



MUNICIPALITY FINANCE PLC
(Kuntarahoitus Oyj)

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

€30,000,000,000

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 11 May 2018 (the "**Base Offering Circular**") as supplemented by a supplemental offering circular dated 14 September 2018 (together with the Base Offering Circular, the "**Offering Circular**") is prepared in connection with the €30,000,000,000 Programme for the Issuance of Debt Instruments established by Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**"). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

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

The Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), nor listing particulars given in compliance with the listing rules (the "**Listing Rules**") made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**FCA**"). Accordingly, this Supplement does not constitute a base prospectus supplement for the purposes of Article 16 of the Prospectus Directive or supplementary listing particulars for the purposes of Article 81 of the FSMA.

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

To the extent that there is any inconsistency between (a) any statements in 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 inaccuracy relating to information included in the Offering Circular has arisen or been noted since the publication of the Offering Circular.

AMENDMENTS TO THE OFFERING CIRCULAR

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

Selected Financial Information Relating to the Group

The section headed "Selected Financial Information Relating to the Group" starting on page 76 of the Base Offering Circular shall be deemed to be supplemented by the addition of the following information.

KEY PERFORMANCE INDICATORS

	<u>As at 30 June</u>	<u>As at 31 December</u>
	<u>2018</u>	<u>2017</u>
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets (%) ⁽⁸⁾	61.01	53.01
Ratio of Tier 1 (T1) capital to risk-weighted assets (%) ⁽⁹⁾	81.89	72.50
Ratio of total own funds to risk-weighted assets (%) ⁽¹⁰⁾	81.89	72.50

⁽⁸⁾ Ratio of Common Equity Tier 1 to risk-weighted assets (per cent.) equals total Common Equity Tier 1 capital divided by risk-weighted assets.

⁽⁹⁾ Ratio of Tier 1 capital to risk-weighted assets (per cent.) equals total Tier 1 capital divided by risk-weighted assets.

⁽¹⁰⁾ Ratio of total own funds to risk-weighted assets (per cent.) equals total own funds divided by risk-weighted assets.

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 79 of the Base Offering Circular shall be deemed to be supplemented by the addition of the following information.

Capital Adequacy

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

Consolidated own funds

	<u>As at 30 June</u>	<u>As at 31 December</u>
	<u>2018</u>	<u>2017</u>
	<i>(Euro '000)</i>	
Common Equity Tier 1 (CET1) before regulatory adjustments.....	1,056,759	976,260
Total regulatory adjustments to Common Equity Tier 1 (CET1).....	(41,196)	(30,741)
Common Equity Tier 1 (CET1) capital	1,015,564	945,519
Additional Tier 1 (AT1) capital before adjustments.....	347,454	347,454
Adjustments to Additional Tier 1 (AT1) capital.....	-	-
Additional Tier 1 (AT1) Capital	347,454	347,454
Tier 1 (T1) Capital	1,363,017	1,292,973
Tier 2 (T2) Capital	-	-
Total own funds	1,363,017	1,292,973

Minimum requirement for own funds, Group

	30 June 2018		31 December 2017	
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets
	<i>(Euro '000)</i>			
Credit and counterparty risk, standardised approach	80,384	1,004,800	88,603	1,107,536
Exposure to central governments or central banks	-	-	302	3,780
Exposure to regional governments or local authorities.....	342	4,272	332	4,153
Exposures to public sector entities	5,166	64,580	4,742	59,271
Exposure to multilateral development banks.....	953	11,909	953	11,914
Exposures to institutions	54,126	676,570	62,294	778,671
Exposures in the form of covered bonds	19,242	240,526	19,063	238,284
Items representing securitisation positions	23	287	104	1,296
Exposures in the form of shares in CIUs	96	1,194	103	1,286
Other exposures	437	5,462	710	8,881
Market risk	-	-	-	-
Credit valuation adjustment risk (CVA VaR), standard method	22,131	276,640	27,294	341,179
Operational risk, basic indicator approach	30,644	383,048	26,783	334,786
Total	133,159	1,664,489	142,680	1,783,501

Consolidated key figures for capital adequacy

	As at 30 June	As at 31 December
	2018	2017
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	61.01	53.01
Ratio of Tier 1 capital (T1) to risk-weighted assets, %	81.89	72.50
Ratio of total own funds to risk-weighted assets, %	81.89	72.50

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

Key figures for capital adequacy, parent company

	As at 30 June	As at 31 December
	2018	2017
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	61.95	53.46
Ratio of Tier 1 capital (T1) to risk-weighted assets, %	83.20	73.15
Ratio of total own funds to risk-weighted assets, %	83.20	73.15