income	-	-
Net income from hedge accounting	13,189	4,887
Other operating income	66	75
Administrative expenses	(18,603)	(17,813)
Depreciation and impairment on tangible and intangible assets	(7,549)	(2,852)
Other operating expenses	(18,916)	(10,560)
Credit loss and impairments on other financial assets	(740)	(62)
NET OPERATING PROFIT	**90,532**	**127,487**
Income tax expense	(19,129)	(25,560)
PROFIT FOR THE PERIOD	**71,403**	**101,927**

CONSOLIDATED FINANCIAL POSITION DATA

	As at 30 June	As at 31 December
	2022	**2021**
	(Euro '000)	
ASSETS		
Cash and balances with central banks	8,423,269	8,399,045
Loans and advances to credit institutions	1,765,966	1,417,310
Loans and advances to the public and public sector entities	28,830,928	29,214,043
Debt securities	4,847,402	4,841,428
Shares and participations	-	-
Derivative contracts	2,452,045	1,999,676
Intangible assets	9,371	12,296
Tangible assets	6,170	7,491
Other assets	1,009,125	256,117
Accrued income and prepayments	146,538	212,655
TOTAL ASSETS	**47,490,814**	**46,360,060**
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	2,664,945	2,801,016
Liabilities to the public and public sector entities	2,834,846	3,324,685
Debt securities issued	35,905,065	35,327,525
Derivative contracts	3,690,649	2,224,294
Provisions and other liabilities	538,989	349,331
Accrued expenses and deferred income	84,702	181,732

	As at 30 June	As at 31 December
	2022	2021
	(Euro '000)	
Deferred tax liabilities	290,742	289,887
TOTAL LIABILITIES	**46,009,938**	**44,498,470**
EQUITY		
Share capital	42,583	42,583
Reserve fund	277	277
Fair value reserve of investments	(3,111)	309
Own credit revaluation reserve	(24,217)	64
Cost-of-hedging reserve	(7,960)	13,621
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	1,432,937	1,416,916
Total equity attributable to parent company equity holders	**1,480,876**	**1,514,136**
Other equity instruments issued	**-**	**347,454**
TOTAL EQUITY	**1,480,876**	**1,861,590**
TOTAL LIABILITIES AND EQUITY	**47,490,814**	**46,360,060**

CONSOLIDATED CASH FLOW DATA

	For the six months ended 30 June	
	2022	2021
	(Euro '000)	
Cash flow from operating activities	454,679	2,071,302
Cash flow from investing activities	(2,702)	(3,958)
Cash flow from financing activities	(406,918)	(16,648)
Change in cash and cash equivalents	45,059	2,050,696
Cash and cash equivalents at 1 January	8,435,504	5,730,680
Cash and cash equivalents at period end	**8,480,563**	**7,781,376**

KEY PERFORMANCE INDICATORS

	As at and for the six months ended 30 June	
	2022	2021
Turnover (mEUR)(1)	258	280
Net interest income (mEUR)*	122	138
% of turnover	47.3	49.3
Net operating profit (mEUR)*	91	127
% of turnover	35.3	45.6
Unrealised fair value changes (mEUR)* (2)	16	20
Net operating profit excluding unrealised fair value changes (mEUR)* (3)	74	108
Cost-to-income ratio* (4)	0.3	0.2
Cost-to-income ratio excluding unrealised fair value changes*(5)	0.4	0.2
Long-term customer financing (mEUR)* (6)	28,831	28,582
New lending (mEUR)* (7)	2,006	1,601
Total funding (mEUR)* (8)	40,850	40,281
New long-term funding (mEUR)* (9)	5,962	6,025
Equity (mEUR)	1,481	1,793
Total balance sheet (mEUR)	47,491	45,658
Total liquidity (mEUR)* (10)	11,798	11,736
Liquidity Coverage Ratio (%) (LCR)(11)	292.6	300.2
Equity ratio (%)*(12)	3.1	3.9
CET1 capital (mEUR)	1,421	1,346
Tier 1 capital (mEUR)	1,421	1,694
Total own funds (mEUR)	1,421	1,694
CET1 capital ratio (%)(13)	83.8	91.1
Tier 1 capital ratio (%)(14)	83.8	114.7
Total capital ratio (%)(15)	83.8	114.7
Leverage ratio (%)(16)	10.6	12.6
Personnel	180	163

*Alternative Performance Measures, non-GAAP.

The required definitions and reconciliations of the APMs are presented on pages 38 to 44 of the Group's half year report for 2022.

[(1)] Turnover is calculated as the sum of interest and similar income (including leasing), commission income, net income from securities and foreign exchange transactions, net income on financial assets at fair value through other comprehensive income, net income from hedge accounting and other operating income.

[(2)] Unrealised fair value changes is the sum of net income from securities transactions (unrealised fair value changes) and net income from hedge accounting.

[(3)] Net operating profit excluding unrealised fair value changes is calculated as net operating profit after adding back Unrealised fair value changes. It shows the Group's underlying earnings capacity. The below table sets out a reconciliation of net operating profit to net operating profit excluding unrealised fair value changes for the periods indicated.

	For the six months ended 30 June	
	2022	**2021**
Net operating profit (mEUR)...	91	127
Unrealised fair value changes (mEUR)	16	20
Net operating profit excluding unrealised fair value changes (mEUR).....................	**74**	**108**

[(4)] Cost-to-income ratio is calculated as the sum of administrative expenses, depreciation and impairment on tangible and intangible assets, and other operating expenses divided by the sum of net interest income, net commission income, net income from securities and foreign exchange transactions, net income on financial assets at fair value through other comprehensive income, net income from hedge accounting and other operating income.

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

	For the six months ended 30 June	
	2022	**2021**
Costs (excluding Commission expenses) (mEUR)..	45	31
Divided by		
(Income (including Net commission income) (mEUR)	136	159
Unrealised fair value changes(mEUR))...	16	20
Cost-to-income ratio excluding unrealised fair value changes	**0.4**	**0.2**

[(6)] Long-term customer financing is calculated as the amount of loans and advances to the public and public sector entities.

[(7)] New lending is calculated as the amount of new loans excluding unrealised fair value changes.

[(8)] Total funding is calculated as the sum of liabilities to credit institutions, liabilities to the public and public sector entities and debt securities issued less CSA collateral received.

[(9)] New long-term funding is calculated as the amount of new funding (over 1 year) issued excluding unrealised fair value changes during the reporting period.

[(10)] Total liquidity is calculated as the sum of the total of investments in securities (sum of debt securities and shares and participations less short-term customer financing) and the total of other investments (sum of cash and balances with central banks and other deposits).

[(11)] Liquidity coverage ratio (LCR) (per cent.) is calculated as liquid assets divided by the difference between liquidity outflows and liquidity inflows in a stress situation. The LCR figures represent the percentage at the period end reference date.

[(12)] Equity ratio (per cent.) is calculated as the sum of total equity and non-controlling interest divided by total assets.

[(13)] CET1 capital ratio (per cent.) equals Common Equity Tier 1 (CET1) capital divided by exposure amount. Risk exposure amount is calculated as defined in CRR.

[(14)] Tier 1 capital ratio (per cent.) equals Tier 1 capital divided by risk exposure amount.

[(15)] Total capital ratio (per cent.) equals total own funds divided by risk exposure amount.

[(16)] Leverage ratio (per cent.) equals total Tier 1 capital divided by Total Exposure. Total Exposure is calculated as the total of on-balance sheet exposures (excluding derivatives and intangible assets), derivative exposure and off-balance sheet exposure. The Group fulfils the CRR II definition of a public development credit institution and as at 30 June 2021 has deducted all credit receivables from municipalities and the central government.

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

The section headed "Management's Discussion and Analysis of Financial Position and Results of Operations of the Group" starting on page 103 of the Offering Circular shall be deemed to be supplemented by the following.

The following section shall be added to the "Management's Discussion and Analysis of the Financial Position and Results of Operation of the Group" starting on page 103 of the Offering Circular, before the section headed "Significant Factors Affecting Operating and Financial Results":

Current Trading

After the confirmation of its status as a public development credit institution, MuniFin decided in June 2021 to change the conditions of its long-term customer loans with variable interest rates in a way that allowed customers to benefit from negative reference rates. The impact of this decision can be seen in the net interest income and profit of the first half of 2022. The Group expects its net interest income to be significantly lower in 2022 than in 2021, but net interest income is projected to develop favourably after 2022. The Group also expects that its net operating profit excluding unrealised fair value changes will be significantly lower in 2022 compared to 2021. The Group expects its capital adequacy ratio and leverage ratio to remain strong in 2022. The valuation principles set in IFRS framework may cause significant but temporary unrealised fair value changes, some of which may increase the volatility of net operating profit and make it more difficult to estimate in the short term. In the first half of 2022, costs increased because of non-recurring expenses resulting from the termination of an IT project and the higher contribution to the Single Resolution Fund. Costs in the second half of 2022 are expected to be lower than in the second half of 2021. See "*–Important Information–Forward–Looking Statements*" above.

Significant Factors Affecting Operating and Financial Results

The section headed "Significant Factors Affecting Operating and Financial Results" starting on page 103 of the Offering Circular shall be deemed to be supplemented by the following.

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

The subsection headed "The volume of the Group's lending and its market share" starting on page 105 of the Offering Circular shall be deemed to be amended by adding the following sentences to the end of the fourth paragraph:

The total amount of new lending made in the six months ended 30 June 2022 was higher than in the same period in the prior year at Euro 2,006 million (Euro 1,601 million in the six months ended 30 June 2021). As of 30 June 2022, the Group's long-term loan portfolio stood at Euro 27,597 million (31 December 2021: Euro 27,880 million; 30 June 2021: Euro 27,356 million), which was primarily due to the amount of maturing loan in the six months ended 30 June 2022 was higher than in the same period in the prior year.

The subsection headed "The volume of the Group's lending and its market share" starting on page 105 of the Offering Circular shall be deemed to be further amended by replacing the fourth paragraph with the following:

The Finnish Parliament passed the legislative proposals in respect of health and social services reform in June 2021. The Finnish Parliament adopted the new legislation on establishing wellbeing services counties which will become responsible for organising healthcare, social welfare and rescue services in 2023. Currently the municipalities are responsible for organising these services. The reform will involve transfer of existing loans and liabilities from joint municipal authorities to wellbeing services counties. The new legislation includes, *inter alia*, amendments to the MGB Act, which will allow the Issuer to continue to act as a lender and counterparty to the loans and other liabilities to be transferred. At this stage, the wellbeing services counties will be largely funded by the central government, but the counties will have government authorisation for long-term borrowing. For short-term borrowing (i.e. maturities less than a year), the wellbeing services counties will not need separate authorisation from the government. The Finnish Parliament approved a further amendment to the MGB Act in April 2022. This amendment entered into force on 1 May 2022 and it will allow the Group to finance new investments and service other new financing needs of the wellbeing services counties. During 2022, the Group intends to take appropriate actions to prepare to act as a financing counterparty to the new wellbeing services counties. The total amount of loans and other liabilities to be transferred to the wellbeing services counties is expected to be around Euro 3 billion to 4 billion. The Group can start granting short-term financing to wellbeing services counties this year.

At this stage the wellbeing services counties, unlike the municipalities, will not be members in the MGB. Accordingly, they will not be liable for the guarantee provided for the Group's funding. For this reason, the

MGB will set an annual limit to the Group in respect of wellbeing services counties' new financing. This is to secure the autonomous status of municipalities as the ultimate guarantors of the Group's funding as was intended in the legislation concerning the joint municipal funding system constituted by the Group and the MGB. The practical implementation of the reform still has some uncertainties that make it impossible to estimate the reform's effects in more detail. See "*Risk Factors–The proposed Finnish social and healthcare system reform may adversely affect the Group*".

The Finnish government has proposed measures to support companies engaged in energy production. Measures are intended to address situations where companies face increased liquidity needs arising out of increased margin requirements in respect of their electricity derivatives agreements. A number of Finnish energy companies are owned by Finnish municipalities. The MGB is currently exploring possibilities for the funding guaranteed by the MGB to be used to finance municipality-owned energy companies to a larger extent than previously.

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

The subsection headed "Fluctuations in interest rates, currency exchange rates and the valuation of derivatives" starting on page 106 of the Offering Circular shall be deemed to be amended by the addition of following:

The Group's total funding as at 30 June 2022 was Euro 40,850 million. The Group had derivative contracts with a nominal value of Euro 73.6 billion as at 30 June 2022.

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

	As at 30 June 2022		
	Nominal value	**Fair Value**	
	Total	**Positive**	**Negative**
		Euro ('000)	
Contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	34,845,368	1,138,983	(1,510,631)
of which cleared by the central counterparty	33,392,600	1,105,299	(1,489,464)
Currency derivatives			
Cross currency interest rate swaps	13,282,780	817,034	(748,985)
Total contracts in hedge accounting	**48,128,148**	**1,956,017**	**(2,259,616)**
Contracts at fair value through profit or loss[(1)]			
Interest rate derivatives			
Interest rate swaps	16,619,219	260,786	(733,939)
of which cleared by the central counterparty	9,757,779	177,893	(12,839)
Interest rate options	40,000	60	(60)
Currency derivatives			
Cross currency interest rate swaps	4,384,286	130,743	(562,606)
Forward exchange contracts	3,665,147	104,439	(7,468)
Equity derivatives	735,329	-	(126,959)
Total contracts at fair value through profit or loss	**25,443,981**	**496,028**	**(1,431,033)**
Total derivative contracts	**73,572,129**	**2,452,045**	**(3,690,649)**

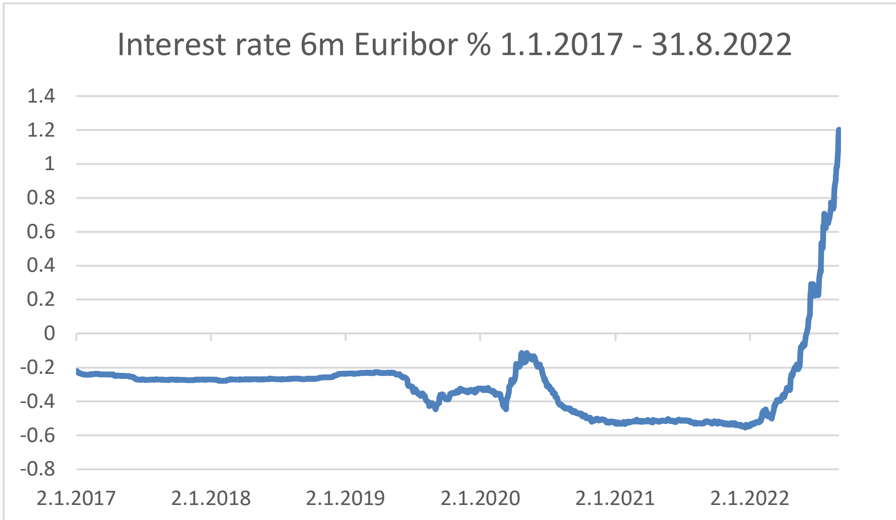
(1) Contracts that are measured at fair value through profit or loss contain all derivatives of the Group which are not included in hedge accounting, even if they are entered into for risk management purposes. The category contains derivatives used for hedging financial assets and liabilities which are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

The total nominal value of derivative contracts not included in hedge accounting under EU IFRS was Euro 25,444.0 million as at 30 June 2022. Changes in the fair value of such derivatives are recognised on the income statement during the period in which they occur as one component of the net result for the line item "Net income from securities and foreign exchange transactions".

Interest rate movements

The chart on page 108 of the Offering Circular shall be deemed to be replaced by the following:

The chart below shows the Euribor 6-month interest rate for 2017, 2018, 2019, 2020, 2021 and the first eight months of 2022.



Government funding

The subsection headed "Government Funding" starting on page 108 of the Offering Circular shall be deemed to be amended by replacing the first paragraph with the following:

According to the Ministry of Finance, the Finnish economy grew by 3.5 per cent. in 2021. By the end of 2021, the Finnish economy reached pre-COVID-19 levels. In June 2022, the Ministry of Finance projected that the Finnish economy is expected to grow by 1.4 per cent. in 2022. Even though new cases and variants of the COVID-19 pandemic are still emerging, the Ministry of Finance does not expect that any restrictions would be put in place to curb the spread of COVID-19 that would result in negative economic impacts. The Finnish government deficit decreased in 2021 due to a rapid decrease in tax receipts and a decrease in the number of COVID-19 support measures. However, as economic growth is expected to slow in 2022 and 2023, it is expected that the deficit of the central government, local government and well-being services counties will remain substantial and the debt-ratio is expected to increase. It is difficult to estimate the exact impact that the COVID-19 pandemic and other global events will continue to have on the Finnish and global economies and, as a result, the estimates expressed herein are subject to change.

The section headed "Results of Operations" starting on page 111 of the Offering Circular shall be deemed to be amended by adding the following:

Results of Operations for the six months ended 30 June 2022 versus the six months ended 30 June 2021

The following tables set forth, as of the dates indicated, certain summary financial information about the results of the Group's operations for the six months ended 30 June 2022 versus the six months ended 30 June 2021:

	For the six months ended 30 June		**Change 2021 to 2022**
	2022	**2021**	
	(Euro '000)		*(%)*
Interest and similar income	240,952	256,572	(6.1)
Interest and similar expense	(119,236)	(118,381)	0.7
NET INTEREST INCOME	**121,716**	**138,191**	**(11.9)**
Commission income	1,175	899	30.7
Commission expense	(2,761)	(2,426)	13.8

	For the six months ended 30 June		Change 2021 to 2022
	2022	2021	
	(Euro '000)		(%)
Net income from securities and foreign exchange transactions	2,956	17,148	(82.8)
Net income on financial assets at fair value through other comprehensive income	-	-	-
Net income from hedge accounting	13,189	4,887	169.9
Other operating income	66	75	(12.0)
Administrative expenses	(18,603)	(17,813)	4.4
Depreciation and impairment on tangible and intangible assets	(7,549)	(2,852)	164.7
Other operating expenses	(18,916)	(10,560)	79.1
Credit loss and impairments on financial assets	(740)	(62)	1093.5
NET OPERATING PROFIT	**90,532**	**127,487**	**(29)**
Income tax expense	(19,129)	(25,560)	(25.2)
PROFIT FOR THE PERIOD	**71,403**	**101,927**	**(30)**

Net interest income

Net interest income decreased by Euro 16.5 million, or 11.9 per cent., to Euro 121.7 million for the six months ended 30 June 2022, compared to Euro 138.2 million for the six months ended 30 June 2021 primarily due to the reasons set out below.

Interest income and expenses on assets

Interest expense on assets was Euro 1.9 million for the six months ended 30 June 2022, compared to interest income on assets of Euro 20.5 million for the six months ended 30 June 2021, primarily due to an increase in net interest expense payable on cash and balances with central banks and a decrease in net interest income from loans and advances to the public and public sector entities.

Net interest expense payable on cash and balances with central banks increased by Euro 5.3 million, or 29.0 per cent. to Euro 23.6 million for the six months ended 30 June 22, compared to Euro 18.3 million for the six months ended 30 June 2021, primarily due to a change in interest rates.

Net interest income from loans and advances to the public and public sector entities decreased by Euro 20.0 million, or 20.8 per cent., to Euro 76.4 million for the six months ended 30 June 2022, compared to Euro 96.4 million for the six months ended 30 June 2021, primarily due to a change in the conditions of long-term customer loans with variable interest rates in a way that allowed customers to benefit from negative reference rates.

Net interest income from debt securities (i.e., the debt securities in the Group's liquidity portfolio and commercial papers from municipalities and municipal companies) decreased by Euro 1.2 million, or 68.0 per cent., to Euro 0.5 million for the six months ended 30 June 2022, compared to net interest income of Euro 1.7 million for the six months ended 30 June 2021, primarily due to a decrease in the size of portfolio and a change in interest rates.

Net interest expense payable on derivative contracts decreased by Euro 1.7 million, or 2.8 per cent., to Euro 56.9 million for the six months ended 30 June 2022, compared to Euro 58.6 million for the six months ended 30 June 2021, primarily due to a change in interest rates.

Interest income and expenses on liabilities

Interest income on liabilities increased by Euro 5.9 million, or 5.0 per cent., to Euro 123.6 million for the six months ended 30 June 2022, compared to Euro 117.7 million for the six months ended 30 June 2021, primarily due to a decrease in interest expense on liabilities to the public and public sector entities.

Net interest expense payable on liabilities from debt securities issued decreased by Euro 1.3 million, or 0.8 per cent., to Euro 159.0 million for the six months ended 30 June 2022, compared to Euro 160.3 million for the six months ended 30 June 2021. This decrease was primarily due to changes in average interest rates.

Net interest expense on liabilities on derivative contracts decreased by Euro 4.0 million, or 1.3 per cent., to Euro 311.6 million for the six months ended 30 June 2022, compared to Euro 315.6 million for the six months ended 30 June 2021. This decrease was primarily due to changes in interest rates.

Net income from securities and foreign exchange transactions

Net income from securities and foreign exchange transactions was a gain of Euro 3.0 million for the six months ended 30 June 2022, compared to a gain of Euro 17.1 million for the six months ended 30 June 2021. The change in net income from securities and foreign exchange transactions was primarily due to unrealised fair value changes.

Net income from hedge accounting

Net income from hedge accounting increased to a gain of Euro 13.2 million for the six months ended 30 June 2022, compared to a gain of Euro 4.9 million for the six months ended 30 June 2021. For a breakdown of the Group's derivative contracts during the periods under review see "*—Significant Factors Affecting Operating and Financial Results—Fluctuations in interest rates, currency exchange rates and the valuation of derivatives*".

Administrative expenses

The Group had 180 total personnel as at 30 June 2022 compared to 163 total personnel as at 30 June 2021.

Administrative expenses increased by Euro 0.8 million, or 4.4 per cent., to Euro 18.6 million for the six months ended 30 June 2022, compared to Euro 17.8 million for the six months ended 30 June 2021. This increase was primarily due to costs of maintaining and developing information systems.

Other operating expenses

Other operating expenses increased by Euro 8.4 million, or 79.1 per cent., to Euro 18.9 million for the six months ended 30 June 2022, compared to Euro 10.6 million for the six months ended 30 June 2021. This increase was primarily due to the terminated IT project and a higher contribution to the Single Resolution Fund.

Income taxes

Income taxes decreased by Euro 6.4 million, or 25.2 per cent., to Euro 19.1 million for the six months ended 30 June 2022, compared to Euro 25.6 million for the six months ended 30 June 2021 primarily due to the decrease in net operating profit.

The section headed "Financial Position" starting on page 114 of the Offering Circular shall be deemed to be amended by adding the following:

Financial Position

Assets as at 30 June 2022 compared to 31 December 2021

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

	As at 30 June 2022	As at 31 December 2021
	(Euro '000)	
Assets		
Cash and balances with central banks	8,423,269	8,399,045
Loans and advances to credit institutions	1,765,966	1,417,310
Loans and advances to the public and public sector entities	28,830,928	29,214,043
Debt securities	4,847,402	4,841,428
Shares and participations	-	-
Derivative contracts	2,452,045	1,999,676
Intangible assets	9,371	12,296
Tangible assets	6,170	7,491
Other assets	1,009,125	256,117

	As at 30 June 2022	As at 31 December 2021
Accrued income and prepayments	146,538	212,655
Total assets	**47,490,814**	**46,360,060**

As of 30 June 2022, the main components of the total assets of the Group were loans and advances to the public and public sector entities, cash and balances with central banks and debt securities, representing 60.7 per cent., 17.7 per cent. and 10.2 per cent., respectively, of total assets. As of 30 June 2022, total assets had increased by Euro 1,130.8 million, or by 2.4 per cent., to Euro 47,490.8 million, compared to Euro 46,360.1 million as of 31 December 2021, which was mainly attributable to increases in other assets, derivative contracts and loans and advances to credit institutions, partially offset by a decrease in loans and advances to the public and public sector entities.

Cash and balances with central banks

Cash and balances with central banks increased by Euro 24.2 million, or 0.3 per cent., to Euro 8,423.3 million as at 30 June 2022, compared to Euro 8,399 million as at 31 December 2021.

Loans and advances to credit institutions

Loans and advances to credit institutions increased by Euro 348.7 million, or 24.6 per cent., to Euro 1,766 million as at 30 June 2022, compared to Euro 1,417.3 million as at 31 December 2021 due to an increase in cash collateral for bilateral derivative contracts.

Loans and advances to the public and public sector entities

Loans and advances to the public and public sector entities decreased by Euro 383.1 million, or 1.3 per cent., to Euro 28,830.9 million as at 30 June 2022, compared to Euro 29,214 million as at 31 December 2021 due to the unrealised fair value changes resulting from the rise in the interest rate level.

Debt securities

Debt securities decreased by Euro 6.0 million, or 0.1 per cent., to Euro 4,847.4 million as at 30 June 2022, compared to Euro 4,841.4 million as at 31 December 2021 due to an increase in negative unrealised fair value changes, partially offsetting the increase in the funds invested in debt securities.

Derivative contracts

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

Derivative contract assets increased by Euro 452.4 million, or 22.6 per cent., to Euro 2,452 million as at 30 June 2022, compared to Euro 1,999.7 million as at 31 December 2021 primarily due to changes in interest rates and currency exchange rates.

Liabilities as at 30 June 2022 compared to 31 December 2021

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

	As at 30 June 2022	As at 31 December 2021
	(Euro '000)	
Liabilities		
Liabilities to credit institutions	2,664,945	2,801,016
Liabilities to the public and public sector entities	2,834,846	3,324,685
Debt securities issued	35,905,065	35,327,525
Derivative contracts	3,690,649	2,224,294
Provisions and other liabilities	538,989	349,331
Accrued expenses and deferred income	84,702	181,732
Deferred tax liabilities	290,742	289,887

	As at 30 June	As at 31 December
	2022	2021
Total liabilities	**46,009,938**	**44,498,470**

As of 30 June 2022, the main components of the total liabilities of the Group were debt securities issued, derivative contracts, liabilities to the public and public sector entities and liabilities to credit institutions, representing 78.0 per cent., 8.0 per cent., 6.2 per cent. and 5.8 per cent., respectively, of total liabilities. As of 30 June 2022, total liabilities had increased by Euro 1,511.5 million, or by 3.4 per cent., to Euro 46,010.0 million, compared to Euro 44,498.5 million as of 31 December 2021, which was mainly attributable to increases in derivative contracts, debt securities issued and provisions and other liabilities, partially offset by decreases in liabilities to the public and public sector entities and liabilities to credit institutions.

Liabilities to credit institutions

Liabilities to credit institutions decreased by Euro 136.1 million, or 4.9 per cent., to Euro 2,664.9 million as at 30 June 2022, compared to Euro 2,801 million as at 31 December 2021 mainly due to a decrease in received collateral on derivatives.

Liabilities to the public and public sector entities

Liabilities to the public and public sector entities consists primarily of bilateral loans. Liabilities to the public and public sector entities decreased by Euro 489.8 million, or 14.7 per cent., to Euro 2,834.8 million as at 30 June 2022, compared to Euro 3,324.7 million as at 31 December 2021 primarily due to unrealised fair value changes.

Debt securities issued

Debt securities issued by the Group increased by Euro 577.5 million, or 1.6 per cent., to Euro 35,905.1 million as at 30 June 2022, compared to Euro 35,327.5 million as at 31 December 2021 primarily due to an increase in new funding that was issued compared to maturing funding.

Derivative contracts

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

Derivative contracts liabilities for the Group increased by Euro 1466.4 million, or 65.9 per cent., to Euro 3,690.7 million as at 30 June 2022, compared to Euro 2,224.3 million as at 31 December 2021 primarily due to changes in interest rates and currency exchange rates.

Capital Adequacy

The paragraph starting with "At the end of October 2021" on page 118 of the Offering Circular shall be deemed to be amended by the addition of the following to the end of the paragraph:

The Group is also preparing for the implementation of the European Commission's delegated regulation (2016/2251) on the replacement of the initial margin of bilateral derivative transactions with securities collateral. This regulation will take effect in several phases. Starting from September 2022, initial margin requirement will be binding to the Group.

The table "Consolidated own funds, Group" on page 118 of the Offering Circular shall be deemed supplemented by the addition of the following table:

Consolidated own funds, Group

	As at 30 June	As at 31 December
	2022	2021
	(Euro '000)	
Common Equity Tier 1 before adjustments	1,456,461	1,464,442

	As at 30 June 2022	As at 31 December 2021
Adjustments to Common Equity Tier 1	(35,000)	(56,172)
Common Equity Tier 1	**1,421,461**	**1,408,270**
Additional Tier 1 capital before adjustments	-	347,454
Adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 Capital	**-**	**347,454**
Tier 1 Capital	**1,421,461**	**1,755,723**
Tier 2 Capital	**-**	**-**
Total own funds	**1,421,461**	**1,755,723**

The table "Consolidated minimum requirement for own funds, Group" on page 119 of the Offering Circular shall be deemed supplemented by the addition of the following tables:

Consolidated Minimum requirement for own funds, Group

	30 June 2022		31 December 2021	
	Capital requirement	Risk-exposure amount	Capital requirement	Risk-exposure amount
		(Euro '000)		
Credit and counterparty risk, standardised approach	**42,003**	**535,041**	**42,524**	**531,547**
Exposures to central governments or central banks	-	0	-	0
Exposures to regional governments or local authorities	434	5,419	451	5,634
Exposures to public sector entities	661	8,264	705	8,807
Exposure to multilateral development banks	-	0	-	0
Exposures to institutions	23,059	288,244	23,422	292,771
Exposures to corporates	7,540	94,255	6,038	75,471
Exposures in the form of covered bonds	7,874	98,425	9,734	121,670
Other items	2,435	30,434	2,176	27,194
Market risk	**-**	**-**	**-**	**-**
Credit valuation adjustment risk (CVA VaR), standard method	**57,205**	**715,067**	**39,549**	**494,362**
Operational risk, basic indicator approach	**36,527**	**456,587**	**36,527**	**456,587**
Total	**135,736**	**1,696,695**	**118,600**	**1,482,496**

	As at 30 June 2022	As at 31 December 2021
CET1 capital ratio, %	83.8	95.0
Tier 1 capital ratio, %	83.8	118.4
Total capital ratio, %	83.8	118.4

The section headed "Contingent liabilities" starting on page 121 of the Offering Circular shall be deemed to be replaced by the following:

Contingent Liabilities

The Group has no contingent assets or liabilities as at 30 June 2022. Previously, the accrued interest on AT1 capital instrument, issued by the Parent Company, comprised contingent liability at the reporting date. The contingent liability was realised as a reduction of equity once the Parent Company decided on the payment of interest. AT1 capital instrument was redeemed at 1 April 2022. As at 31 December 2021, MuniFin had a contingent liability of Euro 9,459 thousand.

Breakdown of off-balance sheet unmatured commitments and contingent liabilities	**As at 30 June 2022**
	(Euro '000)
AT1 accrued interest	-
Credit commitments	2,675,510

The section headed "Commitments" on page 122 of the Offering Circular shall be deemed to be replaced by the following:

Commitments

As at 30 June 2022, the Group had given collateral (carrying amount) to the central bank and Guarantor as follows:

Bonds	As at 30 June 2022
	(Euro '000)
Loans and advances to credit institutions to the central bank	35,082
Loans pledged to the central bank	4,402,226
Loans pledged to the Municipal Guarantee Board	11,315,043
Total	**15,752,351**

The section headed "Cash flows" starting on page 122 of the Offering Circular shall be deemed to be amended by the addition of the following:

Cash Flows

The six months ended 30 June 2022 compared to the six months ended 30 June 2021

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

	For the six months ended 30 June	
	2022	**2021**
	(Euro '000)	
Cash flow from operating activities	454,679	2,071,302
Cash flow from investing activities	(2,702)	(3,958)
Cash flow from financing activities	(406,918)	(16,648)
Change in cash and cash equivalents	45,059	2,050,696
Cash and cash equivalents at 1 January	8,435,504	5,730,680
Cash and cash equivalents at period end	**8,480,563**	**7,781,376**

Operating activities

The operating activities of the Group for the six months ended 30 June 2022 generated net cash inflows of Euro 454.7 million compared to net cash inflows of Euro 2,071.3 million for the six months ended 30 June 2021. The main drivers for this change were net changes in long-term funding, short-term lending and collaterals.

Investing activities

The investing activities of the Group generated net cash outflows of Euro 2.7 million and Euro 4.0 million for the six months ended 30 June 2022 and 30 June 2021, respectively, mainly from the acquisition of intangible assets.

Financing activities

Net cash outflow from financing activities was Euro 406.9 million for the six months ended 30 June 2022, primarily as a result of interest paid on and redemption of an AT1 capital instrument and dividend paid. Net cash outflow from financing activities was Euro 16.6 million for the six months ended 30 June 2021, primarily as a result of interest paid on the AT1 capital instrument.

During the six months ended 30 June 2022, the Group paid dividends of Euro 40.2 million.

Municipality Finance Plc

The section headed "Customer finance" starting on page 124 of the Offering Circular shall be deemed to be amended by the addition of the following to the end of the last paragraph:

As at 30 June 2022, the amount of Group's green finance aimed at environmentally sustainable investments totalled Euro 2,700 million and the amount of its social finance aimed at investments promoting equality and communality totalled Euro 1,296 million. As at 30 June 2022, the total amount of green and social finance increased by 14.6 per cent. compared to the end of 2021.

Management and Shareholders of Municipality Finance Plc

The section headed "Independent Auditor" on page 129 of the Offering Circular shall be deemed to be replaced by the following:

The financial statements of the Municipality Finance Plc as of and for the years ended 31 December 2021 and 2020, incorporated by reference in the Offering Circular have been audited by KPMG Oy Ab, independent auditors, as stated in their reports also incorporated by reference therein. With respect to the consolidated interim financial statements for the six months period ended 30 June 2022, included herein, KPMG Oy AB, independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

KPMG Oy Ab is supervised by the Finnish Patent and Registration Office. The Annual General Meeting of the Issuer has elected KPMG Oy Ab as its independent auditor also for 2022. The office of KPMG Oy Ab and the responsible auditor is at Töölönlahdenkatu 3 A, FIN-00100 Helsinki, Finland.

The Municipal Sector

The section headed "Introduction" starting on page 139 of the Offering Circular shall be deemed to be amended by replacing the tenth paragraph with the following:

The Finnish Parliament passed the legislative proposals in respect of health and social services reform in June 2021. The new legislation establishes wellbeing services counties which will become responsible for organising healthcare, social welfare and rescue services in 2023. Currently the municipalities are responsible for organising these services. The reform will involve transfer of existing loans and liabilities from joint municipal authorities to wellbeing services counties. The new legislation includes, *inter alia*, amendments to the MGB Act, which will allow the Issuer to continue to act as a lender and counterparty to the loans and other liabilities to be transferred. At this stage, the wellbeing services counties will be largely funded by the central government, but the counties will have government authorisation for long-term borrowing. For short-term borrowing (i.e. maturities less than a year), the wellbeing services counties will not need separate authorisation from the government. The Finnish Parliament approved a further amendment to the MGB Act in April 2022. This amendment entered into force on 1 May 2022 and it will allow the Group to finance new investments and service other new financing needs of the wellbeing services counties.

During 2022, the Group intends to take appropriate actions to prepare to act as a financing counterparty to the new wellbeing services counties. The total amount of loans and other liabilities to be transferred to the wellbeing services counties is expected to be around Euro 3 billion to 4 billion. The Group can start granting short-term financing to wellbeing services counties this year. At this stage the wellbeing services counties, unlike the municipalities, will not be members in the MGB. Accordingly, they will not be liable for the guarantee provided for the Group's funding. For this reason, the MGB will set an annual limit to the Group in respect of wellbeing services counties' new financing. This is to secure the autonomous status of municipalities as the ultimate guarantors of the Group's funding as was intended in the legislation concerning the joint municipal funding system constituted by the Group and the MGB. The practical implementation of the reform still has some uncertainties that make it impossible to estimate the reform's effects in more detail.

Subscription and Sale

The section headed "Subscription and Sale" starting on page 146 of the Offering Circular shall be deemed to be amended by the addition of the following before the "General" subsection on page 150:

Italy

The Notes are not intended to be offered or sold and should not be offered or sold to any investor in the Republic of Italy.

No Significant Change

The fourth paragraph under the section headed "General Information" on page 154 of the Offering Circular shall be deemed to be replaced by the following statement:

Since 30 June 2022 there has been no significant change in the financial or trading position of the Issuer or the Group.

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MuniFin

Consolidated income statement

(EUR 1,000)	Note	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021
Interest and similar income	(2)	240,952	256,572
Interest and similar expense	(2)	-119,236	-118,381
Net interest income		**121,716**	**138,191**
Commission income		1,175	899
Commission expense		-2,761	-2,426
Net income from securities and foreign exchange transactions	(3)	2,956	17,148
Net income on financial assets at fair value through other comprehensive income		-	-
Net income from hedge accounting	(4)	13,189	4,887
Other operating income		66	75
Administrative expenses		-18,603	-17,813
Depreciation and impairment on tangible and intangible assets	(9)	-7,549	-2,852
Other operating expenses		-18,916	-10,560
Credit loss and impairments on financial assets	(10)	-740	-62
Net operating profit		**90,532**	**127,487**
Income tax expense		-19,129	-25,560
Profit for the period		**71,403**	**101,927**

The accompanying notes are an integral part of the Half Year Report.

Consolidated statement of comprehensive income

(EUR 1,000)	Note	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021
Profit for the period		71,403	101,927
Components of other comprehensive income			
Items not to be reclassified to income statement in subsequent periods			
Net change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss	(3)	-30,352	-4,201
Net change in Cost-of-Hedging	(4)	-26,975	2,075
Items to be reclassified to income statement in subsequent periods			
Net change in fair value of financial assets at fair value through other comprehensive income		-4,275	-295
Net change in expected credit loss of financial assets at fair value through other comprehensive income		0	3
Taxes related to components of other comprehensive income		12,320	484
Total components of other comprehensive income		-49,281	-1,934
Total comprehensive income for the period		**22,121**	**99,993**

The accompanying notes are an integral part of the Half Year Report.

Consolidated statement of financial position

(EUR 1,000)	Note	30 Jun 2022	31 Dec 2021
Assets			
Cash and balances with central banks	(7)	8,423,269	8,399,045
Loans and advances to credit institutions		1,765,966	1,417,310
Loans and advances to the public and public sector entities		28,830,928	29,214,043
Debt securities		4,847,402	4,841,428
Shares and participations		-	-
Derivative contracts	(8)	2,452,045	1,999,676
Intangible assets	(9)	9,371	12,296
Tangible assets	(9)	6,170	7,491
Other assets		1,009,125	256,117
Accrued income and prepayments		146,538	212,655
Total assets	**(5, 6)**	**47,490,814**	**46,360,060**

(EUR 1,000)	Note	30 Jun 2022	31 Dec 2021
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	(11)	2,664,945	2,801,016
Liabilities to the public and public sector entities		2,834,846	3,324,685
Debt securities issued	(12)	35,905,065	35,327,525
Derivative contracts	(8)	3,690,649	2,224,294
Provisions and other liabilities	(13)	538,989	349,331
Accrued expenses and deferred income		84,702	181,732
Deferred tax liabilities		290,742	289,887
Total liabilities	**(5, 6)**	**46,009,938**	**44,498,470**
Equity			
Share capital		42,583	42,583
Reserve fund		277	277
Fair value reserve of investments		-3,111	309
Own credit revaluation reserve		-24,217	64
Cost-of-Hedging reserve	(4)	-7,960	13,621
Reserve for invested non-restricted equity		40,366	40,366
Retained earnings		1,432,937	1,416,916
Total equity attributable to parent company equity holders		**1,480,876**	**1,514,136**
Other equity instruments issued	**(14)**	**-**	**347,454**
Total equity		**1,480,876**	**1,861,590**
Total liabilities and equity		**47,490,814**	**46,360,060**

The accompanying notes are an integral part of the Half Year Report.

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Reserve fund	Fair value reserve of investments	Own credit revaluation reserve	Cost-of-Hedging reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Other equity instruments issued	Total equity
	Total equity attributable to Parent Company equity holders									
Equity at 31 Dec 2021	**42,583**	**277**	**309**	**64**	**13,621**	**40,366**	**1,416,916**	**1,514,136**	**347,454**	**1,861,590**
Redemption of Additional Tier 1 capital instrument	-	-	-	-	-	-	-2,546	-2,546	-347,454	-350,000
Interest paid on Additional Tier 1 capital instrument	-	-	-	-	-	-	-12,600	-12,600	-	-12,600
Dividends paid for 2021	-	-	-	-	-	-	-40,236	-40,236	-	-40,236
Profit for the period	-	-	-	-	-	-	71,403	71,403	-	71,403
Components of other comprehensive income net of tax										
Items not to be reclassified to income statement in subsequent periods										
Net change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss	-	-	-	-24,281	-	-	-	-24,281	-	-24,281
Net change in Cost-of-Hedging	-	-	-	-	-21,580	-	-	-21,580	-	-21,580
Items to be reclassified to income statement in subsequent periods										
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-3,420	-	-	-	-	-3,420	-	-3,420
Net change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	0	-	-	-	-	0	-	0
Equity at 30 Jun 2022	**42,583**	**277**	**-3,111**	**-24,217**	**-7,960**	**40,366**	**1,432,937**	**1,480,876**	**-**	**1,480,876**

	Total equity attributable to Parent Company equity holders									
(EUR 1,000)	Share capital	Reserve fund	Fair value reserve of investments	Own credit revaluation reserve	Cost-of-Hedging reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Other equity instruments issued	Total equity
Equity at 31 Dec 2020	**42,583**	**277**	**847**	**-255**	**15,624**	**40,366**	**1,258,224**	**1,357,666**	**347,454**	**1,705,120**
Interest paid on Additional Tier 1 capital instrument	-	-	-	-	-	-	-12,600	-12,600	-	-12,600
Dividends paid for 2020	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	101,927	101,927	-	101,927
Components of other comprehensive income net of tax										
Items not to be reclassified to income statement in subsequent periods										
Net change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss	-	-	-	-3,361	-	-	-	-3,361	-	-3,361
Net change in Cost-of-Hedging	-	-	-	-	1,660	-	-	1,660	-	1,660
Items to be reclassified to income statement in subsequent periods										
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-236	-	-	-	-	-236	-	-236
Net change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	3	-	-	-	-	3	-	3
Equity at 30 Jun 2021	**42,583**	**277**	**614**	**-3,616**	**17,284**	**40,366**	**1,347,551**	**1,445,059**	**347,454**	**1,792,513**

The accompanying notes are an integral part of the Half Year Report.

Consolidated statement of cash flows

(EUR 1,000)	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021
Cash flow from operating activities	**454,679**	**2,071,302**
Net change in long-term funding	2,661,798	2,469,670
Net change in short-term funding	-243,885	-211,341
Net change in long-term loans	-761,974	-785,686
Net change in short-term loans	-458,508	-171,123
Net change in investments	312,761	453,410
Net change in collaterals	-1,069,729	201,603
Interest on assets	-11,516	4,098
Interest on liabilities	69,701	109,644
Other income	23,934	37,763
Payments of operating expenses	-32,793	-41,362
Taxes paid	-35,109	4,625
Cash flow from investing activities	**-2,702**	**-3,958**
Acquisition of tangible assets	-5	-1
Proceeds from sale of tangible assets	103	204
Acquisition of intangible assets	-2,800	-4,161
Cash flow from financing activities	**-406,918**	**-16,648**
Redemption of AT1 capital instrument	-350,000	-
Paid interest on AT1 capital instrument	-15,750	-15,750
Dividend paid	-40,236	-
Total cash flow from leases	-932	-898
Change in cash and cash equivalents	**45,059**	**2,050,696**
Cash and cash equivalents at 1 Jan	**8,435,504**	**5,730,680**
Cash and cash equivalents at 30 Jun	**8,480,563**	**7,781,376**

The accompanying notes are an integral part of the Half Year Report.

Notes to the Half Year Report

Note 1. Basis of preparation of the Half Year Report

The Half Year Report has been prepared in accordance with International Financial Reporting Standards (*IFRS*). The Half Year Report complies with IAS 34 *Interim Financial Reporting* standard and the accounting policies presented in the Consolidated Financial Statements 2021 (Note *1*). This Half Year Report should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2021. No significant changes have been made to the accounting principles during the reporting period.

The figures in the Notes to the Half Year Report are presented in thousand euro. All figures in the Half Year Report have been rounded, so the total of individual figures may differ from the total figure presented. The Half Year Report has been subject to a review by the auditors.

Management's judgement and estimates
Preparation of the Half Year Report in accordance with IFRS requires management judgement and estimates. The key assumptions made by the Group concern significant uncertainty factors pertaining to the future and the estimates at the reporting date.

The Group has recorded an additional discretionary provision (*management overlay*) of EUR 916 thousand to take into account the effects of the ECL model changes and the further development of the calculation principles in 2022. EUR 486 thousand of this amount is recorded in the first half of 2022. During the second half of 2022, the Group will further develop loss given default (*LGD*) calculation of mortgage loans as well as lifetime ECL calculations. As this change is expected to have an impact on ECL amount, MuniFin Group's management decided to record an additional discretionary provision based on a group-specific assessment. The additional provision relates to the balance sheet line item *Loans and advances to the public and public sector entities.* The additional provision has not been allocated to contract level.

The assessment of the need for additional provision is based on the fact that the Group's management estimates that due to the model changes, part of the exposures would transfer to stage 2 in the expected credit loss calculations when ECL is calculated for the lifetime of the contract instead of a 12-month ECL, or in some cases LGD would increase. In addition, model changes are expected to have an effect on the amount of ECL in stage 3. More detailed information on the contracts subject to the additional provision will be obtained as the model change progresses, so that any change in ECL can be allocated to individual contracts and determined according to the normal ECL calculation process. In addition, MuniFin Group made changes to macro scenarios and loss given default parameters in expected credit loss calculations in the first half of the year, and this increased ECL by EUR 214 thousand.

More information on the Group's expected credit losses and the ECL calculations can be found in Note *10 Credit risks of financial assets and other commitments.*

More information on where management judgement is generally applied and where estimation uncertainty exists can be found in the accounting policies of the Consolidated Financial Statements 2021 (Note *1*) in Section *3. Accounting policies requiring management judgement and key uncertainty factors related to estimates.*

Note 2. Interest income and expense

(EUR 1,000)	1 Jan–30 Jun 2022 Interest and similar income	1 Jan–30 Jun 2022 Interest and similar expense	1 Jan–30 Jun 2022 Net	1 Jan–30 Jun 2021 Interest and similar income	1 Jan–30 Jun 2021 Interest and similar expense	1 Jan–30 Jun 2021 Net
Assets						
Amortised cost						
Cash and balances with central banks	-	-23,595	-23,595	-	-18,313	-18,313
Loans and advances to credit institutions	36	-3 822	-3,786	27	-4,059	-4,032
Loans and advances to the public and public sector entities	75,800	-	75,800	95,392	-	95,392
Debt securities	9	-2,485	-2,476	8	-2,568	-2,559
Other assets	1,186	-	1,186	310	-	310
Fair value through other comprehensive income						
Debt securities	-	-174	-174	-	-330	-330
Designated at fair value through profit or loss						
Loans and advances to the public and public sector entities	174	-	174	609	-	609
Debt securities	3,191	-	3,191	4,580	-	4,580
Mandatorily at fair value through profit or loss						
Loans and advances to the public and public sector entities	423	-	423	421	-	421
Debt securities	-	-	-	-	-	-
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	34,100	-43,382	-9,282	37,819	-50,897	-13,079
Derivative contracts in hedge accounting	-47,611	-	-47,611	-45,475	-	-45,475
Leased assets	4,247	-	4,247	2,980	-	2,980
Interest on non-financial other assets	4	-	4	3	-	3
Interest on assets	**71,559**	**-73,458**	**-1,899**	**96,676**	**-76,167**	**20,509**
, of which interest income/expense according to the effective interest method	*77,030*	*-30,075*		*95,738*	*-25,270*	

(EUR 1,000)	1 Jan–30 Jun 2022 Interest and similar income	Interest and similar expense	Net	1 Jan–30 Jun 2021 Interest and similar income	Interest and similar expense	Net
Liabilities						
Amortised cost						
Liabilities to credit institutions	12,228	-2,347	9,881	8,164	-383	7,781
Liabilities to the public and public sector entities	-	-20,408	-20,408	-	-28,041	-28,041
Debt securities issued	764	-129,049	-128,286	606	-123,484	-122,878
Provisions and other liabilities	-	-1,852	-1,852	-	-1,197	-1,197
Designated at fair value through profit or loss						
Liabilities to credit institutions	-	-27	-27	-	-7	-7
Liabilities to the public and public sector entities	-	-16,547	-16,547	-	-16,213	-16,213
Debt securities issued	-	-30,710	-30,710	14	-37,392	-37,378
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	156,401	-66,833	89,568	151,112	-44,102	107,010
Derivative contracts in hedge accounting	-	221,995	221,995	-	208,605	208,605
Interest on liabilities	**169,393**	**-45,779**	**123,615**	**159,896**	**-42,214**	**117,682**
, of which interest income/expense according to the effective interest method	*12,992*	*-153,656*		*8,771*	*-153,105*	
Total interest income and expense	**240,952**	**-119,236**	**121,716**	**256,572**	**-118,381**	**138,191**

Interest income on stage 3 financial assets in the expected credit loss (*ECL*) calculations totalled EUR 389 thousand (EUR 487 thousand) during the reporting period. These are included in the line items *Loans and advances to the public and public sector entities* and *Leased assets*.

Interest expense on provisions and other liabilities includes EUR 27 thousand (EUR 38 thousand) of interest on lease liabilities recognised in accordance with IFRS 16 *Leases* standard.

Interest expenses on financial assets at amortised cost on cash and balances with central banks consist of interest paid on central bank deposits, and interest on loans and advances to credit institutions of interest on cash collateral receivables. Interest expenses on debt securities consist of interest paid on short-term lending. Negative interest arises on debt securities at fair value through other comprehensive income due to the premium / discount amortisation of debt securities and commercial papers. Interest expenses on derivative contracts at fair value through profit or loss consist of negative interest income on derivative contracts that are not included in hedge accounting. The derivative contracts contained in this line item hedge financial assets which are designated at fair value through profit or loss, derivative contracts with municipalities and derivative contracts hedging derivatives with municipalities, in addition to derivative contracts used for hedging interest rate risk of the balance sheet, for which no hedged item has been specified. Derivative contracts in hedge accounting hedge line items *Loans and advances to the public and public sector entities and Leased assets.*

Interest income on financial liabilities at amortised cost to credit institutions consists of interest received on cash collateral liabilities as well as on TLTRO III debt, and interest income on debt securities issued consists of interest received on ECPs. Interest income on derivative contracts at fair value through profit or loss consists of positive interest expense on derivatives that are not included in hedge accounting. Derivative contracts contained in this line item hedge financial liabilities which are designated at fair value through profit or loss. Derivative contracts in hedge accounting are used as hedges for line items *Liabilities to credit institutions*, *Liabilities to the public and public sector entities and Debt securities issued.*

Note 3. Net income from securities and foreign exchange transactions

NET INCOME FROM SECURITIES AND FOREIGN EXCHANGE TRANSACTIONS 1 JAN–30 JUN 2022 (EUR 1,000)	Capital gains and losses (net)	Change in fair value	Total
Financial assets			
Designated at fair value through profit or loss	-	-146,401	-146,401
Mandatorily at fair value through profit or loss	-	-2,284	-2,284
Financial liabilities			
Designated at fair value through profit or loss	-	567,062	567,062
Derivative contracts at fair value through profit or loss	-	-415,503	-415,503
Day 1 gain or loss	-	20	20
Total net income from securities transactions	**-**	**2,895**	**2,895**
Net income from foreign exchange transactions	**4,132**	**-4 071**	**61**
Total	**4,132**	**-1,177**	**2,956**

Net income from securities transactions includes fair value changes of financial assets and liabilities measured at fair value through profit or loss, fair value changes of derivative contracts not included in hedge accounting (derivative contracts at fair value through profit or loss) as well as capital gains and losses related to these items. Net income from foreign exchange transactions includes unrealised and realised translation differences for all items denominated in foreign currencies. The reconciliation for Day 1 gain or loss is presented in *Note 6 Fair values of financial assets and liabilities*.

NET INCOME FROM SECURITIES AND FOREIGN EXCHANGE TRANSACTIONS 1 JAN–30 JUN 2021 (EUR 1,000)	Capital gains and losses (net)	Change in fair value	Total
Financial assets			
Designated at fair value through profit or loss	-	-15,785	-15,785
Mandatorily at fair value through profit or loss	-23	-1,430	-1,453
Financial liabilities			
Designated at fair value through profit or loss	-	57,206	57,206
Derivative contracts at fair value through profit or loss	1,246	-25,297	-24,052
Day 1 gain or loss	-	43	43
Total net income from securities transactions	**1,223**	**14,736**	**15,959**
Net income from foreign exchange transactions	**14**	**1,175**	**1,190**
Total	**1,237**	**15,911**	**17,148**

The following tables present carrying amounts of financial assets and liabilities designated at fair value through profit or loss and their fair value changes recognised during the reporting period in the income statement under *Net income from securities transactions* and in the other comprehensive income under *Net change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss.*

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	Nominal value 30 Jun 2022	Carrying amount 30 Jun 2022	Nominal value 31 Dec 2021	Carrying amount 31 Dec 2021
Financial assets				
Loans and advances to the public and public sector entities	30,000	30,966	30,000	38,941
Debt securities	3,202,981	3,113,139	3,484,223	3,539,074
Total financial assets *	**3,232,981**	**3,144,105**	**3,514,223**	**3 578,015**
Financial liabilities				
Liabilities to credit institutions	5,000	3,690	5,000	4,787
Liabilities to the public sector entities	1,482,197	1,421,164	1,445,202	1,548,394
Debt securities issued	11,163,695	10,243,560	10,680,831	10,008,299
Total financial liabilities	**12,650,892**	**11,668,414**	**12,131,032**	**11,561,479**

* Financial assets designated at fair value through profit or loss are exposed to credit risk up to the carrying amounts of those securities at 30 Jun 2022 and 31 Dec 2021.

CHANGE IN FAIR VALUE OF FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2022	1 Jan 2022	Fair value change recognised in the income statement 1 Jan–30 Jun 2022	, of which due to credit risk	, of which due to market risk
Financial assets					
Loans and advances to the public and public sector entities	-8,396	-769	-7,627	143	-8,539
Debt securities	-118,549	20,226	-138,774	-3,815	-134,960
Total financial assets	**-126,944**	**19,457**	**-146,401**	**-3,671**	**-143,499**

Financial assets that MuniFin Group has designated at fair value through profit or loss include debt securities in the liquidity portfolio and some lending agreements of which the interest rate risk is hedged with interest rate and cross currency interest rate swaps. The designation is made as it significantly reduces accounting mismatch which would otherwise arise from measuring the derivative contract at fair value through profit or loss and the debt security at fair value through other comprehensive income and lending agreements at amortised cost based on the IFRS 9 business model. MuniFin Group does not have credit derivatives hedging these financial assets.

CHANGE IN FAIR VALUE OF FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2022	1 Jan 2022	Fair value change recognised in the income statement 1 Jan–30 Jun 2022	Change in own credit risk recognised in the other comprehensive income 1 Jan–30 Jun 2022	Total fair value change in 1 Jan–30 Jun 2022
Financial liabilities					
Liabilities to credit institutions	1 331	187	1,144	-47	1,190
Liabilities to the public and public sector entities	125 137	-152,113	277,250	-18,156	295,406
Debt securities issued	861 722	573,054	288,668	-12,149	300,817
Total financial liabilities	**988,189**	**421,127**	**567,062**	**-30,352**	**597,414**

NET CHANGE IN FAIR VALUE IN NET INCOME FROM SECURITIES TRANSACTIONS (EUR 1,000)	Cumulative change in fair value 30 Jun 2022	Fair value change recognised in the income statement 1 Jan–30 Jun 2022
Financial liabilities designated at fair value through profit or loss	988,189	567,062
Derivative contracts at fair value through profit or loss hedging financial liabilities	-1,002,720	-567,161
Net change in fair value	**-14,531**	**-99**

MuniFin Group has designated short-term debt instruments denominated in foreign currencies, which have been hedged with FX swaps, at fair value through profit or loss. The designation reduces accounting mismatch which would otherwise arise between the measurement of the derivative contract and financial liability. Financial liabilities designated at fair value through profit or loss consist of financial liabilities, which have been hedged according to the Group's risk management policy, but which are not subject to IFRS 9 fair value hedge accounting. The fair value changes of the financial liabilities impact the income statement, but as they have been hedged, the expected profit or loss is restricted to interest. The previous table describes the net impact of these financial liabilities and their hedges on the income statement.

When a financial liability is designated at fair value through profit or loss, the fair value change, with exception to MuniFin's own credit risk that is presented in other comprehensive income as change of the Own credit revaluation reserve, is presented in *Net income from securities transactions.*

MuniFin Group applies the income approach of IFRS 13 to the separation of fair value changes related to changes in own credit risk from the fair value changes of the financial liability. For the majority of financial liabilities designated at fair value through profit or loss, no market price is available as there is no active secondary market. The methodology for separation of own credit risk utilises MuniFin's benchmark curves, cross currency basis spreads and credit spreads of MuniFin's issued debt securities on the primary market as input.

Based on the aforementioned inputs, valuation curves can be constructed for various reporting periods for valuing financial liabilities designated at fair value through profit or loss. By comparing fair values calculated using the trade date and the reporting date, the impact of change in own credit risk on the fair value of the financial liability can be determined.

Financial liabilities designated at fair value through profit or loss are not traded.

CHANGE IN FAIR VALUE OF FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2021	1 Jan 2021	Fair value change recognised in the income statement 1 Jan–30 Jun 2021	, of which due to credit risk	, of which due to market risk
Financial assets					
Loans and advances to the public and public sector entities	9,882	-	9,882	-56	9,939
Debt securities	44,192	69,859	-25,667	1,159	-26,826
Total financial assets	**54,074**	**69,859**	**-15,785**	**1,102**	**-16,887**

CHANGE IN FAIR VALUE OF FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2021	1 Jan 2021	Fair value change recognised in the income statement 1 Jan–30 Jun 2021	Change in own credit risk recognised in the other comprehensive income 1 Jan–30 Jun 2021	Total fair value change in 1 Jan–30 Jun 2021
Financial liabilities					
Liabilities to credit institutions	199	418	-219	-	-219
Liabilities to the public and public sector entities	-190,593	-244,146	53,553	-65	53,488
Debt securities issued	389,295	385,424	3,872	-4,136	-265
Total financial liabilities	**198,902**	**141,696**	**57,206**	**-4,201**	**53,004**

NET CHANGE IN FAIR VALUE IN NET INCOME FROM SECURITIES TRANSACTIONS (EUR 1,000)	Cumulative change in fair value 30 Jun 2021	Fair value change recognised in the income statement 1 Jan–30 Jun 2021
Financial liabilities designated at fair value through profit or loss	198,902	57,206
Derivative contracts at fair value through profit or loss hedging financial liabilities	-218,612	-50,765
Net change in fair value	**-19,710**	**6,440**

Note 4. Hedge accounting

The interest rate and foreign exchange rate risks of the Group are managed by entering into derivative transactions. According to the Market Risk Policy, the Group's hedging strategy is mainly to hedge all material foreign exchange and interest rate risks of financial assets and liabilities with maturities exceeding one year. As a result, foreign currency denominated items are translated into euros, and fixed rates and long-term reference rates are swapped to floating interest rates with shorter terms. The risk management principles related to the Group' s hedging of market risk are described in more detail in the Consolidated Financial Statements 2021 in Note *2 Risk Management principles and the Group's risk position.*

The Group applies both fair value hedge accounting according to IFRS 9 and fair value portfolio hedge accounting according to IAS 39. The Group does not apply cash flow hedge accounting. Accounting policies related to hedge accounting are described in the accounting polices of the Consolidated Financial Statements 2021 (Note *1*) in Section *10. Hedge Accounting.*

In the following table hedged assets and liabilities are presented according to the statement of financial position line items divided into IAS 39 portfolio hedge accounting and IFRS 9 fair value hedge accounting, which is further subdivided into whether hedging is subject to the separation of the Cost-of-Hedging.

HEDGE ACCOUNTING

30 JUN 2022 (EUR 1,000)	Nominal value	Fair value hedge accounting total	IAS 39 portfolio hedge accounting	IFRS 9 fair value hedge accounting	IFRS 9 fair value hedge accounting incl. Cost-of-Hedging
Assets					
Loans and advances to the public and public sector entities – Loans	12,968,450	11,958,504	11,854,360	104,144	-
Loans and advances to the public and public sector entities – Leased assets	283,585	265,511	-	265,511	-
Total assets	**13,252,034**	**12,224,016**	**11,854,360**	**369,656**	**-**
Liabilities					
Liabilities to credit institutions	115,000	106,605	-	106,605	-
Liabilities to the public and public sector entities	1,400,710	1,413,682	-	1,413,682	-
Debt securities issued	27,592,814	25,661,505	-	12,902,185	12,759,320
Total liabilities	**29,108,524**	**27,181,791**	**-**	**14,422,471**	**12,759,320**

HEDGE ACCOUNTING

31 DEC 2021 (EUR 1,000)	Nominal value	Fair value hedge accounting total	IAS 39 portfolio hedge accounting	IFRS 9 fair value hedge accounting	IFRS 9 fair value hedge accounting incl. Cost-of-Hedging
Assets					
Loans and advances to the public and public sector entities – Loans	12,626,073	12,725,453	12,598,775	126,678	-
Loans and advances to the public and public sector entities – Leased assets	243,432	242,936	-	242,936	-
Total assets	**12 869,504**	**12,968,390**	**12,598,775**	**369,615**	**-**
Liabilities					
Liabilities to credit institutions	50,000	55,120	-	55,120	-
Liabilities to the public and public sector entities	1,504,060	1,776,291	-	1,737,750	38,541
Debt securities issued	24,714,983	24,852,845	-	12,207,796	12,645,049
Total liabilities	**26,269,043**	**26,684,256**	**-**	**14,000,666**	**12,683,589**

The figures presented in the following table contain the cumulative fair value change at the beginning and end of the reporting period, in addition to the fair value change of the hedged risk and the hedging instrument during the reporting period. These figures presented in the table do not include the changes in fair value due to foreign exchange differences of hedging instruments and the hedged items, which are recognised in the income statement under *Net income from securities and foreign exchange transactions*. Due to the aforementioned reason, the total amount of hedging instruments does not correspond to the fair value presented in Note *8 Derivatives* on line *Total derivative contracts in hedge accounting*. The fair value changes of the hedged risk of the hedged items and all other fair value changes of the hedging instruments are recognised in the income statement under *Net income from hedge accounting*. The ineffective portion of the hedging relationship is thus shown on this line in the income statement. Net income from securities and foreign exchange transactions is specified in Note *3*.

In accordance with the market practice and IFRS 13 *Fair value measurement* standard, the Group discounts hedged items with the swap curve and the hedging derivatives with the OIS curve, which causes a significant part of the Group's hedge ineffectiveness. In addition, ineffectiveness may also arise to some extent from differences in notional, day count methods or timing of the cash flows.

VALUE OF HEDGED RISK (EUR 1,000)	30 Jun 2022	1 Jan 2022	Recognised in the income statement 1 Jan–30 Jun 2022
Assets			
IAS 39 portfolio hedge accounting			
Loans and advances to the public and public sector entities	-954,157	122,505	-1,076,662
Derivative contracts in hedge accounting	1,020,079	-78,911	1,098,990
Accumulated fair value accrual from the termination of hedge accounting	227	218	9
IAS 39 portfolio hedge accounting, net	**66,149**	**43,812**	**22,337**
IFRS 9 fair value hedge accounting			
Loans and advances to the public and public sector entities	-12,532	25,414	-37,946
Derivative contracts in hedge accounting	12,365	-25,669	38,034
IFRS 9 fair value hedge accounting, net	**-168**	**-255**	**88**
Liabilities			
IFRS 9 fair value hedge accounting			
Liabilities to credit institutions	8,395	-5,120	13,515
Liabilities to the public and public sector entities	-60,688	-340,433	279,745
Debt securities issued	1,734,452	-171,028	1,905,480
Derivative contracts in hedge accounting	-1,707,670	500,306	-2,207,975
IFRS 9 fair value hedge accounting, net	**-25,511**	**-16,275**	**-9,236**
IBOR reform related compensations *	-3,343	-3,343	0
Total hedge accounting	**37,127**	**23,938**	**13,189**

* Compensations relate to the IBOR reform of which more information is presented in the accounting policies of the Consolidated Financial Statements 2021 (Note 1) in Section *23. IBOR reform.*

The following table presents the impact of Cost-of-Hedging of cross currency derivatives on equity in the *Cost-of-Hedging reserve.* The figures are presented net of deferred taxes. For all foreign currency hedge relationships, the Group has elected to utilise Cost-of-Hedging. For each hedge relationship, when the cross currency swap is designated as a hedging instrument, the cross currency basis spread is separated and excluded from the designation and accounted for as Cost-of-Hedging.

The difference between the changes in fair value of the actual derivative and the designated portion of the derivative are recorded in other comprehensive income as Cost-of-Hedging to the *Cost-of-Hedging reserve.* Thus, changes in cross currency basis spreads will impact other comprehensive income and do not create ineffectiveness in the hedge relationship.

HEDGING IMPACT ON EQUITY (EUR 1,000)	30 Jun 2022	1 Jan 2022	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	-7,960	13,621	-21,580
Total	**-7,960**	**13,621**	**-21,580**

The following table presents the cumulative effectiveness of hedge accounting by hedged items. In addition, the table shows the hedging instruments used.

EFFECTIVENESS OF HEDGE ACCOUNTING 30 JUN 2022 (EUR 1,000)

		Gains/losses attributable to the hedged risk		
HEDGED ITEM	**Hedging instruments**	**Hedged items**	**Hedging instruments**	**Hedge ineffectiveness**
Assets				
IAS 39 portfolio hedge accounting				
Fixed rate and revisable rate loans	Interest rate derivatives	-954,157	1,020,079	65,922
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	5,540	-4,516	1,024
Fixed rate and revisable rate leased assets	Interest rate derivatives	-18,073	16,881	-1,191
Assets total		**-966,689**	**1,032,444**	**65,754**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	1,223,135	-1,233,119	-9,984
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	459,023	-474,550	-15,527
Liabilities total		**1,682,159**	**-1,707,670**	**-25,511**

VALUE OF HEDGED RISK (EUR 1,000)	30 Jun 2021	1 Jan 2021	Recognised in the income statement 1 Jan–30 Jun 2021
Assets			
IAS 39 portfolio hedge accounting			
Loans and advances to the public and public sector entities	258,661	464,688	-206,027
Derivative contracts in hedge accounting	-221,058	-428,083	207,024
Accumulated fair value accrual from the termination of hedge accounting	30	47	-17
IAS 39 portfolio hedge accounting, net	**37,633**	**36,653**	**981**
IFRS 9 fair value hedge accounting			
Loans and advances to the public and public sector entities	30,328	41,424	-11,095
Derivative contracts in hedge accounting	-30,757	-42,044	11,287
IFRS 9 Fair value hedge accounting, net	**-429**	**-620**	**191**
Liabilities			
IFRS 9 fair value hedge accounting			
Liabilities to credit institutions	-4,041	-13,800	9,759
Liabilities to the public and public sector entities	-386,712	-481,546	94,833
Debt securities issued	-479,411	-859,986	380,575
Derivative contracts in hedge accounting	860,024	1,340,456	-480,432
IFRS 9 fair value hedge accounting, net	**-10,140**	**-14,876**	**4,735**
IBOR reform related compensations	-3,061	-2,041	-1,020
Total hedge accounting	**24,002**	**19,116**	**4,887**

HEDGING IMPACT ON EQUITY (EUR 1,000)

	30 Jun 2021	1 Jan 2021	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	17,284	15,624	1,660
Total	**17,284**	**15,624**	**1,660**

EFFECTIVENESS OF HEDGE ACCOUNTING 30 JUN 2021 (EUR 1,000)

		Gains/losses attributable to the hedged risk		
HEDGED ITEM	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness
Assets				
IAS 39 portfolio hedge accounting				
Fixed rate and revisable rate loans	Interest rate derivatives	258,661	-221,058	37,603
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	28,569	-28,767	-198
Fixed rate and revisable rate leased assets	Interest rate derivatives	1,759	-1,990	-231
Assets total		**288,989**	**-251,816**	**37,174**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	-623,068	618,217	-4,851
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	-247,097	241,808	-5,289
Liabilities total		**-870,165**	**860,024**	**-10,140**

Note 5. Financial assets and liabilities

FINANCIAL ASSETS 30 JUN 2022 (EUR 1,000)	Amortised cost	Fair value through other comprehensive income	Designated at fair value through profit or loss	Mandatorily at fair value through profit or loss	Fair value through profit or loss	Total	Fair value
Cash and balances with central banks	8,423,269	-	-	-	-	8,423,269	8,423,269
Loans and advances to credit institutions	1,765,966	-	-	-	-	1,765,966	1,765,966
Loans and advances to the public and public sector entities *	27,800,016	-	30,966	31,360	-	27,862,341	29,568,136
Debt securities	1,539,892	194,371	3,113,139	-	-	4,847,402	4,847,291
Shares and participations	-	-	-	-	-	-	-
Derivative contracts at fair value through profit or loss	-	-	-	-	496,028	496,028	496,028
Derivative contracts in hedge accounting	-	-	-	-	1,956,017	1,956,017	1,956,017
Other assets **	984,686	-	-	-	-	984,686	984,686
Total	**40,513,828**	**194,371**	**3,144,105**	**31,360**	**2,452,045**	**46,335,709**	**48,041,393**

* Line item includes EUR 265,512 thousand of leased assets for which the Group applies fair value hedge accounting. Unhedged leased assets are not presented in this note of financial assets and liabilities as leased assets are not regarded as financial assets for the purpose of IFRS 9 classification.

** Line item includes cash collateral given to central counterparties.

FINANCIAL LIABILITIES

30 JUN 2022 (EUR 1,000)	Amortised cost	Designated at fair value through profit or loss	Fair value through profit or loss	Total	Fair value
Liabilities to credit institutions	2,661,255	3,690	-	2,664,945	2,667,010
Liabilities to the public and public sector entities	1,413,682	1,421,164	-	2,834,846	2,849,222
Debt securities issued	25,661,505	10,243,560	-	35,905,065	36,012,749
Derivative contracts at fair value through profit or loss	-	-	1,431,033	1,431,033	1,431,033
Derivative contracts in hedge accounting	-	-	2,259,616	2,259,616	2,259,616
Provisions and other liabilities *	521,013	-	-	521,013	521,013
Total	**30,257,454**	**11,668,414**	**3,690,649**	**45,616,516**	**45,740,643**

* Line item includes EUR 517,189 thousand of cash collateral received from central counterparties and EUR 3,824 thousand of lease liabilities in accordance with IFRS 16 standard.

FINANCIAL ASSETS 31 DEC 2021 (EUR 1,000)	Amortised cost	Fair value through other comprehensive income	Designated at fair value through profit or loss	Mandatorily at fair value through profit or loss	Fair value through profit or loss	Total	Fair value
Cash and balances with central banks	8,399,045	-	-	-	-	8,399,045	8,399,045
Loans and advances to credit institutions	1,417,310	-	-	-	-	1,417,310	1,417,310
Loans and advances to the public and public sector entities *	28,048,688	-	38,941	35,204	-	28,122,834	30,306,686
Debt securities	1,088,888	213,466	3,539,074	-	-	4,841,428	4,841,792
Shares and participations	-	-	-	-	-	-	-
Derivative contracts at fair value through profit or loss	-	-	-	-	761,023	761,023	761,023
Derivative contracts in hedge accounting	-	-	-	-	1,238,653	1,238,653	1,238,653
Other assets **	238,930	-	-	-	-	238,930	238,930
Total	**39,192,861**	**213,466**	**3,578,015**	**35,204**	**1,999,676**	**45,019,222**	**47,203,439**

* Line item includes EUR 242,937 thousand of leased assets for which the Group applies fair value hedge accounting.

** Line item includes cash collateral given to central counterparties.

FINANCIAL LIABILITIES

31 DEC 2021 (EUR 1,000)	Amortised cost	Designated at fair value through profit or loss	Fair value through profit or loss	Total	Fair value
Liabilities to credit institutions	2,796,230	4,787	-	2,801,016	2,800,913
Liabilities to the public and public sector entities	1,776,291	1,548,394	-	3,324,685	3,344,334
Debt securities issued	25,319,226	10,008,299	-	35,327,525	35,434,600
Derivative contracts at fair value through profit or loss	-	-	1,114,003	1,114,003	1,114,003
Derivative contracts in hedge accounting	-	-	1,110,291	1,110,291	1,110,291
Provisions and other liabilities *	337,823	-	-	337,823	337,823
Total	**30,229,570**	**11,561,479**	**2,224,294**	**44,015,343**	**44,141,965**

* Line item includes EUR 333,295 thousand of cash collateral received from central counterparties and EUR 4,528 thousand of lease liabilities in accordance with IFRS 16 standard.

The following table shows the impact of reclassification of financial assets in the implementation of IFRS 9 standard (as of 1 Jan 2018) from at fair value through profit or loss under IAS 39 into amortised cost under IFRS 9 standard. MuniFin Group did not reclassify any financial liabilities from fair value through profit or loss into amortised cost.

RECLASSIFIED FINANCIAL ASSETS

(EUR 1,000)	Original measurement category under IAS 39	New measurement category under IFRS 9	Fair value 30 Jun 2022	Fair value gain or loss for the reporting period *	EIR determined as at 1 Jan 2018 **	Interest revenue recognised during 1 Jan–30 Jun 2022
Loans and advances to the public and public sector entities	Fair value option	Amortised cost	95,405	-800	0.14%	236

* The fair value gain or loss that would have been recognised in the income statement during the reporting period if the financial assets had not been reclassified.
** Effective interest rate determined on the date of initial application.

RECLASSIFIED FINANCIAL ASSETS (EUR 1,000)	Original measurement category under IAS 39	New measurement category under IFRS 9	Fair value 31 Dec 2021	Fair value gain or loss for the financial year	EIR determined as at 1 Jan 2018	Interest revenue recognised during 1 Jan–31 Dec 2021
Loans and advances to the public and public sector entities	Fair value option	Amortised cost	99,253	-1,589	0.14%	422

Note 6. Fair values of financial assets and liabilities

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 Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the fair value measurements:

Level 1
Inputs that are quoted market prices (unadjusted) 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. These quotes (mid) represent the price for an orderly transaction between parties in the market on the valuation date. Level 1 instruments comprise mainly investments in debt securities.

Level 2
Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes instruments valued using quoted prices for identical instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. Level 2 instruments comprise mainly OTC derivatives, the Group's issued plain-vanilla financial liabilities and the Group's lending agreements.

Level 3
This level includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable inputs are used only to the extent that no relevant observable inputs are available. If the valuation input is illiquid, extrapolated or based on historical prices, the input will be defined as a level 3 valuation input as these types of inputs are per definition unobservable. This level includes financial instruments with equity and FX structures due to the impact of the utilisation of inputs such as dividend yield on the fair value measurement. In addition, level 3 contains some interest rate structures with long maturities (exceeding e.g. 35 years) or in currencies where the interest rate curve is not considered liquid for all maturities.

Due to the nature of MuniFin Group's funding portfolio (i.e. issued bonds are hedged back-to-back), if a swap that is hedging an issued bond is designated as a level 3 instrument, then the issued bond will also be designated as a level 3 instrument. The same principle applies to other portfolios and levels of the hierarchy as well. In addition to financial assets and liabilities, the Group does not hold other assets or liabilities which are measured at fair value or assets or liabilities which are non-recurringly measured at fair value.

The following table presents financial instruments by the level of the fair value hierarchy into which the fair value measurement is categorised.

FINANCIAL ASSETS 30 JUN 2022 (EUR 1,000)	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
At fair value					
Fair value through other comprehensive income					
Debt securities	194,371	154,221	40,150	-	194,371
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	30,966	-	30,966	-	30,966
Debt securities	3,113,139	3,022,080	91,059	-	3,113,139
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	31,360	-	169	31,191	31,360
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	496,028	-	464,172	31,855	496,028
Derivative contracts in hedge accounting	1,956,017	-	1,955,005	1,012	1,956,017
Total at fair value	**5,821,880**	**3,176,302**	**2,581,521**	**64,058**	**5,821,880**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	12,224,016	-	12,878,118	-	12,878,118
Total in fair value hedge accounting	**12,224,016**	**-**	**12,878,118**	**-**	**12,878,118**
At amortised cost					
Cash and balances with central banks	8,423,269	8,423,269	-	-	8,423,269
Loans and advances to credit institutions	1,765,966	124,664	1,641,302	-	1,765,966
Loans and advances to the public and public sector entities	15,576,000	-	16,627,693	-	16,627,693
Debt securities	1,539,892	-	1,539,781	-	1,539,781
Other assets	984,686	-	984,686	-	984,686
Total at amortised cost	**28,289,813**	**8,547,933**	**20,793,462**	**-**	**29,341,395**
Total financial assets	**46,335,709**	**11,724,234**	**36,253,101**	**64,058**	**48,041,393**

FINANCIAL LIABILITIES 30 JUN 2022 (EUR 1,000)	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
At fair value					
Designated at fair value through profit or loss					
Liabilities to credit institutions	3,690	-	3,690	-	3,690
Liabilities to the public and public sector entities	1,421,164	-	1,193,686	227,477	1,421,164
Debt securities issued	10,243,560	-	9,052,136	1,191,424	10,243,560
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,431,033	-	692,660	738,373	1,431,033
Derivative contracts in hedge accounting	2,259,616	-	2,256,096	3,519	2,259,616
Total at fair value	**15,359,062**	**-**	**13,198,269**	**2,160,793**	**15,359,062**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	106,605	-	108,671	-	108,671
Liabilities to the public and public sector entities	1,413,682	-	1,428,059	-	1,428,059
Debt securities issued *	25,661,505	-	25,718,152	51,037	25,769,189
Total in fair value hedge accounting	**27,181,791**	**-**	**27,254,881**	**51,037**	**27,305,918**
At amortised cost					
Liabilities to credit institutions	2,554,650	-	2,554,650	-	2,554,650
Debt securities issued	-	-	-	-	-
Provisions and other liabilities	521,013	-	521,013	-	521,013
Total at amortised cost	**3,075,663**	**-**	**3,075,663**	**-**	**3,075,663**
Total financial liabilities	**45,616,516**	**-**	**43,528,813**	**2,211,831**	**45,740,643**

* MuniFin Group's fixed-rate benchmark bond issuances are presented on level 2 due the fact that these bonds are in fair value hedge accounting with respect to the hedged risk. Valuation of the hedged risk is based on the level 2 inputs. In the Notes of the Half Year Report, the Group's fixed-rate benchmark bonds' fair values are adjusted to reflect fair value based on the quoted prices from Bloomberg. The market price is a level 1 input.

FINANCIAL ASSETS 31 DEC 2021 (EUR 1,000)	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
At fair value					
Fair value through other comprehensive income					
Debt securities	213,466	172,717	40,748	-	213,466
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	38,941	-	38,941	-	38,941
Debt securities	3,539,074	3,451,809	87,265	-	3,539,074
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	35,204	-	344	34,861	35,204
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	761,023	-	698,194	62,829	761,023
Derivative contracts in hedge accounting	1,238,653	-	1,238,246	407	1,238,653
Total at fair value	**5,826,360**	**3,624,526**	**2,103,737**	**98,097**	**5,826,360**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	12,968,390	-	13,749,512	-	13,749,512
Total in fair value hedge accounting	**12,968,390**	**-**	**13,749,512**	**-**	**13,749,512**
At amortised cost					
Cash and balances with central banks	8,399,045	8,399,045	-	-	8,399,045
Loans and advances to credit institutions	1,417,310	106,734	1,310,576	-	1,417,310
Loans and advances to the public and public sector entities	15,080,299	-	16,483,029	-	16,483,029
Debt securities	1,088,888	-	1,089,253	-	1,089,253
Other assets	238,930	-	238,930	-	238,930
Total at amortised cost	**26,224,472**	**8,505,779**	**19,121,788**	**-**	**27,627,567**
Total financial assets	**45,019,222**	**12,130,305**	**34,975,037**	**98,097**	**47,203,439**

FINANCIAL LIABILITIES 31 DEC 2021 (EUR 1,000)	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
At fair value					
Designated at fair value through profit or loss					
Liabilities to credit institutions	4,787	-	4,787	-	4,787
Liabilities to the public and public sector entities	1,548,394	-	1,284,601	263,793	1,548,394
Debt securities issued	10,008,299	-	8,248,729	1,759,569	10,008,299
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,114,003	-	369,705	744,299	1,114,003
Derivative contracts in hedge accounting	1,110,291	-	1,084,602	25,690	1,110,291
Total at fair value	**13,785,774**	**-**	**10,992,423**	**2,793,350**	**13,785,774**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	55,120	-	55,016	-	55,016
Liabilities to the public and public sector entities	1,776,291	-	1,795,941	-	1,795,941
Debt securities issued	24,852,845	-	24,873,880	86,040	24,959,920
Total in fair value hedge accounting	**26,684,256**	**-**	**26,724,837**	**86,040**	**26,810,877**
At amortised cost					
Liabilities to credit institutions	2,741,110	-	2,741,110	-	2,741,110
Debt securities issued	466,381	-	466,381	-	466,381
Provisions and other liabilities	337,823	-	337,823	-	337,823
Total at amortised cost	**3,545,314**	**-**	**3,545,314**	**-**	**3,545,314**
Total financial liabilities	**44,015,343**	**-**	**41,262,574**	**2,879,390**	**44,141,965**

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. The Group applies different types of valuation inputs depending on the type and complexity of the instrument and the related risk factors and payoff structures. The Group's defined categorisation to the fair value hierarchy levels is based on the analysis performed with regards to the valuation input, stress testing (reasonable possible alternative assumption) and model complexity. If the inputs used to measure fair value are categorised into different levels on the fair value hierarchy, the fair value measurement is categorised in its entirety on the level of the lowest level input that is significant to the entire measurement.

IFRS 13 classifies valuation models and techniques into three different categories: market approach, income approach and cost approach. MuniFin Group applies the market-based approach when the instrument has a functioning market and public price quotations are available. The Group uses market approach for the valuation of investment bonds of the liquidity portfolio. For all level 1 assets, the Group uses market prices available for identical assets (same ISIN). The Group does not make use of prices for comparable assets.

Income approach is applied when valuation is based, for example, on determining the present value of future cash flows (discounting). 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. The Group uses income approach for many of its financial instruments, for example derivatives, lending and funding. The Group does not use cost approach for the valuation of any of its financial instruments.

To determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, the Group uses widely recognised valuation models that use only observable market data and require little management 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 values of certain types of instruments. The choice of base model 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, the instruments are broken down into different categories granular enough to capture the most important risk drivers and different kinds of calibration techniques. The specific combinations of base models and different assumptions and calibration techniques are documented. The Group's fair value instruments that are subject to mark-to-model valuation techniques consist of four asset classes:

- Interest rate instruments,
- FX instruments,
- Equity-linked instruments and
- Hybrid instruments.

Financial instruments under *FX, equity-linked and hybrid instrument* classes are mainly classified as level 3 instruments.

The fair value of financial instruments is generally calculated as the net present value of the individual instruments. This calculation is supplemented by counterparty level adjustments. The Group incorporates credit valuation adjustments (*CVA*) and debit valuation adjustments (*DVA*) into derivative valuations. CVA reflects the impact of the counterparty's credit risk on fair value and DVA MuniFin Group's own credit quality. The Group uses the same methodology to compute CVA and DVA. They are both assessed as the result of three inputs: Loss Given Default (*LGD*), Probability of Default (*PD,* own for DVA and of the counterparty for CVA) and Expected Exposure (*EE*).

Valuation framework

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 Executive Management Team (*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. 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 with the purpose to assess 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 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. The independent price verification is performed monthly as a 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.

Transfers in the fair value hierarchy

MuniFin Group assesses the appropriateness and correctness of the categorisation with regards to the fair value hierarchy classification at initial recognition and at the end of each reporting period. This is to determine the initial classification of a level 1, 2 and 3 instrument and the subsequent potential transfers between levels within the fair value hierarchy. A transfer between the fair value hierarchies can occur for example when a previously assumed observed input requires an adjustment using an unobservable input. The procedure is the same for transfers into and out of the fair value levels. Transfers between the levels are considered to take place at the end of the quarter during which an event causes such a transfer or when circumstances change.

During the reporting period 1 Jan–30 Jun 2022 transfers totalling EUR 293,418 thousand have been made between level 1 and level 2. There were no transfers from level 2 to level 3.

LEVEL 3 TRANSFERS (EUR 1,000)	1 Jan 2022	Change in fair value in the income statement	Purchases and new contracts	Sales and matured contracts	Transfers into level 3	Transfers out of level 3	30 Jun 2022
Financial assets							
At fair value							
Mandatorily at fair value through profit or loss							
Loans and advances to the public and public sector entities	34,861	-3,590	-	-80	-	-	31,191
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	62,829	-29,255	871	-2,589	-	-	31,855
Derivative contracts in hedge accounting	407	831	110	-	-	-336	1,012
Financial assets in total	**98,097**	**-32,014**	**980**	**-2,670**	**-**	**-**	**64,058**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	263,793	-36,315	-	-	-	-	227,477
Debt securities issued	1,759,569	-104,308	132,142	-552,124	-	-43,855	1,191,424
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	744,299	146,368	22,816	-170,154	-	-4,956	738,373
Derivative contracts in hedge accounting	25,690	-1,337	352	-133	-	-21,053	3,519
In fair value hedge accounting							
Amortised cost							
Debt securities issued	86,040	2,013	9,204	-3,066	-	-43,154	51,037
Financial liabilities in total	**2,879,390**	**6,421**	**164,513**	**-725,477**	**-**	**-113,017**	**2,211,831**
Level 3 financial assets and liabilities in total *	**2,977,487**	**-25,593**	**165,493**	**-728,146**	**-**	**-113,017**	**2,275,888**

* The Group recognises these gains and losses within the line items *Net income from securities and foreign exchange transactions and Net income from hedge accounting*. The fair value change due to changes in own credit risk of financial liabilities designated at fair value through profit or loss is recognised in the other comprehensive income.

During 2021 transfers totalling EUR 50,127 thousand were made between level 1 and level 2. During 2021, there were no transfers from level 2 to level 3..

LEVEL 3 TRANSFERS (EUR 1,000)	1 Jan 2021	Change in fair value in the income statement	Purchases and new contracts	Sales and matured contracts	Transfers into level 3	Transfers out of level 3	31 Dec 2021
Financial assets							
At fair value							
Mandatorily at fair value through profit or loss							
Loans and advances to the public and public sector entities	43,735	-4,878	-	-3,997	-	-	34,861
Shares and participations	27	-	-	-27	-	-	-
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	79,452	-14,590	604	-2,636	-	-	62,829
Derivative contracts in hedge accounting	572	-366	317	-	-	-117	407
Financial assets in total	**123,787**	**-19,834**	**921**	**-6,660**	**-**	**-117**	**98,097**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	224,413	-8,408	47,787	-	-	-	263,793
Debt securities issued	2,125,714	-144,658	762,861	-975,731	-	-8,617	1,759,569
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	646,293	136,055	38,581	-76,252	-	-378	744,299
Derivative contracts in hedge accounting	24,391	6,797	450	-	-	-5,948	25,690
In fair value hedge accounting							
Amortised cost							
Debt securities issued	94,048	-1,802	27,162	-	-	-33,368	86,040
Financial liabilities in total	**3,114,859**	**-12,015**	**876,840**	**-1,051,984**	**-**	**-48,310**	**2,879,390**
Level 3 financial assets and liabilities in total	**3,238,646**	**-31,849**	**877,761**	**-1,058,644**	**-**	**-48,427**	**2,977,487**

Sensitivity analysis of unobservable inputs

Sensitivity analysis illustrates the impact of the reasonably possible alternative assumptions on the fair value of financial instruments for which valuation is dependent on unobservable inputs. However, it is unlikely in practice that all unobservable inputs would simultaneously move to the extremes of reasonably possible alternative assumptions used in the sensitivity analysis. Hence, the impact of the sensitivity analysis disclosed in this Note is likely to be greater than the true uncertainty in the fair values at the reporting date. Furthermore, the disclosure is neither predictive nor indicative of future movements in the fair value of financial instruments.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements on level 3, changing one or more of the assumptions to the reasonably possible alternative assumptions would have the following effects: as of 30 June 2022, these assumptions could have increased fair values by EUR 68.4 million or decreased fair values by EUR 61.9 million. As of 31 December 2021, these assumptions could have increased fair values by EUR 60.3 million or decreased fair values by EUR 59.6 million.

SENSITIVITY ANALYSIS OF SIGNIFICANT UNOBSERVABLE INPUTS BY INSTRUMENT TYPE (EUR 1,000)	30 Jun 2022 Positive range of fair value	30 Jun 2022 Negative range of fair value	31 Dec 2021 Positive range of fair value	31 Dec 2021 Negative range of fair value
Loans and advances to the public and public sector entities				
Loans	68	-15	133	-84
Derivative contracts				
Equity-linked derivatives	28,242	-15,378	18,864	-11,446
FX-linked cross currency and interest rate derivatives	3,883	-3,632	2,644	-1,537
Other interest rate derivatives	7,384	-8,205	13,173	-13,344
Debt securities issued and Liabilities to the public and public sector entities				
Equity-linked liabilities	18,387	-24,667	12,350	-18,115
FX-linked liabilities	3,189	-3,255	704	-2,233
Other liabilities	7,227	-6,750	12,412	-12,810
Total	**68,380**	**-61,901**	**60,279**	**-59,570**

The behaviour of the fair value of the unobservable inputs on level 3 is not necessarily independent, and dynamic relationships often exist between the unobservable inputs and the observable inputs. Such relationships, where material to the fair value of a given instrument, are controlled via pricing models or valuation techniques. MuniFin Group uses stochastic models to generate a distribution of future cash flows of each financial instrument. The future cash flows are then discounted back to present to get the fair value of each financial instrument. The stochastic models used by the Group are Hull-White model and Dupire volatility model.

The unobservable inputs used by the Group are described next. The unobservable inputs are used only to the extent that no relevant observable inputs are available.

Correlation parameters
If the fair value of a financial instrument is impacted by more than one unobservable input, correlations describe the relationship between these different underlyings. For example, for equity-linked instruments correlation has a significant impact on fair value if the underlying is dependant on more than one equity. For FX-linked cross currency and interest rate derivatives, correlations exist between FX rates of currencies, which impact the fair value of the financial instrument. If a high correlation exists between the unobservable inputs, it will lead to an increase in fair value. A low correlation between the unobservable inputs will lead to a decrease in fair value. MuniFin Group has financial instruments, in which correlation is a significant unobservable input, mainly in funding products and their hedging instruments.

Volatility (extrapolated or illiquid)
A financial instrument whose value is based on a stochastic model will typically require the volatility of the underlying instrument as an input. The Group uses Dupire local volatility model as its stochastic valuation model. For interest rate volatilities, at-the-money implied volatility is used. For FX and equity components (both equity indices and single stock prices), a full volatility surface is used that includes quotes for different strikes and maturities. The Group uses implied volatility for the majority of the equity linked structures. In some cases no liquid volatility surface exists. In these cases, a proxy volatility is typically used instead. The majority of the financial instruments, which use volatility as significant unobservable input, consists of the Group's funding products and their hedging instruments.

Dividend yield
The main drivers influencing the fair value of equity-linked instruments are the dividend yield and volatility of the underlying equities. Equity-linked instruments require a dividend parameter as an input to the fair value. The equity component is modelled using the Dupire local volatility model where the underlying equity prices are assumed to follow a random walk. Instruments that have dividend yield as a significant unobservable input are the Group's funding products and their hedging instruments.

Interest rates (extrapolated or illiquid)
The Group uses unobservable inputs in defining the fair value of complex interest rate structures. The future cash flows and their fair value are determined by using forward rates and volatilities of the underlying interest rates using Hull-White stochastic model. Financial instruments whose payoffs are dependent on the value of complex interest rate structures are categorised on level 3. The majority of these instruments requiring extrapolated or illiquid interest rates as input are the Group's funding products and their hedging instruments.

The following table illustrates the effect that changing one or more of the assumptions in the unobservable input (reasonably possible alternative assumptions) could have on the valuations at the reporting date.

SENSITIVITY ANALYSIS OF UNOBSERVABLE INPUTS 30 JUN 2022 (EUR 1,000)	Fair value	Valuation technique	Unobservable input	Positive range of fair value	Negative range of fair value
Loans and advances to the public and public sector entities					
Loans	31,191	Stochastic model	Volatility – Extrapolated or Illiquid	68	-15
Derivative contracts					
Equity-linked derivatives	-126,959	Stochastic model	Correlation parameters	577	337
			Volatility – Extrapolated or Illiquid	26,318	-14,357
			Dividend yield	1,348	-1,358
FX-linked cross currency and interest rate derivatives	-501,693	Stochastic model	Correlation parameters	564	-289
			Volatility – Extrapolated or Illiquid	3,319	-3,343
			Interest rates – Extrapolated or Illiquid	0	0
Other interest rate derivatives	-80,373	Stochastic model	Correlation parameters	-2	-18
			Volatility – Extrapolated or Illiquid	7,162	-7,963
			Interest rates – Extrapolated or Illiquid	224	-224
Debt securities issued and Liabilities to the public and public sector entities					
Equity-linked liabilities	625,839	Stochastic model	Correlation parameters	393	257
			Volatility – Extrapolated or Illiquid	16,181	-24,891
			Dividend yield	1,813	-32
FX-linked liabilities	418,064	Stochastic model	Correlation parameters	211	-163
			Volatility – Extrapolated or Illiquid	2,978	-3,091
			Interest rates – Extrapolated or Illiquid	1	-1
Other liabilities	426,036	Stochastic model	Correlation parameters	2	0
			Volatility – Extrapolated or Illiquid	7,169	-6,694
			Interest rates – Extrapolated or Illiquid	56	-56
Total				**68,380**	**-61,901**

SENSITIVITY ANALYSIS OF UNOBSERVABLE INPUTS 31 DEC 2021 (EUR 1,000)	Fair value	Valuation technique	Unobservable input	Positive range of fair value	Negative range of fair value
Loans and advances to the public and public sector entities					
Loans	34,861	Stochastic model	Volatility – Extrapolated or Illiquid	133	-84
Derivative contracts					
			Correlation parameters	759	653
Equity-linked derivatives	-37,319	Stochastic model	Volatility – Extrapolated or Illiquid	17,551	-11,504
			Dividend yield	554	-595
			Correlation parameters	498	-353
FX-linked cross currency and interest rate derivatives	-647,461	Stochastic model	Volatility – Extrapolated or Illiquid	2,145	-1,183
			Interest rates – Extrapolated or Illiquid	1	-1
			Correlation parameters	7	0
Other interest rate derivatives	-21,972	Stochastic model	Volatility – Extrapolated or Illiquid	12,870	-13,048
			Interest rates – Extrapolated or Illiquid	296	-296
Debt securities issued and Liabilities to the public and public sector entities					
			Correlation parameters	229	-149
Equity-linked liabilities	741,554	Stochastic model	Volatility – Extrapolated or Illiquid	11,455	-16,829
			Dividend yield	666	-1,137
			Correlation parameters	17	-123
FX-linked liabilities	785,053	Stochastic model	Volatility – Extrapolated or Illiquid	677	-2,099
			Interest rates – Extrapolated or Illiquid	11	-11
			Correlation parameters	1	0
Other liabilities	582,795	Stochastic model	Volatility – Extrapolated or Illiquid	12,313	-12,711
			Interest rates – Extrapolated or Illiquid	98	-98
Total				**60,279**	**-59,570**

DAY 1 GAIN OR LOSS (EUR 1,000)	1 Jan–30 Jun 2022	1 Jan–31 Dec 2021
Opening balance in the beginning of the reporting period	-236	-29
Recognised gain in the income statement	498	412
Recognised loss in the income statement	-470	-711
Deferred gain or loss on new transactions	-8	91
Total at the end of the reporting period	**-216**	**-236**

The definition and amortisation method for the Day 1 gain or loss are presented in the accounting policies of the Consolidated Financial Statements 2021 (Note 1) in Section *13. Determination of fair value.*

Note 7. Cash and cash equivalents

30 JUN 2022 (EUR 1,000)	Total	Cash and cash equivalents	Expected credit losses
Cash	2	2	-
Central bank deposits payable on demand	8,423,267	8,423,267	0
Cash and balances with central banks	**8,423,269**	**8,423,269**	**0**
Loans and advances to credit institutions payable on demand	57,294	57,294	0
Total cash and cash equivalents	**8,480,563**	**8,480,563**	**0**

31 DEC 2021 (EUR 1,000)	Total	Cash and cash equivalents	Expected credit losses
Cash	2	2	-
Central bank deposits payable on demand	8,399,043	8,399,043	0
Cash and balances with central banks	**8,399,045**	**8,399,045**	**0**
Loans and advances to credit institutions payable on demand	36,458	36,459	0
Total cash and cash equivalents	**8,435,503**	**8,435,504**	**0**

Note 8. Derivative contracts

DERIVATIVE CONTRACTS 30 JUN 2022 (EUR 1,000)	Nominal value of underlying instrument	Fair value	
		Positive	Negative
Derivative contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	34,845,368	1,138,983	-1,510,631
, of which cleared by the central counterparty	*33,392,600*	*1,105,299*	*-1,489,464*
Currency derivatives			
Cross currency interest rate swaps	13,282,780	817,034	-748,985
Total derivative contracts in hedge accounting	**48,128,148**	**1,956,017**	**-2,259,616**
Derivative contracts at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps	16,619,219	260,786	-733,939
, of which cleared by the central counterparty	*9,757,779*	*177,893*	*-12,839*
Interest rate options	40,000	60	-60
Currency derivatives			
Cross currency interest rate swaps	4,384,286	130,743	-562,606
Forward exchange contracts	3,665,147	104,439	-7,468
Equity derivatives	735,329	-	-126,959
Total derivative contracts at fair value through profit or loss	**25,443,981**	**496,028**	**-1,431,033**
Total derivative contracts	**73,572,129**	**2,452,045**	**-3,690,649**

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

Interest received or paid from derivative contracts is included in the statement of financial position line items *Accrued income and prepayments* and *Accrued expenses and deferred income.*

DERIVATIVE CONTRACTS 31 DEC 2021 (EUR 1,000)	Nominal value of underlying instrument	Fair value	
		Positive	Negative
Derivative contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	32,607,387	756,203	-384,289
, of which cleared by the central counterparty	*31,014,295*	*682,416*	*-308,205*
Currency derivatives			
Cross currency interest rate swaps	12,616,756	482,450	-726,003
Total derivative contracts in hedge accounting	**45,224,143**	**1,238,653**	**-1,110,291**
Derivative contracts at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps	16,475,777	475,940	-357,092
, of which cleared by the central counterparty	*9,814,584*	*46,821*	*-163,327*
Interest rate options	40,000	101	-101
Currency derivatives			
Cross currency interest rate swaps	4,516,786	133,656	-718,888
Forward exchange contracts	3,354,738	150,723	-
Equity derivatives	816,109	604	-37,922
Total derivative contracts at fair value through profit or loss	**25,203,409**	**761,023**	**-1,114,003**
Total derivative contracts	**70,427,552**	**1,999,676**	**-2,224,294**

Note 9. Changes in intangible and tangible assets

	Intangible assets	Tangible assets			
(EUR 1,000)	Total	Other real estate	Other tangible assets	Right-of-use assets	Total
Acquisition cost 1 Jan 2022	39,841	299	8,585	9,335	18,219
+ Additions	3,142	-	5	209	214
- Disposals	-	-	-151	-9	-160
Acquisition cost 30 Jun 2022	42,983	299	8,439	9,535	18,273
Accumulated depreciation 1 Jan 2022	27,545	-	5,835	4,893	10,728
- Accumulated depreciation on disposals	-	-	-107	-	-107
+ Depreciation for the reporting period	1,404	-	584	899	1,483
+ Impairment *	4,662	-	-	-	-
Accumulated depreciation 30 Jun 2022	33,612	-	6,311	5,792	12,103
Carrying amount 30 Jun 2022	**9,371**	**299**	**2,128**	**3,743**	**6,170**

* Line item consists of a non-recurring item of impairment related to IT system implementation.

	Intangible assets	Tangible assets			
(EUR 1,000)	Total	Other real estate	Other tangible assets	Right-of-use assets	Total
Acquisition cost 1 Jan 2021	31,630	299	8,950	9,152	18,401
+ Additions	8,660	-	3	212	215
- Disposals	-449	-	-367	-29	-396
Acquisition cost 31 Dec 2021	39,841	299	8,585	9,335	18,219
Accumulated depreciation 1 Jan 2021	14,283	-	4,840	3,197	8,037
- Accumulated depreciation on disposals	-	-	-226	-29	-255
+ Depreciation for the financial year	2,780	-	1,221	1,725	2,946
+ Impairment	10,482	-	-	-	-
Accumulated depreciation 31 Dec 2021	27,545	-	5,835	4,893	10,728
Carrying amount 31 Dec 2021	**12,296**	**299**	**2,751**	**4,442**	**7,491**

Note 10. Credit risks of financial assets and other commitments

MuniFin Group's credit risks are described in the Consolidated Financial Statements 2021 in Note *2 Risk management principles and the Group's risk position* in Section *7. Credit Risk*. The accounting policies of the expected credit loss calculations and impairment stages are described in the accounting policies of the Consolidated Financial Statements 2021 (Note *1*) in Section *9. Impairment of financial assets*.

The following table presents exposures under expected credit loss calculations by asset groups and impairment stages.

EXPOSURES BY ASSET GROUPS AND IMPAIRMENT STAGES 30 JUN 2022 (EUR 1,000)	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3 *			
	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Expected credit losses
Cash and balances with central banks at amortised cost	8,423,269	0	-	-	-	-	8,423,269	0
Loans and advances to credit institutions at amortised cost	1,765,966	-100	-	-	-	-	1,765,966	-100
Loans and advances to the public and public sector entities at amortised cost	27,133,983	-38	303,011	-1,520	97,511	-268	27,534,504	-1,826
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,233,948	-3	-	-	150	0	1,234,098	-3
Debt securities at amortised cost	1,533,536	0	6,356	0	-	-	1,539,892	0
Debt securities at fair value through other comprehensive income	194,371	-41	-	-	-	-	194,371	-41
Cash collateral to CCPs in Other assets at amortised cost	984,686	-52	-	-	-	-	984,686	-52
Guarantee receivables from the public and public sector entities in Other assets	-	-	-	-	-	-	-	-
Credit commitments (off-balance sheet)	2,675,504	-6	-	-	-	-	2,675,504	-6
Total	**43,945,263**	**-241**	**309,367**	**-1,520**	**97,661**	**-268**	**44,352,291**	**-2,029**

* The Group has collateral and guarantee arrangements that fully cover the stage 3 receivables as described in the Consolidated Financial Statements 2021 in Note *2 Risk management principles and the Group's risk position* in Section *7. Credit risk*. The Group's management expects that all the stage 3 reveivables will be recovered and no final credit loss will emerge. Stage 3 receivables include EUR 2,208 thousand (EUR 2,345 thousand) of originated credit impaired receivables (*purchased or originated credit impaired, POCI*). Expected credit losses for the POCI receivables amount to EUR 6 thousand (EUR 7 thousand).

EXPOSURES BY ASSET GROUPS AND IMPAIRMENT STAGES

31 DEC 2021 (EUR 1,000)	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Expected credit losses
Cash and balances with central banks at amortised cost	8,399,045	0	-	-	-	-	8,399,045	0
Loans and advances to credit institutions at amortised cost	1,417,310	-82	-	-	-	-	1,417,310	-82
Loans and advances to the public and public sector entities at amortised cost	27,457,506	-23	220,730	-578	127,517	-546	27,805,752	-1,147
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,333,987	-2	-	-	159	-	1,334,146	-2
Debt securities at amortised cost	1,079,338	0	9,550	0	-	-	1,088,888	0
Debt securities at fair value through other comprehensive income	213,466	-41	-	-	-	-	213,466	-41
Cash collateral to CCPs in Other assets at amortised cost	238,930	-13	-	-	-	-	238,930	-13
Guarantee receivables from the public and public sector entities in Other assets	1,752	-	-	-	-	-	1,752	-
Credit commitments (off-balance sheet)	2,585,201	-4	3,167	0	4,506	0	2,592,873	-4
Total	**42,726,533**	**-166**	**233,447**	**-578**	**132,182**	**-546**	**43,092,161**	**-1,289**

The table below presents a summary of total changes and reconciliation of expected credit losses by impairment stages during the reporting period.

TOTAL EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-166**	**-578**	**-546**	**-1,289**	**43,092,161**
New assets originated or purchased	-109	192	-87	-4	6,267,732
Assets derecognised or repaid (excluding write-offs)	50	45	10	105	-5,006,762
Transfers to Stage 1	0	88	-	88	88
Transfers to Stage 2	0	-230	0	-230	-230
Transfers to Stage 3	0	0	0	0	0
Additional provision (*Management overlay*)	-	-842	356	-486	-486
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models * and inputs ** used for ECL calculations	-16	-196	-1	-214	-213
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 30 Jun 2022	**-241**	**-1,520**	**-268**	**-2,029**	**44,352,291**

* Represents changes in the model.
** Represents changes to model parameters (e.g. GDP rates, unemployment rates)

In the first half of 2022, MuniFin Group made changes to macro scenarios and loss given default parameters in expected credit loss calculations, which increased ECL by EUR 214 thousand. There were no changes in ECL model.

MuniFin Group has recorded an additional discretionary provision (*management overlay*) of EUR 916 thousand from which EUR 486 thousand is an additional provision recognised in the first half of the year 2022, to take into account ECL model changes that will take place in the second half of 2022. During the second half of 2022, the Group will further develop loss given default (*LGD*) calculation of mortgage loans as well as lifetime ECL calculations. As this change is expected to have an impact on ECL amount, MuniFin Group's management decided to record an additional discretionary provision based on a group-specific assessment. The additional provision relates to the balance sheet line item *Loans and advances to the public and public sector entities*. The additional provision has not been allocated to contract level.

The assessment of the need for additional provision is based on the fact that the Group's management estimates that due to the model changes, part of the exposures would transfer to stage 2 in the expected credit loss calculations when ECL is calculated for the lifetime of the contract instead of a 12-month ECL, or in some cases LGD would increase. In addition, model changes are expected to have an effect on the amount of ECL in stage 3. More detailed information on the contracts subject to the additional provision will be obtained as the model change progresses, so that any change in ECL can be allocated to individual contracts and determined according to the normal ECL calculation process.

MuniFin Group's total credit risk has remained low and the amount of ECL remains low. For MuniFin Group customers, the situation remained quite stable during the first half of the year, and the changed market situation and Russia's invasion of Ukraine have not been seen to affect the Group's customers significantly. MuniFin Group's customer exposures have zero risk weight in the capital adequacy calculation because they are from Finnish municipalities or involve a municipal guarantee or a state deficiency guarantee supplementing the real estate collateral as described in the Consolidated Financial Statements 2022 Note *2 Risk management principles and the Group's risk position* under Section *7. Credit risk*. The Group's management estimates that all receivables will be recovered in full and therefore no final credit loss will arise. On 30 June 2022, MuniFin Group has total of EUR 12 million (EUR 19 million) in guarantee receivables from the public sector due to the insolvency of customers. Credit risk of the liquidity portfolio has remained on a good quality level with the average rating of AA+ (AA+).

TOTAL EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGES

(EUR 1,000)	Not credit-impaired Stage 1 12-month ECL	Not credit-impaired Stage 2 Lifetime ECL	Credit-impaired Stage 3 Lifetime ECL	Total ECL	Total Gross carrying amount
Opening balance 1 Jan 2021	**-126**	**-835**	**-224**	**-1,184**	**39,717,750**
New assets originated or purchased	-41	56	-13	3	9,637,333
Assets derecognised or repaid (excluding write-offs)	46	101	55	203	-6,262,613
Transfers to Stage 1	0	18	-	18	18
Transfers to Stage 2	0	-203	60	-143	-143
Transfers to Stage 3	-	1	-1	1	1
Additional provision (*Management overlay*)	-	340	-430	-90	-90
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-46	-56	6	-96	-94
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 31 Dec 2021	**-166**	**-578**	**-546**	**-1,289**	**43,092,161**

In 2021, MuniFin Group made changes to macro scenarios and loss given default parameters in expected credit loss calculations, which increased ECL by EUR 96 thousand. There were no changes in ECL model. In addition, MuniFin Group recorded an additional discretionary provision (*management overlay*) of EUR 430 thousand to take into account ECL model changes in 2022. The additional provision was recognised in balance sheet line item *Loans and advances to the public and public sector entities*. The additional provision was not allocated to contract level.

Forward-looking information

In the assessment of whether the credit risk of an instrument has significantly increased (*SICR*) and in the measurement of expected credit losses, forward-looking information and macroeconomic scenarios are included in the model. MuniFin Group has updated its scenarios for Finland to take into account Russia's invasion of Ukraine and changed market situation in the calculation of expected credit losses. These macroeconomic projections cover a period of 3 years and as no reliable macroeconomic projections exceeding a three-year time horizon are available, forward-looking adjustment will be limited to a three-year period. Mainly three scenarios are used; base, optimistic and adverse. Scenarios include probability weights. The scenario probability weightings are described in the following table.

	30 Jun 2022			31 Dec 2021		
SCENARIO	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
Adverse	40%	40%	40%	40%	40%	40%
Base	50%	50%	50%	50%	50%	40%
Optimistic	10%	10%	10%	10%	10%	20%

The Group has identified key drivers of credit losses for each portfolio that share similar kind of credit risk characteristics and estimated the relationship between macroeconomic variables and credit losses. ECL model consists of the following macroeconomic variables for Finnish counterparties of financial assets; Finnish government long-term rate, the development of residential housing prices and unemployment rate. For non-Finnish financial assets, stress test scenarios published by the European Central Bank are employed in the model and scenario parameters. Each variable covers an estimate over a period of three years. The following table presents the macroeconomic variables and their forecasts over the three-year forecast period.

		30 Jun 2022			31 Dec 2021		
MACROECONOMIC VARIABLES	**Scenario**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
10Y Fin Government rate, %	Adverse	2.65	2.35	2.15	1.2	0.5	0.25
	Base	1.6	1.7	1.75	0.25	0.6	0.75
	Optimistic	1.5	1.65	1.75	0.75	1.1	1.15
Residential Real Estate (selling price, YoY change), %	Adverse	-5.0	-10.0	1.5	-8.0	-7.0	-2.0
	Base	1.0	1.5	1.5	-2.0	-3.0	-1.4
	Optimistic	3.5	3.0	2.5	3.5	3.0	1.5
Unemployment rate, %	Adverse	8.5	9.5	9.0	8.7	9.2	8.5
	Base	7.0	6.8	6.6	6.9	6.5	6.3
	Optimistic	6.3	6.0	5.8	6.5	6.0	5.8

The Russian invasion of Ukraine has fundamentally changed the outlook of the Finnish economy. Not only has consumer confidence weakened, but business expectations have also taken a slight downward turn. Despite the challenging outlook, however, the Finnish economy is facing the future from a better position than it did when the COVID-19 pandemic hit. The service sector has revitalised after COVID restrictions were lifted, and many industries still have strong order books. The Finnish economy is relatively strong, but the growth outlook is bound to deteriorate because of the war in Ukraine, the rising inflation and the rapidly tightening monetary policy. MuniFin Group expects output to grow 1.0% in 2022 and only 0.5% in 2023. From 2024 onwards, the economy will gradually converge back to its long-term growth path and the annual pace of expansion will be around 1.5%.

Moderate decline in unemployment is expected to continue over the projection horizon. In the near term, high energy and commodity prices continue to contribute to inflationary pressures. In the base scenario, Finnish consumer prices rise 5.0% in 2022. Annual CPI inflation is expected to decline to 2.1% in 2023 and stabilize below 2% in 2024–2025. To make sure that future inflation expectations remain well anchored, the European Central Bank (*ECB*) is expected to raise interest rates relatively rapidly in the second half of 2022. The pace of monetary tightening slows down from 2023 onwards as cost pressures gradually ease off. On the national level, higher interest rates mitigate households' home buying intentions. Home price inflation moderates to 1.0% in 2022. For the rest of the forecasting period, the annual increase in home prices is expected to reach 1.5%.

Compared to the base scenario, the Group's upside (optimistic) scenario factors in the economic impact of the war in Ukraine to be less severe and inflationary pressures to ease somewhat quicker. As a result, the Finnish GDP would grow faster in the subsequent two years (2.0% in both 2022 and 2023). In the upside scenario, unemployment rate declines below the pre-pandemic level of 6.7% already in 2022. Consumer price inflation accelerates to 4.5% in 2022 but cools down back to 2.0% next year. Despite rising interest rates, relatively steady housing demand keeps home price inflation within 3.0–3.5% range in 2022–2023. Thereafter, consumer and home prices rise at about 2.0–2.5% pace in 2024–2025. As inflation starts declining earlier, monetary tightening in the optimistic scenario is less front-loaded than in base scenario. As a result, market interest rates also rise more slowly.

MuniFin Group's downside (adverse) scenario represents a deeply stagflationary outcome where the war in Ukraine leads to more persistent inflation and a contracting real economy. Economic recession continues well into 2023. Unemployment rises more and remains high much longer than in the base scenario. Rising energy and food prices trigger a wage inflation spiral, making it harder for the ECB to get future inflation expectations under control. The ECB is forced to hike interest rates much faster than in the base case, deepening the contraction in GDP. CPI inflation remains well above ECB's target through 2023. Lack of demand in the housing market leads to a sharp decline in home prices. Prolonged global recession creates tensions in financial markets, giving rise to wider risk premia in asset pricing.

The following table below presents the sensitivity of expected credit losses assuming 100% weight for the adverse scenario until the end of 2024 (2023).

SENSITIVITY ANALYSIS (EUR 1,000)	30 Jun 2022		31 Dec 2021	
	Weighted scenario	Adverse scenario (100%)	Weighted scenario	Adverse scenario (100%)
ECL	1,113	2,000	859	1,150
Proportion of the exposure in Stage 2 and 3	0.91%	2.15%	0.86%	1.15%

The sensitivity analysis does not include the additional discretionary provisions (*management overlay*).

Non-performing and forborne exposures

Non-performing and forborne exposures refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne exposures due to the customer's financial difficulties.

NON-PERFORMING AND FORBORNE EXPOSURES 30 JUN 2022 (EUR 1,000)	Performing exposures (gross)	Non-performing exposures (gross)	Total exposures (gross)	Total expected credit losses	Total exposures (net)
Over 90 days past due	-	12,062	12,062	-169	11,893
Unlikely to be paid	-	75,040	75,040	-3	75,038
Forborne exposures	47,664	10,826	58,491	-136	58,355
Total	**47,664**	**97,929**	**145,593**	**-307**	**145,286**

NON-PERFORMING AND FORBORNE EXPOSURES 31 DEC 2021 (EUR 1,000)	Performing exposures (gross)	Non-performing exposures (gross)	Total exposures (gross)	Total expected credit losses	Total exposures (net)
Over 90 days past due	-	16,813	16,813	-82	16,731
Unlikely to be paid	-	85,559	85,559	-8	85,551
Forborne exposures	61,862	25,849	87,711	-238	87,473
Total	**61,862**	**128,221**	**190,083**	**-328**	**189,755**

Forbearance measures are concessions to original contractual payment terms agreed at the customers' initiative to help the customer through temporary payment difficulties. Performing forborne exposures include forborne exposures reclassified as performing during their probation period or forbearance measures made into a performing loan. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy.

The COVID-19 pandemic affected the financial situation and liquidity of MuniFin Group's customers. The Group therefore offered concessions to the payment terms of loans to those customers whose finances had been temporarily affected by the pandemic. Only a few individual repayment holidays have been extended during 2021 and in the first half of 2022. The uncollected installments were mainly transferred to the end of the loan term to be paid in connection with the last installment. No lease concessions were granted to the Group's leasing customers.

Realised credit losses

The Group has not had any final realised credit losses during the reporting period or the comparison period.

Note 11. Liabilities to credit institutions

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Bilateral loans to credit institutions	110,295	59,906
TLTRO *	2,000,000	2,000,000
Received collateral on derivatives	554,650	741,110
Total	**2,664,945**	**2,801,016**

* In September 2020, MuniFin participated in the third series of targeted longer-term refinancing operations that is, the so-called TLTRO III operation (No. 5) with EUR 1.25 billion. In June 2021, MuniFin participated in TLTRO III operation (No. 8) with EUR 750 million. According to the terms of the TLTRO III operation, if eligible net lending is positive during the reference period (1 March 2020–31 March 2021) the interest rate for TLTRO III debt is 0.5% lower than the average deposit facility rate for borrowings between 24 June 2020 and 23 June 2021. This would equate to an all-in rate of -1%. On 10 December 2020, the ECB issued an update to the terms and conditions so that the low-interest period was extended from 24 June 2021 to 23 June 2022, if the conditions for net lending were met in the reference period from 1 October 2020 to 31 December 2021.

The interest rate until 23 June 2022 was determined based on the net lending review period expired on 31 December 2021. MuniFin Group met the net lending criteria for this period to the lower interest rate and recognises the interest with the -1% rate. The final interest rate will be determined when the TLTRO III debt matures.

Although the interest rate for the TLTRO III debt described above is favorable for MuniFin Group, it is assessed not to differ from the Group's other funding price to the extent that the Group would have received a government grant in accordance with IAS 20. Therefore, the Group treats TLTRO III debt in its entirety as an IFRS 9 financial liability.

Note 12. Debt securities issued

(EUR 1,000)	30 Jun 2022 Carrying amount	30 Jun 2022 Nominal value	31 Dec 2021 Carrying amount	31 Dec 2021 Nominal value
Bonds	32,369,425	35,091,362	31,508,271	32,041,076
Other *	3,535,640	3,665,147	3,819,254	3,820,738
Total	**35,905,065**	**38,756,509**	**35,327,525**	**35,861,814**

* Line item contains short-term funding issued by MuniFin.

All funding issued by MuniFin is guaranteed by the Municipal Guarantee Board.

BENCHMARK ISSUANCES DURING THE REPORTING PERIOD	Value date	Maturity date	Interest-%	Nominal value (1,000)	Currency
Fixed rate benchmark bond, issued under the MTN programme	25 Jan 2022	25 Feb 2032	0.25%	1,000,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	17 May 2022	17 May 2029	1.5%	500,000	EUR

In the above table, the benchmark issuances are included by the settlement date. The offering circular is available in English on the website at www.munifin.fi/investor-relations.

Note 13. Provisions and other liabilities

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Provisions		
Restructuring provision	-	-
Other provisions	5,546	446
Other liabilities		
Lease liabilities	3,824	4,528
Cash collateral taken from CCPs	517,189	333,295
Other	12,430	11,062
Total	**538,989**	**349,331**

Line item *Other provisions* relates to a tax interpretation issue for which the Group requested a preliminary ruling and for which the Group is waiting for the final decision of the Supreme Administrative Court, and to the terminated IT project for which the Group has recognised a provision based on conservative estimate.

	Restructuring provision		Other provisions	
(EUR 1,000)	1 Jan–30 Jun 2022	1 Jan–31 Dec 2021	1 Jan–30 Jun 2022	1 Jan–31 Dec 2021
Carrying amount in the beginning of the reporting period	-	562	446	-
Increase in provisions	-	-	5,100	446
Provisions used	-	-562	-	-
Carrying amount at the end of the reporting period	**-**	**-**	**5,546**	**446**

During the financial year 2021, the restructuring provision related to the reorganisation of the Group's operations in financial year 2020 was fully used.

Note 14. Capital instruments

30 JUN 2022 (EUR 1,000)	Currency	Nominal value	Carrying amount	Interest rate	Earliest repayment
AT1 capital instrument	EUR	-	-	-	-
Total		**-**	**-**		

31 DEC 2021 (EUR 1,000)	Currency	Nominal value	Carrying amount	Interest rate	Earliest repayment
AT1 capital instrument	EUR	350,000	347,454	Fixed	1 Apr 2022
Total		**350,000**	**347,454**		

MuniFin redeemed its EUR 350 million Perpetual Fixed rate Resettable Additional Tier 1 Securities originally issued on 1 October 2015. The redemption date was 1 April 2022, which is the first repayment date of the Securities in accordance with the terms and conditions thereof. The Securities were redeemed at 100% of the aggregate nominal amount together with accrued and unpaid interest until the redemption date.

Instrument's terms and conditions:
The capital instrument issued by the Parent Company is an unsecured debenture loan included under Additional Tier 1 capital, with special terms designed to fulfil the requirements set for so-called AT1 capital loans in the Capital Requirements Regulation (EU 575/2013). The loan does not have a maturity date. Interest on the loan may only be paid out of distributable funds in accordance with the terms set in the Capital Requirements Regulation, and MuniFin will decide whether interest will be paid on the interest payment date. The cancellation of interest payments is final, and unpaid interest will not be added to the loan capital. The loan capital will be written off if the proportion of MuniFin's Common Equity Tier 1 (CET1) capital to risk-weighted assets falls below 5.125%. MuniFin may decide to reinstate the written off loan capital partially or entirely if the Capital Requirements Regulation permits this based on an improvement in MuniFin's finances. MuniFin has the right but not the obligation to repay the loan on 1 April 2022 or, after that, annually on the interest payment date, as long as the buyback is approved in advance by the regulatory authority. The regulatory authority may authorise the repayment of the loan also for particular reasons, for example if legislation or regulatory practice should change in such a way that MuniFin loses the right to deduct the interest in full, or if MuniFin should be forced to make the additional payments mentioned in the loan terms. The authorities may also permit repayment of the loan if the loan's official classification changes in such a way that the loan would be likely to be excluded from MuniFin's own funds, or if it is reclassified as lower-value funds. The loan capital, interest payments and other repayments shall take lower priority than all other higher-level debts in case of MuniFin's dissolution or bankruptcy. AT1 capital loan is recognised in equity in the Consolidated Financial Statements. In Parent Company's Financial Statements AT1 capital loan is recognised under balance sheet item *Subordinated liabilities.*

Note 15. Collateral given

GIVEN COLLATERALS ON BEHALF OF OWN LIABILITIES AND COMMITMENTS (EUR 1,000)	30 Jun 2022	31 Dec 2021
Loans and advances to credit institutions to the counterparties of derivative contracts *	1,641,302	1,310,576
Loans and advances to credit institutions to the central bank **	35,082	35,984
Loans and advances to the public and public sector entities to the central bank **	4,402,226	4,716,147
Loans and advances to the public and public sector entities to the Municipal Guarantee Board ***	11,315,043	11,474,101
Other assets to the counterparties of derivative contracts *	984,686	238,930
Total	**18,378,339**	**17,775,738**

* MuniFin Group has pledged a sufficient amount of collateral to the counterparties of derivative contracts based on the CSA agreements of the derivative contracts (*ISDA/Credit Support Annex*).
** MuniFin is a monetary policy counterparty approved by the central bank and for this purpose, a sufficient amount of collateral has been pledged to the central bank for possible operations related to his counterparty position.
*** MuniFin Group has pledged a sufficient amount of loans shown in the table to the Municipal Guarantee Board. The Municipal Guarantee Board guarantees MuniFin's funding and MuniFin places collateral for the Municipal Guarantee Board's guarantees as defined in the Act on the Municipal Guarantee Board.

Collateral given is presented at the carrying amounts of the reporting date.

Note 16. Contingent assets and liabilities

The Group has no contingent assets or liabilities at 30 June 2022. Previously, the accrued interest on AT1 capital instrument, issued by the Parent Company, comprised contingent liability at the reporting date. The contingent liability was realised as a deduction of equity once the Parent Company decided on the payment of interest. AT1 capital instrument was redeemed at 1 April 2022. At 31 December 2021, MuniFin had a contingent liability of EUR 9,459 thousand.

Note 17. Off-balance-sheet commitments

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Credit commitments	2,675,510	2,592,877
Total	**2,675,510**	**2,592,877**

Note 18. Related-party transactions

MuniFin Group's related parties include:

* MuniFin's shareholders whose ownership and corresponding voting rights in the Company exceed 20%.
* The key management personnel including the CEO, the Deputy to the CEO, other members of the Executive Management Team, members of the Board of Directors, the spouses, children and dependents of these persons and the children and dependents of these persons' spouses.
* Entities, which are directly or indirectly controlled or jointly controlled by the above-mentioned persons or where these persons have significant influence.
* MuniFin's related party is also its Subsidiary Financial Advisory Services Inspira Ltd.

The Group's operations are restricted by the Act on the Municipal Guarantee Board and the framework agreement concluded between MuniFin and the Municipal Guarantee Board, pursuant to which MuniFin may only grant loans to parties stipulated by law (municipalities, joint municipal authorities, corporations that are wholly owned by municipalities or under their control, wellbeing services counties and joint county authorities for wellbeing services, other units of wellbeing services counties that are wholly owned or under control of wellbeing services county administration and wellbeing services enterprises, and corporations designated by government authorities and engaged in the renting or production and maintenance of housing on social grounds).

The Group has carried out only employment-based remuneration transactions with the related party persons. The Group does not have loan or financial receivables from these related parties. Transactions with Inspira comprise fees related to administrative services, and advisory services MuniFin has purchased from Inspira.

There have been no material changes in the related party transactions after 31 December 2021.

Note 19. Events after the reporting period

MuniFin's Board of Directors is not aware of any events having taken place after the end of the reporting period that would have a material effect on the Group's financial standing.

Report on review of the interim financial information of Municipality Finance Plc as of and for the six-month period ending 30 June 2022

To the Board of Directors of Municipality Finance Plc

Introduction

We have reviewed the consolidated balance sheet as of 30 June 2022 and the consolidated income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement of Municipality Finance Plc for the six-month period then ended, as well as explanatory notes to the interim financial information. The Board of Directors and the Managing Director are responsible for the preparation of this interim financial information in accordance with the IAS 34 Interim Financial Reporting -standard. We will express our conclusion on the interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain an assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information has not been prepared in accordance with the IAS 34 Interim Financial Reporting standard.

Helsinki 5 August 2022

KPMG OY AB

Tiia Kataja
Authorised Public Accountant, KHT