Supplemental Offering Circular dated 6 September 2021

MUNICIPALITY FINANCE PLC
(Kuntarahoitus Oyj)

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

€40,000,000,000
Programme for the Issuance of Debt Instruments

Guaranteed by

THE MUNICIPAL GUARANTEE BOARD
(Kuntien takauskeskus)

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

This supplement (the "**Supplement**") to the offering circular dated 5 May 2021 (the "**Offering Circular**") is prepared in connection with the €40,000,000,000 Programme for the Issuance of Debt Instruments established by Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**"). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

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

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 the date of this Supplement, 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 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 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" staring 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 and standalone Finnish GAAP financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the six months ended 30 June 2021 and 30 June 2020 (the "**Interim 2021 Financials**") which are appended to this Supplement.

Exchange Rates

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

	Low	**High**
	(U.S. dollars per euro)	
May 2021	1.2005	1.2264
June 2021	1.1884	1.2225
July 2021	1.1766	1.1891
August 2021	1.1671	1.1886
September 2021 (through to 2 September)	1.1817	1.1846

The euro versus the U.S. dollar European Central Bank exchange rate on 2 September 2021 was U.S.$1.1846 per Euro 1.00.

Risk Factors

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

The risk factor titled "The Group may be exposed to risks arising from the current global COVID-19 pandemic" on page 14 of the Offering Circular shall be deemed to be amended by deleting the second paragraph and replacing it with the following:

The ongoing pandemic will have a significant impact on the Finnish economy as has been the case around the world. In May 2021, the Ministry of Finance published that Finnish economy contracted by 2.8 per cent. in 2020 and it estimated that the Finnish economy will not fully recover from the COVID-19 pandemic until the end of 2021 as the substantial increase in new cases in spring 2021 will continue to negatively impact economic activities. The Finnish economy is projected to return to normal during 2022. In addition, the Ministry of Finance predicted that general government deficit will remain high in 2021 as the support measures prompted by the COVID-19 pandemic and the reduction of the service and care backlog has accumulated during the pandemic and will keep public expenditure at high level, and as a result Finnish municipalities will bear a large proportion of the resultant costs. Given the evolving nature of the pandemic, it is difficult to predict the long term impact it will have on the Finnish economy. The recent estimates of the Ministry of Finance were based on an assumption that the COVID-19 incidence will fall to a low level as a result of restrictions, vaccinations and seasonal variation of the disease. As the COVID-19 pandemic remains ongoing as of the date of this Supplement, the estimates expressed herein are subject to change. The ongoing effects of coronavirus and the 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 15 of the Offering Circular shall be deemed to be amended by replacing it with 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 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 municipalities to wellbeing services counties. The new legislation includes, inter alia, amendments to the MGB Act which are meant to allow the Issuer to continue to act as a lender/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 are expected to have government authorisation and guarantees for borrowing. The recently passed bill does not yet allow the Issuer to finance new investments (made after 1 January 2023) in the wellbeing services counties. However, according to the government’s proposal to further amend the MGB Act, this is the intention. At the date of this Supplement, the matter is still being prepared and the related draft legislative proposal is currently under discussion. The practical implementation of the reform still includes some details that make it impossible to estimate the reform’s effects in more detail.

While the outcome of the reform might potentially have an effect on the Group's volumes and financial results in the future, the Group does not expect its results of operations or financial condition in 2021 to be materially impacted by the reform. In 2022, the reform is expected to be reflected in the Group’s operations more as practical preparation rather than financial effects.

The risk factor titled "Increased capital requirements and standards" starting on page 15 of the Offering Circular shall be deemed to be amended by deleting last three sentences of the tenth paragraph and replacing them 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. The Issuer’s new status as a public development credit institution may have an effect on its capital structure and its relationship with the MGB, inter alia, by way of changes to the guarantee premium.

The risk factor "In respect of any Notes issued with a specific use of proceeds, such as a green bond or a social bond, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor" shall be deemed to be amended by adding the following as an additional, final paragraph:

For the avoidance of doubt, (i) there is no direct or contractual link between Notes issued with a specific use of proceeds, such as a green bond or a social bond, and Eligible Projects, and consequently neither payments of principal and interest on, nor an investor's right to accelerate repayment of such Notes shall depend on the performance of the relevant Eligible Projects or the use of proceeds, (ii) such Notes will be subject to the bail-in tool and to write down and conversion powers, and in general to the powers that may be exercised by the relevant resolution to the same extent and with the same ranking as any other Note, (iii) such Notes and the proceeds of such Notes will be fully available to cover any and all losses arising on the balance sheet of the Issuer regardless of their "green", "social" or other similar label, and (iv) a specific use of proceeds will not affect the regulatory treatment of such Notes and will not have any impact on their status as indicated in Condition 4 (*Status*) of the Terms and Conditions of the Notes.

Capitalisation and Indebtedness

The section headed "Capitalisation and Indebtedness" starting on page 96 of the Offering Circular shall be deemed to be replaced with the following information:

The following table sets forth consolidated cash and balances with central banks and capitalisation (including short-term debt, long-term debt and shareholders' equity) of the Issuer as at 30 June 2021.

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 2021 Financials and the notes to that statement included elsewhere in this Supplement.

	As at 30 June 2021
	(Euro '000)
Cash and balances with central banks	**7,682,899**
Indebtedness:	
Liabilities to credit institutions	2,592,042
Liabilities to the public and public sector entities	3,614,197
Debt securities issued	34,607,135
Total indebtedness	**40,813,374**
Shareholders' equity	
Share capital	42,583
Reserve fund	277
Fair value reserve of investments	614
Own credit revaluation reserve	(3,616)
Cost-of-hedging reserve	17,284
Reserve for invested non-restricted equity	40,366
Retained earnings	1,347,551
Total equity attributable to parent company equity holders	**1,445,059**
Other equity instruments issued	**347,454**
Total equity	**1,792,513**
Total Capitalisation(1)	**42,605,886**

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

Selected Financial Information Relating to the Group

The section headed "Selected Financial Information Relating to the Group" starting on page 97 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 2021 as derived from the Interim 2021 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 2021 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.

IBOR reform is a global change aimed at replacing Interbank Offered Rates (IBORs) with alternative nearly risk-free rates (RFR). The impact of the IBOR reform on the Group and the transition project are discussed in detail in the Consolidated Financial Statements 2020 (Note 1) in Section IBOR reform. The Group has applied the IBOR reform related phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards as of 31 December 2020.

INCOME STATEMENT DATA

	For the six months ended 30 June	
	2021	2020
	(Euro '000)	
Interest and similar income	256,572	286,339
Interest and similar expense	(118,381)	(162,965)
NET INTEREST INCOME	**138,191**	**123,374**
Commission income	899	1,903
Commission expense	(2,426)	(2,424)
Net income from securities and foreign exchange transactions	17,148	(29,931)
Net income on financial assets at fair value through other comprehensive income	-	(3)
Net income from hedge accounting	4,887	(1,618)
Other operating income	75	47
Administrative expenses	(17,813)	(15,641)
Depreciation and impairment on tangible and intangible assets	(2,852)	(2,795)
Other operating expenses	(10,560)	(10,681)
Credit loss and impairments on other financial assets	(62)	36
NET OPERATING PROFIT	**127,487**	**62,266**
Income tax expense	(25,560)	(12,458)
PROFIT FOR THE PERIOD	**101,927**	**49,809**

CONSOLIDATED FINANCIAL POSITION DATA

	As at 30 June	As at 31 December
	2021	2020
	(Euro '000)	
ASSETS		
Cash and balances with central banks	7,682,899	5,565,801
Loans and advances to credit institutions	1,512,763	1,841,853
Loans and advances to the public and public sector entities	28,581,532	28,022,325
Debt securities	5,464,158	5,763,214
Shares and participations	-	27
Derivative contracts	1,915,792	2,358,163
Intangible assets	20,045	17,346
Tangible assets	8,868	10,364
Other assets	272,130	259,785
Accrued income and prepayments	199,488	203,547
TOTAL ASSETS	**45,657,674**	**44,042,426**
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	2,592,042	2,001,478
Liabilities to the public and public sector entities	3,614,197	3,884,026
Debt securities issued	34,607,135	32,911,906
Derivative contracts	2,274,128	2,860,570
Provisions and other liabilities	331,651	247,021
Accrued expenses and deferred income	145,216	152,398
Deferred tax liabilities	300,793	279,906
TOTAL LIABILITIES	**43,865,162**	**42,337,306**
EQUITY		
Share capital	42,583	42,583
Reserve fund	277	277
Fair value reserve of investments	614	847
Own credit revaluation reserve	(3,616)	(255)
Cost-of-hedging reserve	17,284	15,624
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	1,347,551	1,258,224
Total equity attributable to parent company equity holders	**1,445,059**	**1,357,666**
Other equity instruments issued	**347,454**	**347,454**
TOTAL EQUITY	**1,792,513**	**1,705,120**
TOTAL LIABILITIES AND EQUITY	**45,657,674**	**44,042,426**

CONSOLIDATED CASH FLOW DATA

	For the six months ended 30 June	
	2021	2020
	(Euro '000)	
Cash flow from operating activities	2,071,302	(1,249,874)
Cash flow from investing activities	(3,958)	(3,459)
Cash flow from financing activities	(16,648)	(22,864)
Change in cash and cash equivalents	2,050,696	(1,276,198)
Cash and cash equivalents at 1 January	5,730,680	4,990,649
Cash and cash equivalents at 30 June	7,781,376	3,714,451

KEY PERFORMANCE INDICATORS

	As at and for the six months ended 30 June	
	2021	2020
Turnover (mEUR)(1)	280	257
Net interest income (mEUR)*	138	123
% of turnover	49.4	48.1
Net operating profit (mEUR)*	127	62
% of turnover	45.6	24.3
Unrealised fair value changes (mEUR)* (2)	20	(31)
Net operating profit excluding unrealised fair value changes (mEUR)* (3)	108	93
Cost-to-income ratio* (4)	0.2	0.3
Cost-to-income ratio excluding unrealised fair value changes*(5)	0.2	0.2
Long-term customer financing (mEUR)* (6)	28,582	26,743
New lending (mEUR)* (7)	1,601	2,543
Total funding (mEUR)* (8)	40,281	35,805
New long-term funding (mEUR)* (9)	6,025	5,504
Equity (mEUR)	1,793	1,610
Total balance sheet (mEUR)	45,658	41,288
Total liquidity (mEUR)* (10)	11,736	8,311
Liquidity Coverage Ratio (%) (LCR)(11)	300.2	353.9
Equity ratio (%)*(12)	3.9	3.9
CET1 capital (mEUR)	1,346	1,172
Tier 1 capital (mEUR)	1,694	1,519
Total own funds (mEUR)	1,694	1,519
CET1 capital ratio (%)(13)	91.1	87.8
Tier 1 capital ratio (%)(14)	114.7	113.8
Total capital ratio (%)(15)	114.7	113.8
Leverage ratio (%)(16)	12.6	3.8
Personnel	163	167

*Alternative Performance Measures, non-GAAP.

The required definitions and reconciliations of the APMs are presented on pages 37 to 43 of the Issuer's half year report for 2021.

(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	
	2021	2020
	(*Euro millions*)	
Net operating profit	127	62
Unrealised fair value changes	20	(31)
Net operating profit excluding unrealised fair value changes	**108**	**93**

(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	
	2021	**2020**
Costs (excluding Commission expenses) (mEUR)	31	29
Divided by		
(Income (including Net commission income) (mEUR)	159	91
Unrealised fair value changes(mEUR))	20	(31)
Cost-to-income ratio excluding unrealised fair value changes	**0.2**	**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 finance) 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 risk exposure amount.

(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 excluding exposures of public development bank (promotional loans).

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

The following section shall be added to the "Management's Discussion and Analysis of the Financial Position and Results of Operation of the Group" on page 102 of the Offering Circular, before the section headed "Significant Factors Affecting Operating and Financial Results":

Current trading

Due to the business growth, steady funding activities and a favourable interest rate environment, the Group's net interest income is expected to increase from 2020. In addition, costs in full year 2021 are expected to grow from the exceptionally low level of 2020, as investments in IT systems and operational reliability as well as the marked rise in the Single Resolution Fund contributions are all expected to increase expenses. Overall, for the full year 2021, The Group expects its net operating profit excluding unrealised fair value changes to remain at the same level as or higher than in 2020. The valuation principles set in IFRS regulatory framework may cause significant but temporary unrealised fair value changes, some of which are expected to increase the volatility of net operating profit and make it more difficult to estimate in the short term. The Group expects its capital adequacy ratio and leverage ratio to remain very strong at year end 2021. For more information about forward-looking statements, please 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 102 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 103 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 loans made in the six months ended 30 June 2021 was lower than in the same period in the prior year at Euro 1,601 million (Euro 2,543 million in the six months ended 30 June 2020). As of 30 June 2021, the Group's long-term loan portfolio stood at Euro 27,356 million (31 December 2020: Euro 26,931 million).

The subsection headed "The volume of the Group's lending and its market share" starting on page 103 of the Offering Circular shall be deemed to be further supplemented by deleting last three sentences of the fifth paragraph and by replacing the sixth 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 municipalities to wellbeing services counties. The new legislation includes, inter alia, amendments to the MGB Act which are meant to allow the Issuer to continue to act as a lender/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 and guarantees for borrowing. The recently passed bill does not yet allow the Issuer to finance new investments (made after 1 January 2023) in the wellbeing services counties. However, according to the government's proposal to further amend the MGB Act, this is the intention. At the date of this Supplement, the matter is still being prepared and the related draft legislative proposal is currently under discussion. The practical implementation of the reform still includes some details that make it impossible to estimate the reform's effects in more detail.

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 105 of the Offering Circular shall be deemed to be amended by the addition of following:

The Group's total funding as at 30 June 2021 was Euro 40,281 million. The Group hedges against all currency risks by using derivative contracts to translate foreign currency denominated funding into euros. In practice, Group's operations are not exposed to exchange rate risks, but a small temporary exchange rate risk may arise due to collateral management in the clearing of derivatives by central counterparty. Also, while the Group's lending and funding is in both floating and fixed interest rates, the Group hedges all of its fixed rate interest exposure (both borrowings and loans to customers) to floating rate. The Group's strategy for interest-rate risk in the banking book (IRRBB) is to ensure sustainable profitability regardless of the level of interest rates. Given the strategy of earnings stabilisation, the Group may decide on creating a strategic mismatch position for its banking book, i.e. leaving fixed rate exposures unhedged in order to steer the Group's net interest income towards the objective of earnings stabilisation.

As a result of these activities, the Group had derivative contracts with a nominal value of Euro 70,009.7 million as at 30 June 2021.

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

	As at 30 June 2021		
	Nominal value	Fair Value	
	Total	Positive	Negative
		Euro ('000)	
Contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	33,110,551	879,596	(369,597)
of which cleared by the central counterparty	29,853,138	731,220	(275,478)
Currency derivatives			
Cross currency interest rate swaps	10,778,797	332,429	(830,824)
Total contracts in hedge accounting	**43,889,308**	**1,212,024**	**(1,200,421)**
Contracts at fair value through profit or loss[(1)]			
Interest rate derivatives			
Interest rate swaps	17,264,071	553,398	(397,796)
of which cleared by the central counterparty	10,483,775	10,521	(204,287)
Interest rate options	40,000	92	(92)
Currency derivatives			
Cross currency interest rate swaps	4,272,415	111,841	(627,349)
Forward exchange contracts	3,664,802	38,456	(3,407)
Equity derivatives	879,136	(19)	(45,064)
Total contracts at fair value through profit or loss	**26,120,424**	**703,768**	**(1,073,707)**
Total derivative contracts	**70,009,732**	**1,915,792**	**(2,274,128)**

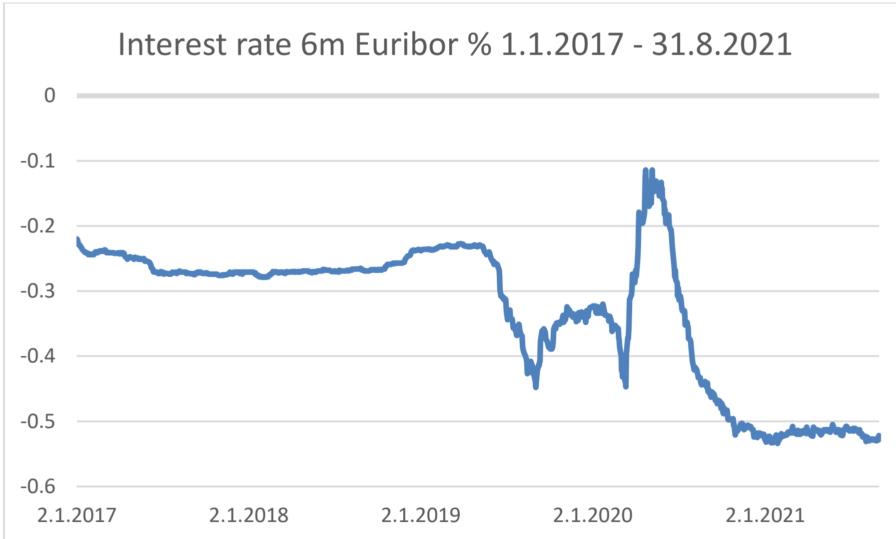
(1) Contracts that are measured at fair value through profit or loss contain all derivatives of the Group which are not included in hedge accounting, even if they are entered into for risk management purposes. The category contains derivatives used for hedging financial assets and liabilities which are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

While the Group uses derivatives only for hedging purposes, certain derivatives entered into by the Group do not qualify for hedge accounting and create volatility in the Group's income statement. This volatility is a function of the volatility of market interest rates and currency exchange rates and the related fair value changes of those derivatives which the Group must recognise on its income statement. The total nominal value of derivative contracts not included in hedge accounting under EU IFRS was Euro 26,120.4 million as at 30 June 2021. 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 and the first eight months of 2021.



The subsection headed "Interest rate movements" starting on page 107 of the Offering Circular shall be deemed to be amended by the addition of the following:

The Group decided to amend the terms and conditions of its long-term customer loans with variable interest rates. After the amendment, the interest rate floor at 0 per cent is applied to the sum of the relevant reference rate and the customer margin. Previously the floor was applied to the relevant reference rate only. The amendment will take effect on 1 October 2021 in respect of all loans granted after that date and in respect of existing variable rate loans as of the fixing date immediately following 1 October 2021. The amendments are not expected to significantly affect the Group's results for 2021. The change will result in the Group's customers benefitting from negative reference rates more than previously. The effect on the Group's results in the near future will depend on the development of market interest rates. The change became possible due to the CRR II that entered into force in June 2021 and recognised the Group's status as a public development credit institution, substantially decreasing the total exposure for the purposes of calculating the Group's leverage ratio. For further discussion on the status of public development credit institution see "*Risk Factors– Increased capital requirements and standards*".

Government Funding

The subsection headed "Government Funding" on page 109 of the Offering Circular shall be deemed to be amended by replacing the first paragraph with the following:

The ongoing COVID-19 pandemic has significantly impacted and is expected to continue to impact the Finnish economy. In May 2021, the Ministry of Finance published that Finnish economy contracted by 2.8 per cent. in 2020 and it estimated that the Finnish economy will not fully recover from the COVID-19 pandemic until the end of 2021 as the substantial increase in new cases in spring 2021 will continue to negatively impact economic activities. The Finnish economy is projected to return to normal during 2022. In addition, the Ministry of Finance predicted that general government deficit will remain high in 2021 as the support measures prompted by the COVID-19 pandemic and the reduction of the service and care backlog has accumulated during the pandemic and will keep public expenditure at high level, and as a result Finnish municipalities will bear a large proportion of the resultant costs. Although local government budgetary position turned into a surplus in 2020, that was largely the result of massive central government support measures and the savings generated by municipalities and in 2022, local government deficit is expected to grow again. Due to the ongoing nature of the COVID-19 pandemic, it remains difficult to estimate the impacts of the pandemic and accordingly 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 2021 versus the six months ended 30 June 2020

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 2021 versus the six months ended 30 June 2020:

	For the six months ended 30 June		Change 2020 to 2021
	2021	**2020**	
	(Euro '000)		*(%)*
Interest and similar income	256,572	286,339	(10.4)
Interest and similar expense	(118,381)	(162,965)	(27.4)
NET INTEREST INCOME	**138,191**	**123,374**	**12.0**
Commission income	899	1,903	(52.8)
Commission expense	(2,426)	(2,424)	0.1
Net income from securities and foreign exchange transactions	17,148	(29,931)	157.3
Net income on financial assets at fair value through other comprehensive income	-	(3)	-
Net income from hedge accounting	4,887	(1,618)	402.1
Other operating income	75	47	59.1
Administrative expenses	(17,813)	(15,641)	13.9
Depreciation and impairment on tangible and intangible assets	(2,852)	(2,795)	2.0
Other operating expenses	(10,560)	(10,681)	(1.1)
Credit loss and impairments on financial assets	(62)	36	(273.0)
NET OPERATING PROFIT	**127,487**	**62,266**	**104.7**
Income tax expense	(25,560)	(12,458)	105.2
PROFIT FOR THE PERIOD	**101,927**	**49,809**	**104.6**
Profit attributable to:			
Equity holders of the parent company	101,927	49,809	104.6

Net Interest Income

Net interest income increased by Euro 14.8 million, or 12.0 per cent., to Euro 138.2 million for the six months ended 30 June 2021, compared to Euro 123.4 million for the six months ended 30 June 2020 primarily due to the reasons set out below.

Interest income and expenses on assets

Interest income and expenses on assets decreased by Euro 20.8 million, or 50.4 per cent., to Euro 20.5 million for the six months ended 30 June 2021, compared to Euro 41.3 million for the six months ended 30 June 2020 primarily due to an increase in net interest expense payable on cash and balances with central banks, a decrease in net interest income on debt securities and an increase in negative net interest income on derivative contracts.

Net interest income from loans and advances to the public and public sector entities decreased by Euro 0.3 million, or 0.3 per cent., to Euro 96.4 million for the six months ended 30 June 2021, compared to Euro 96.7 million for the six months ended 30 June 2020.

Net interest income and expense 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 4.2 million, or 71.3 per cent., to Euro 1.7 million for the six months ended 30 June 2021 compared to net interest income from debt securities of Euro 5.9 million for the six months ended 30 June 2020 primarily due to a decrease in the amount of funds invested and a decrease in interest rates.

Net interest expense payable on derivative contracts increased by Euro 8.4 million, or 16.8 per cent., to Euro 58.6 million for the six months ended 30 June 2021, compared to Euro 50.1 million for the six months ended 30 June 2020 primarily due to changes in average interest rates.

Interest income and expenses on liabilities

Interest income and expense on liabilities increased by Euro 35.6 million, or 43.4 per cent., to Euro 117.7 million for the six months ended 30 June 2021, compared to Euro 82.1 million for the six months ended 30 June 2020, primarily due to a decrease in interest paid on debt securities issued which was partially offset by a decrease in interest income on derivative contracts.

Net interest income and expense on liabilities on derivative contracts decreased by Euro 28.4 million, or 8.3 per cent., to Euro 315.6 million for the six months ended 30 June 2021, compared to Euro 344.0 million for the six months ended 30 June 2020. This decrease was primarily due to changes in interest rates.

Net interest expense payable on liabilities from debt securities issued decreased by Euro 55.2 million, or 25.6 per cent., to Euro 160.3 million for the six months ended 30 June 2021, compared to Euro 215.5 million for the six months ended 30 June 2020. This decrease was primarily due to decrease in average interest rates.

Net income from securities and foreign exchange transactions

Net income from securities and foreign exchange transactions was a gain of Euro 17.1 million for the six months ended 30 June 2021, compared to a loss of Euro 29.9 million for the six months ended 30 June 2020. The change in net income from securities was primarily due to unrealised fair value changes.

Net income from hedge accounting

Net income from hedge accounting increased to a gain of Euro 4.9 million for the six months ended 30 June 2021, compared to a loss of Euro 1.6 million for the six months ended 30 June 2020. Net income from hedge accounting was affected by unrealised fair value changes, in particular by changes in interest rate expectations in the Group’s main funding markets.

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 163 total personnel as at 30 June 2021 compared to 167 total personnel as at 30 June 2020.

Administrative expenses increased by Euro 2.2 million, or 13.9 per cent., to Euro 17.8 million for the six months ended 30 June 2021, compared to Euro 15.6 million for the six months ended 30 June 2020. This increase was primarily due to investments in the development of information systems.

Other operating expenses

Other operating expenses decreased by Euro 0.1 million, or 1.1 per cent., to Euro 10.6 million for the six months ended 30 June 2021, compared to Euro 10.7 million for the six months ended 30 June 2020.

Income taxes

Income taxes increased by Euro 13.1 million, or 105.2 per cent., to Euro 25.6 million for the six months ended 30 June 2021, compared to Euro 12.5 million for the six months ended 30 June 2020 primarily due to an increase in net operating profit in the first six months of 2021 compared with the first six months of 2020.

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 2021 compared to 31 December 2020

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

	As at 30 June 2021	As at 31 December 2020
	(Euro '000)	
Assets		
Cash and balances with central banks	7,682,899	5,565,801
Loans and advances to credit institutions	1,512,763	1,841,853
Loans and advances to the public and public sector entities	28,581,532	28,022,325
Debt securities	5,464,158	5,763,214
Shares and participations	-	27
Derivative contracts	1,915,792	2,358,163
Intangible assets	20,045	17,346
Tangible assets	8,868	10,364
Other assets	272,130	259,785
Accrued income and prepayments	199,488	203,547
Total assets	**45,657,674**	**44,042,426**

As of 30 June 2021, 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 62.6 per cent., 16.8 per cent. and 12.0 per cent., respectively, of total assets. As of 30 June 2021, total assets had increased by Euro 1,615.2 million, or by 3.7 per cent., to Euro 45,657.7 million, compared to Euro 44,042.4 million as of 31 December 2020, which was mainly attributable to an increase in cash and balances with central banks and loans and advances to the public and public sector entities, partially offset by a decrease in loan and advances to credit institutions, debt securities and derivative contracts.

Cash and balances with central banks

Cash and balances with central banks increased by Euro 2,117.1 million, or 38.0 per cent., to Euro 7,682.9 million as at 30 June 2021, compared to Euro 5,565.8 million as at 31 December 2020 due to growth in deposits to the central bank.

Loans and advances to credit institutions

Loans and advances to credit institutions decreased by Euro 329.1 million, or 17.9 per cent., to Euro 1,512.8 million as at 30 June 2021, compared to Euro 1,841.9 million as at 31 December 2020 due to a decrease in the amount of given CSA collateral.

Loans and advances to the public and public sector entities

Loans and advances to the public and public sector entities increased by Euro 559.2 million, or 2.0 per cent., to Euro 28,581.5 million as at 30 June 2021, compared to Euro 28,022.3 million as at 31 December 2020 due to a higher level of new lending compared to the level of lending that matured during the period.

Debt securities

Debt securities decreased by Euro 299.1 million, or 5.2 per cent., to Euro 5,464.2 million as at 30 June 2021, compared to Euro 5,763.2 million as at 31 December 2020 due to a decrease in the amount of 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 decreased by Euro 442.4 million, or 18.8 per cent., to Euro 1,915.8 million as at 30 June 2021, compared to Euro 2,358.2 million as at 31 December 2020 primarily due to changes in interest rates and currency exchange rates.

Liabilities as at 30 June 2021 compared to 31 December 2020

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

	As at 30 June 2021	As at 31 December 2020
	(Euro '000)	
Liabilities		
Liabilities to credit institutions	2,592,042	2,001,478
Liabilities to the public and public sector entities	3,614,197	3,884,026
Debt securities issued	34,607,135	32,911,906
Derivative contracts	2,274,128	2,860,570
Provisions and other liabilities	331,651	247,021
Accrued expenses and deferred income	145,216	152,398
Deferred tax liabilities	300,793	279,906
Total liabilities	**43,865,162**	**42,337,306**

As of 30 June 2021, the main components of the total liabilities of the Group were debt securities issued, liabilities to the public and public sector entities, and liabilities to credit institutions, representing 78.9 per cent., 8.2 per cent., and 5.9 per cent., respectively, of total liabilities. As of 30 June 2021, total liabilities had increased by Euro 1,527.9 million, or by 3.6 per cent., to Euro 43,865.2 million, compared to Euro 42,337.3 million as of 31 December 2020, which was mainly attributable to an increase in debt securities issued of Euro 1,695.2 million compared to the balance as of 31 December 2020 and an increase in liabilities to credit institutions of Euro 590.6 million compared to the balance as of 31 December 2020.

Liabilities to credit institutions

Liabilities to credit institutions increased by Euro 590.6 million, or 29.5 per cent., to Euro 2,592.0 million as at 30 June 2021, compared to Euro 2,001.5 million as at 31 December 2020 mainly due to the Group's borrowings under the ECB's third series targeted long-term refinancing operation (TLTRO III) of Euro 750.0 million in the first half of 2021 .

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 269.8 million, or 6.9 per cent., to Euro 3,614.2 million as at 30 June 2021, compared to Euro 3,884.0 million as at 31 December 2020 primarily due to a lower level of new funding compared to the level of funding that matured during the period and also due to changes in fair values.

Debt securities issued

Debt securities issued by the Group increased by Euro 1,695.2 million, or 5.2 per cent., to Euro 34,607.1 million as at 30 June 2021, compared to Euro 32,911.9 million as at 31 December 2020 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 decreased by Euro 586.4 million, or 20.5 per cent., to Euro 2,274.1 million as at 30 June 2021, compared to Euro 2,860.6 million as at 31 December 2020 primarily due to changes in interest rates and currency exchange rates.

Capital Adequacy

The paragraph starting with "The Board of Directors monitors and approves" on page 118 of the Offering Circular shall be deemed to be amended by deleting last three sentences and replacing them 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 Group 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.

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

Consolidated own funds, Group

	As at 30 June 2021	As at 31 December 2020
	(Euro '000)	
Common Equity Tier 1 before adjustments	1,401,521	1,328,150
Adjustments to Common Equity Tier 1	(55,267)	(51,338)
Common Equity Tier 1	**1,346,255**	**1,276,812**
Additional Tier 1 capital before adjustments	347,454	347,454
Adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 Capital	**347,454**	**347,454**
Tier 1 Capital	**1,693,708**	**1,624,265**
Tier 2 Capital	**-**	**-**
Total own funds	**1,693,706**	**1,624,265**

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

Consolidated Minimum requirement for own funds, Group

	30 June 2021		31 December 2020	
	Capital requirement	Risk-exposure amount	Capital requirement	Risk-exposure amount
	(Euro '000)			
Credit and counterparty risk, standardised approach	**45,964**	**574,553**	**46,448**	**580,596**
Exposures to central governments or central banks	-	0	-	0
Exposures to regional governments or local authorities	455	5,693	458	5,721
Exposures to public sector entities	710	8,880	718	8,975
Exposure to multilateral development banks	-	0	-	0
Exposures to institutions	25,820	322,754	30,970	387,121
Exposures to corporates	6,288	78,595	-	-
Exposures in the form of covered bonds	10,461	130,765	12,243	153,037
Other items	2,229	27,866	2,059	25,742
Market risk	**-**	**-**	**-**	**-**
Credit valuation adjustment risk (CVA VaR), standard method	**39,229**	**490,362**	**18,470**	**230,876**
Operational risk, basic indicator approach	**32,976**	**412,196**	**32,976**	**412,196**
Total	**118,169**	**1,477,110**	**97,893**	**1,223,668**

The paragraph starting with "The Annual General Meeting of the Issuer held on 23 March 2011" on page 121 of the Offering Circular shall be supplemented by adding the following to the end of the paragraph:

The ECB announced on 23 July 2021 that its recommendation limiting dividend distribution will expire on 30 September 2021. The Group's Board of Directors may thus decide on the distribution of dividends for 2020 after the expiry of the recommendation on the basis of the authorisation given by the Annual General Meeting on 25 March 2021.

The second table on page 119 of the Offering Circular shall be deemed supplemented by the following table:

Consolidated key figures for capital adequacy

	As at 30 June	As at 31 December
	2021	2020
Ratio of Common Equity Tier 1 (CET1) to risk exposure amount, %	91.1	104.3
Ratio of Tier 1 capital (T1) to risk exposure amount, %	114.7	132.7
Ratio of total own funds to risk exposure amount, %	114.7	132.7

The table "Own funds, Issuer" on page 119 of the Offering Circular shall be deemed supplemented by the following table:

Own funds, parent company

	As at 30 June	As at 31 December
	2021	2020
	(Euro '000)	
Common Equity Tier 1 before adjustments	1,399,412	1,326,084
Adjustments to Common Equity Tier 1	(55,277)	(51,350)
Common Equity Tier 1	**1,344,135**	**1,274,733**
Additional Tier 1 capital before adjustments	349,631	349,388
Adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 Capital	**349,631**	**349,388**
Tier 1 Capital	**1,693,766**	**1,624,121**
Tier 2 Capital	**-**	**-**
Total own funds	**1,693,766**	**1,624,121**

The table "Minimum requirement for own funds, Issuer" on page 120 of the Offering Circular shall be deemed supplemented by the following table:

Minimum requirement for own funds, parent company

	30 June 2021		31 December 2020	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
		(Euro ´000)		
Credit and counterparty risk, standardised approach	**46,047**	**575,592**	**46,522**	**581,522**
Exposures to central governments or central banks	-	0	-	0
Exposure to regional governments or local authorities	455	5,693	458	5,721
Exposures to public sector entities	710	8,880	718	8,975
Exposure to multilateral development banks	-	0	-	0
Exposures to institutions	25,811	322,631	30,956	386,946
Exposures to corporates	6,288	78,595	-	-
Exposures in form of covered bonds	10,461	130,765	12,243	153,037
Equity exposure	131	1,639	131	1,639
Other items	2,191	27,388	2,016	25,203
Market risk	**-**	**-**	**-**	**-**
Credit valuation adjustment risk (CVA VaR), standard method	**39,229**	**490,362**	**18,470**	**230,876**
Operational risk, basic indicator approach	**30,190**	**377,380**	**30,190**	**377,380**
Total	**115,467**	**1,443,333**	**95,182**	**1,189,778**

The second table on page 120 of the Offering Circular shall be deemed supplemented by the following table:

Key figures for capital adequacy, parent company

	As at 30 June	As at 31 December
	2021	2020
Ratio of Common Equity Tier 1 (CET1) to risk exposure amount, %	93.1	107.1
Ratio of Tier 1 capital (T1) to risk exposure amount, %	117.4	136.5
Ratio of total own funds to risk exposure amount, %	117.4	136.5

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

Contingent Liabilities

In the ordinary course of business, the Group enters into transactions which, upon being concluded, are not disclosed in the Group's statement of financial position as assets or liabilities but result in contingent liabilities. The main item of these off-financial position liabilities of the Group is financial commitments, mainly binding loan commitments granted and the accrued interest on the Parent Company's AT1 capital loan.

Breakdown of off-balance sheet unmatured commitments and contingent liabilities	As at 30 June 2021
	(Euro '000)
AT1 accrued interest	3,107
Credit commitments	2,541,565

The section headed "Commitments" on page 121 of the Offering Circular shall be deemed to be amended by adding the following:

Commitments

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

On 30 June 2021, the Group had given collateral (carrying amount) to the central bank and Guarantor as follows:

Bonds	As at 30 June 2021
	(Euro '000)
Loans and advances to credit institutions to the central bank	39,461
Loans pledged to the central bank	4,853,925
Loans pledged to the Municipal Guarantee Board	11,301,447
Total	**16,194,833**

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

Cash Flows

The Six Months Ended 30 June 2021 Compared to the Six Months Ended 30 June 2020

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	
	2021	2020
	(Euro '000)	
Cash flow from operating activities	2,071,302	(1,249,874)
Cash flow from investing activities	(3,958)	(3,459)
Cash flow from financing activities	(16,648)	(22,864)

	For the six months ended 30 June	
	2021	2020
	(Euro '000)	
Change in cash and cash equivalents	2,050,696	(1,276,198)
Cash and cash equivalents at 1 January	5,730,680	4,990,649
Cash and cash equivalents at period end	7,781,376	3,714,451

Operating Activities

The operating activities of the Group for the six months ended 30 June 2021 generated net cash inflows of Euro 2,071.3 million compared to net cash outflows of Euro 1,249.9 million for the six months ended 30 June 2020. The main drivers for this change were changes in long and short term funding, long and short term loans and in net change in cash collaterals.

Investing Activities

The investing activities of the Group generated net cash outflows of Euro 4.0 million and Euro 3.5 million for the six months ended 30 June 2021 and 30 June 2020, respectively, mainly from the acquisition of intangible assets.

Financing Activities

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. Net cash outflow from financing activities was Euro 22.9 million for the six months ended 30 June 2020 primarily as a result of interest paid on the AT1 capital instrument and dividends paid in 2020. No dividends have been paid in during reporting period 2021 as the Issuer follows the ECB's recommendation on dividend distribution, which allows for dividend distribution after 30 September 2021 at the earliest.

Management of the Municipal Guarantee Board

The section headed "Administration of MGB" on page 137 of the Offering Circular shall be deemed supplemented by adding the following to the end of the paragraph starting with "MGB's office is located at"

The Chairperson of the Board of Directors Tapani Hellstén is employed by a significant shareholder of the Issuer.

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 municipalities to wellbeing services counties. The new legislation includes, inter alia, amendments to the MGB Act which are meant to allow the Issuer to continue to act as a lender/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 are expected to have government authorisation and guarantees for borrowing. The recently passed bill does not yet allow the Issuer to finance new investments (made after 1 January 2023) in the wellbeing services counties. However, according to the government's proposal to further amend the MGB Act, this is the intention. At the date of this Supplement, the matter is still being prepared and the related draft legislative proposal is currently under discussion. While the outcome of the reform might potentially have an effect on the Group's volumes and financial results in the future, the Group does not expect its results of operations or financial condition in 2021 to be materially impacted by the reform. The practical implementation of the reform still includes some details that make it impossible to estimate the reform's effects in more detail.

No Significant Change

Paragraph 4 under the section headed "General Information" on page 155 of the Offering Circular shall be deemed to be replaced by the following statement:

Since 30 June 2021 there has been no significant change in the financial or trading position of the Issuer or the Group.

INDEX TO FINANCIAL STATEMENTS

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

Report on review of the interim report of Municipality Finance Plc as of and for the six-month period ending 30 June 2021

To the Board of Directors of Municipality Finance Plc

Introduction

We have reviewed the consolidated balance sheet as of 30 June 2021 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 a summary of significant accounting policies and other explanatory notes to the financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the 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 other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us 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 report does not give a true and fair view of the consolidated financial position as at 30 June 2021 and the consolidated result of its operations and cash flows for the six-month period then ended, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki 5 August 2021

KPMG OY AB

TIIA KATAJA
Authorised Public Accountant, KHT

Consolidated income statement

(EUR 1,000)	Note	1 Jan–30 Jun 2021	1 Jan–30 Jun 2020
Interest and similar income	(2)	256,572	286,339
Interest and similar expense	(2)	-118,381	-162,965
Net interest income		**138,191**	**123,374**
Commission income		899	1,903
Commission expense		-2,426	-2,424
Net income from securities and foreign exchange transactions	(3)	17,148	-29,931
Net income on financial assets at fair value through other comprehensive income		-	-3
Net income from hedge accounting	(4)	4,887	-1,618
Other operating income		75	47
Administrative expenses		-17,813	-15,641
Depreciation and impairment on tangible and intangible assets	(8)	-2,852	-2,795
Other operating expenses		-10,560	-10,681
Credit loss and impairments on financial assets	(9)	-62	36
Net operating profit		**127,487**	**62,266**
Income tax expense		-25,560	-12,458
Profit for the period		**101,927**	**49,809**

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

Statement of comprehensive income

(EUR 1,000)	Note	1 Jan–30 Jun 2021	1 Jan–30 Jun 2020
Profit for the period		101,927	49,809
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)	-4,201	22,150
Net change in Cost-of-Hedging	(4)	2,075	-40,374
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		-295	-540
Net change in expected credit loss of financial assets at fair value through other comprehensive income		3	-25
Taxes related to components of other comprehensive income		484	3,758
Total components of other comprehensive income		-1,934	-15,031
Total comprehensive income for the period		**99,993**	**34,777**

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

Consolidated statement of financial position

(EUR 1,000)	Note	30 Jun 2021	31 Dec 2020
Assets			
Cash and balances with central banks		7,682,899	5,565,801
Loans and advances to credit institutions		1,512,763	1,841,853
Loans and advances to the public and public sector entities		28,581,532	28,022,325
Debt securities		5,464,158	5,763,214
Shares and participations		-	27
Derivative contracts	(7)	1,915,792	2,358,163
Intangible assets	(8)	20,045	17,346
Tangible assets	(8)	8,868	10,364
Other assets		272,130	259,785
Accrued income and prepayments		199,488	203,547
Total assets	**(5, 6)**	**45,657,674**	**44,042,426**

(EUR 1,000)	Note	30 Jun 2021	31 Dec 2020
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	(10)	2,592,042	2,001,478
Liabilities to the public and public sector entities		3,614,197	3,884,026
Debt securities issued	(11)	34,607,135	32,911,906
Derivative contracts	(7)	2,274,128	2,860,570
Provisions and other liabilities	(12)	331,651	247,021
Accrued expenses and deferred income		145,216	152,398
Deferred tax liabilities		300,793	279,906
Total liabilities	**(5, 6)**	**43,865,162**	**42,337,306**
Equity			
Share capital		42,583	42,583
Reserve fund		277	277
Fair value reserve of investments		614	847
Own credit revaluation reserve		-3,616	-255
Cost-of-Hedging reserve	(4)	17,284	15,624
Reserve for invested non-restricted equity		40,366	40,366
Retained earnings		1,347,551	1,258,224
Total equity attributable to parent company equity holders		**1,445,059**	**1,357,666**
Other equity instruments issued	**(13)**	**347,454**	**347,454**
Total equity		**1,792,513**	**1,705,120**
Total liabilities and equity		**45,657,674**	**44,042,426**

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

Consolidated statement of changes in equity

(EUR 1,000)	Total equity attributable to parent company equity holders										
	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**

(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 2019	**42,583**	**277**	**807**	**12,985**	**28,075**	**40,366**	**1,121,774**	**1,246,868**	**347,454**	**1,594,321**
Interest paid on Additional Tier 1 capital instrument	-	-	-	-	-	-	-12,600	-12,600	-	-12,600
Dividends paid for 2019	-	-	-	-	-	-	-6,250	-6,250	-	-6,250
Profit for the period	-	-	-	-	-	-	49,809	49,809	-	49,809
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	-	-	-	17,720	-	-	-	17,720	-	17,720
Net change in Cost-of-Hedging	-	-	-	-	-32,299	-	-	-32,299	-	-32,299
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	-	-	-432	-	-	-	-	-432	-	-432
Net change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	-20	-	-	-	-	-20	-	-20
Equity at 30 Jun 2020	**42,583**	**277**	**355**	**30,705**	**-4,224**	**40,366**	**1,152,732**	**1,262,795**	**347,454**	**1,610,249**

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

Consolidated statement of cash flows

(EUR 1,000)	1 Jan–30 Jun 2021	1 Jan–30 Jun 2020
Cash flow from operating activities	**2,071,302**	**-1,249,874**
Net change in long-term funding	2,469,670	1,511,097
Net change in short-term funding	-211,341	378,609
Net change in long-term loans	-785,686	-1,788,614
Net change in short-term loans	-171,123	-1,119,934
Net change in investments	453,410	140,050
Net change in collaterals	201,603	-492,543
Interest on assets	4,098	41,573
Interest on liabilities	109,644	87,889
Other income	37,763	35,271
Payments of operating expenses	-41,362	-46,859
Taxes paid	4,625	3,588
Cash flow from investing activities	**-3,958**	**-3,459**
Acquisition of tangible assets	-1	-947
Proceeds from sale of tangible assets	204	32
Acquisition of intangible assets	-4,161	-2,544
Cash flow from financing activities	**-16,648**	**-22,864**
Paid interest on AT1 capital instrument	-15,750	-15,750
Dividend paid	-	-6,250
Total cash flow from leases	-898	-864
Change in cash and cash equivalents	**2,050,696**	**-1,276,198**
Cash and cash equivalents at 1 Jan	**5,730,680**	**4,990,649**
Cash and cash equivalents at 30 Jun	**7,781,376**	**3,714,451**

Cash and cash equivalents include the following statement of financial position items:
Cash and balances with central banks and
Loans and advances to credit institutions payable on demand.

(EUR 1,000)	30 Jun 2021	30 Jun 2020
Cash and balances with central banks	7,682,899	3,473,933
Loans and advances to credit institutions	98,477	240,518
Total cash and cash equivalents	**7,781,376**	**3,714,451**

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 and the accounting policies presented in the Consolidated Financial Statements 2020 (Note 1). This Half Year Report should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2020. Accounting policies, which have been amended during the reporting period due to the application of new and amended standards, are explained below.

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.

The Half Year Report is available in Finnish and English. The Finnish version is official and will be used if there is any discrepancy between the language versions.

New definition of default

As of 1 January 2021, MuniFin Group adopted the European Banking Authority's (*EBA*) guidelines on the application of the definition of default (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013: EBA/GL/2016/07 and EBA/RTS/2016/06). The guidelines harmonise the definition of default applied by European banks on their customers. The process in accordance with the Guidelines recognises defaults earlier, based on the unlikeliness to pay criteria that include, for example, payment defaults registered in external credit registers or granted forbearance where the present value of the loan decreases by more than 1 per cent. The implementation of the new definition of default did not have a significant impact on MuniFin Group's expected credit losses.

IBOR reform

IBOR reform is a global change aimed at replacing Interbank Offered Rates (*IBORs*) with alternative nearly risk-free rates (*RFR*). The impact of the IBOR reform on MuniFin Group and the transition project are discussed in detail in the Consolidated Financial Statements 2020 (Note 1) in Section *IBOR reform*. MuniFin Group has applied the IBOR reform related phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards as of 31 December 2020.

Management's judgement and estimates

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

Due to the uncertainties in relation to the potential short and long-term impact of the COVID-19 pandemic, MuniFin Group has applied management judgement in the preparation of the Half Year Report. Areas particularly important in the first half of 2021 are expected credit losses of loans, in particular in relation to the assessments of significant increase in credit risk and credit impaired (*staging*) due to increase in forbearance measures and the application of macroeconomic scenarios related to COVID-19 pandemic. In addition to the model-based expected credit losses, the Group recorded in the financial year 2020 an additional discretionary provision (*management overlay*) amounting to EUR 340 thousand to cover the deterioration of its customers' credit risk due to the COVID-19 pandemic, which is not yet reflected in the Group's internal risk ratings which are based on the clients' 2019 financial statement data. The internal risk ratings will be updated during Q3. Although the financial situation at the reporting date looks better than at the financial statement date, there is still uncertainty about the customers' financial situation. For this reason, the Group's management decided not to change the additional provision during the reporting period. More information on the Group's expected credit losses and the ECL calculations can be found in *Note 9 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 2020 (Note 1) in Section *Accounting policies requiring management judgement and key uncertainty factors related to estimates*.

Note 2. Interest income and expense

1 JAN–30 JUN 2021 (EUR 1,000)	Interest and similar income	Interest and similar expense	Net
Assets			
Amortised cost			
Cash and balances with central banks	-	-18,313	-18,313
Loans and advances to credit institutions	27	-4,059	-4,032
Loans and advances to the public and public sector entities	95,392	-	95,392
Debt securities	8	-2,568	-2,559
Other assets	310	-	310
Fair value through other comprehensive income			
Debt securities	-	-330	-330
Designated at fair value through profit or loss			
Loans and advances to the public and public sector entities	609	-	609
Debt securities	4,580	-	4,580
Mandatorily at fair value through profit or loss			
Loans and advances to the public and public sector entities	421	-	421
Debt securities	-	-	-
Fair value through profit or loss			
Derivative contracts at fair value through profit or loss	37,819	-50,897	-13,079
Derivative contracts in hedge accounting	-45,475	-	-45,475
Leased assets	2,980	-	2,980
Interest on non-financial other assets	3	-	3
Interest on assets	**96,676**	**-76,167**	**20,509**
, of which interest income/expense according to the effective interest method	*95,738*	*-25,270*	

1 JAN–30 JUN 2021 (EUR 1,000)	Interest and similar income	Interest and similar expense	Net
Liabilities			
Amortised cost			
Liabilities to credit institutions	8,164	-383	7,781
Liabilities to the public and public sector entities	-	-28,041	-28,041
Debt securities issued	606	-123,484	-122,878
Provisions and other liabilities	-	-1,197	-1,197
Designated at fair value through profit or loss			
Liabilities to credit institutions	-	-7	-7
Liabilities to the public and public sector entities	-	-16,213	-16,213
Debt securities issued	14	-37,392	-37,378
Fair value through profit or loss			
Derivative contracts at fair value through profit or loss	151,112	-44,102	107,010
Derivative contracts in hedge accounting	-	208,605	208,605
Interest on liabilities	**159,896**	**-42,214**	**117,682**
, of which interest income/expense according to the effective interest method	*8,771*	*-153,105*	
Total	**256,572**	**-118,381**	**138,191**

Interest income on stage 3 financial assets in the expected credit loss (*ECL*) calculations totalled EUR 487 thousand (EUR 273 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 38 thousand (EUR 48 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 consists 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 consists 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 loans and advances to the public and public sector entities.

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 liabilities to credit institutions, liabilities to the public and public sector entities and debt securities issued.

1 JAN–30 JUN 2020 (EUR 1,000)	Interest and similar income	Interest and similar expense	Net
Assets			
Amortised cost			
Cash and balances with central banks	-	-11,883	-11,883
Loans and advances to credit institutions	36	-2,229	-2,193
Loans and advances to the public and public sector entities	96,207	-	96,207
Debt securities	276	-1,076	-800
Other assets	96	-	96
Fair value through other comprehensive income			
Debt securities	-	-637	-637
Designated at fair value through profit or loss			
Debt securities	7,335	-	7,335
Mandatorily at fair value through profit or loss			
Loans and advances to the public and public sector entities	492	-	492
Debt securities	-	-	-
Fair value through profit or loss			
Derivative contracts at fair value through profit or loss	35,819	-47,153	-11,334
Derivative contracts in hedge accounting	-38,811	-	-38,811
Leased assets	2,840	-	2,840
Interest on non-financial other assets	3	-	3
Interest on assets	**104,292**	**-62,978**	**41,314**
, of which interest income/expense according to the effective interest method	*96,615*	*-15,825*	

1 JAN–30 JUN 2020 (EUR 1,000)	Interest and similar income	Interest and similar expense	Net
Liabilities			
Amortised cost			
Liabilities to credit institutions	2,748	-	2,748
Liabilities to the public and public sector entities	-	-30,654	-30,654
Debt securities issued	1,560	-131,101	-129,540
Provisions and other liabilities	-	-1,100	-1,100
Designated at fair value through profit or loss			
Liabilities to credit institutions	-	-31	-31
Liabilities to the public and public sector entities	-	-17,488	-17,488
Debt securities issued	-	-85,915	-85,915
Fair value through profit or loss			
Derivative contracts at fair value through profit or loss	177,738	-37,203	140,535
Derivative contracts in hedge accounting	-	203,505	203,505
Interest on liabilities	**182,047**	**-99,987**	**82,060**
, of which interest income/expense according to the effective interest method	*4,308*	*-162,807*	
Total	**286,339**	**-162,965**	**123,374**

Note 3. Net income from securities and foreign exchange transactions

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**

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 2020 (EUR 1,000)	Capital gains and losses (net)	Change in fair value	Total
Financial assets			
Designated at fair value through profit or loss	-	9,079	9,079
Mandatorily at fair value through profit or loss	-111	578	466
Financial liabilities			
Designated at fair value through profit or loss	-	111,710	111,710
Derivative contracts at fair value through profit or loss	-165	-150,717	-150,882
Day 1 gain or loss	-	-33	-33
Total net income from securities transactions	**-276**	**-29,384**	**-29,660**
Net income from foreign exchange transactions	**-41**	**-230**	**-271**
Total	**-317**	**-29,614**	**-29,931**

Tables below 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 2021	Carrying amount 30 Jun 2021	Nominal value 31 Dec 2020	Carrying amount 31 Dec 2020
Financial assets				
Loans and advances to the public and public sector entities	30,000	39,882	-	-
Debt securities	3,619,476	3,699,822	3,912,451	4,029,859
Total financial assets *	**3,649,476**	**3,739,704**	**3,912,451**	**4,029,859**
Financial liabilities				
Liabilities to credit institutions	11,000	10,801	25,000	24,558
Liabilities to the public sector entities	1,597,037	1,537,416	1,908,373	1,637,674
Debt securities issued	10,657,541	9,995,676	10,927,113	10,454,282
Total financial liabilities	**12,265,578**	**11,543,892**	**12,860,486**	**12,116,514**

* 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 2021 and 31 Dec 2020.

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**

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 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 entitities	-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**

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 table above 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 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 2020	1 Jan 2020	Fair value change recognised in the income statement 1 Jan–30 Jun 2020	, of which due to credit risk	, of which due to market risk
Financial assets					
Debt securities	62,188	53,109	9,079	-6,399	15,478
Total financial assets	**62,188**	**53,109**	**9,079**	**-6,399**	**15,478**

CHANGE IN FAIR VALUE OF FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2020	1 Jan 2020	Fair value change recognised in the income statement 1 Jan–30 Jun 2020	Change in own credit risk recognised in the other comprehensive income 1 Jan–30 Jun 2020	Total fair value change in 1 Jan–30 Jun 2020
Financial liabilities					
Liabilities to credit institutions	915	-	915	-	915
Liabilities to the public and public sector entities	-253,279	-218,911	-34,368	13,427	-20,941
Debt securities issued	473,966	328,802	145,164	8,723	153,887
Total financial liabilities	**221,601**	**109,891**	**111,710**	**22,150**	**133,860**

NET CHANGE IN FAIR VALUE IN NET INCOME FROM SECURITIES TRANSACTIONS (EUR 1,000)	Cumulative change in fair value 30 Jun 2020	Fair value change recognised in the income statement 1 Jan–30 Jun 2020
Financial liabilities designated at fair value through profit or loss	221,601	111,710
Derivative contracts at fair value through profit or loss hedging financial liabilities	-253,195	-121,740
Net change in fair value	**-31,594**	**-10,029**

Note 4. Hedge accounting

The interest rate and foreign exchange rate risk 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, fixed rate 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 2020 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 2020 (Note 1) in Section *Hedge Accounting*.

In the table below the hedged assets and liabilities are presented according to 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 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	12,143,432	12,380,462	12,248,956	131,505	-
Loans and advances to the public and public sector entities - Leased assets	241,280	243,038	-	243,038	-
Total assets	**12,384,712**	**12,623,500**	**12,248,956**	**374,544**	**-**
Liabilities					
Liabilities to credit institutions	45,000	49,041	-	49,041	-
Liabilities to the public and public sector entities	1,758,753	2,076,781	-	2,038,122	38,659
Debt securities issued	23,857,918	24,261,154	-	13,276,901	10,984,254
Total liabilities	**25,661,671**	**26,386,977**	**-**	**15,364,064**	**11,022,913**

HEDGE ACCOUNTING 31 DEC 2020 (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	11,183,657	11,614,114	11,483,819	130,295	-
Loans and advances to the public and public sector entities - Leased assets	211,223	215,444	-	215,444	-
Total assets	**11,394,880**	**11,829,557**	**11,483,819**	**345,739**	**-**
Liabilities					
Liabilities to credit institutions	55,000	68,800	-	68,800	-
Liabilities to the public and public sector entities	1,853,956	2,246,352	-	2,181,931	64,421
Debt securities issued	21,260,721	22,077,489	-	11,898,132	10,179,357
Total liabilities	**23,169,677**	**24,392,642**	**-**	**14,148,863**	**10,243,779**

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. The figures presented in the table do not include the change 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 above mentioned reason, the total amount of the hedging instruments does not correspond to the fair value presented in Note *7 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 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**

* Compensations relate to the ongoing IBOR reform of which more information is presented in the accounting policies of the Consolidated Financial Statements 2020 (Note 1) in Section *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 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**

The table below 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 2021 (EUR 1,000)

HEDGED ITEM	Hedging instruments	Gains/losses attributable to the hedged risk: Hedged items	Gains/losses attributable to the hedged risk: 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**

VALUE OF HEDGED RISK (EUR 1,000)	30 Jun 2020	1 Jan 2020	Recognised in the income statement 1 Jan–30 Jun 2020
Assets			
IAS 39 portfolio hedge accounting			
Loans and advances to the public and public sector entities	458,260	303,139	155,120
Derivative contracts in hedge accounting	-426,697	-276,831	-149,866
Accumulated fair value accrual from the termination of hedge accounting	68	-	68
IAS 39 portfolio hedge accounting, net	**31,630**	**26,308**	**5,322**
IFRS 9 fair value hedge accounting			
Loans and advances to the public and public sector entities	40,883	30,934	9,949
Derivative contracts in hedge accounting	-43,279	-33,193	-10,086
IFRS 9 Fair value hedge accounting, net	**-2,396**	**-2,258**	**-138**
Liabilities			
IFRS 9 fair value hedge accounting			
Liabilities to credit institutions	-14,072	-12,916	-1,156
Liabilities to the public and public sector entities	-510,164	-434,953	-75,211
Debt securities issued	-944,170	-524,923	-419,247
Derivative contracts in hedge accounting	1,452,486	963,674	488,812
IFRS 9 fair value hedge accounting, net	**-15,920**	**-9,118**	**-6,802**
Total hedge accounting	**13,314**	**14,932**	**-1,618**

HEDGING IMPACT ON EQUITY (EUR 1,000)	30 Jun 2020	1 Jan 2020	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	-4,224	28,075	-32,299
Total	**-4,224**	**28,075**	**-32,299**

EFFECTIVENESS OF HEDGE ACCOUNTING 30 JUN 2020 (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	458,260	-426,697	31,562
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	36,913	-39,008	-2,095
Fixed rate and revisable rate leased assets	Interest rate derivatives	3,970	-4,271	-301
Assets total		**499,143**	**-469,976**	**29,166**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	-951,520	948,220	-3,300
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	-516,886	504,266	-12,621
Liabilities total		**-1,468,406**	**1,452,486**	**-15,920**

Note 5. Financial assets and liabilities

FINANCIAL ASSETS 30 JUN 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	7,682,899	-	-	-	-	7,682,899	7,682,899
Loans and advances to credit institutions	1,512,763	-	-	-	-	1,512,763	1,512,763
Loans and advances to the public and public sector entities *	27,518,609	-	39,882	40,627	-	27,599,118	29,846,385
Debt securities	1,482,258	282,078	3,699,822	-	-	5,464,158	5,464,551
Shares and participations	-	-	-	-	-	-	-
Derivative contracts at fair value through profit or loss	-	-	-	-	703,768	703,768	703,768
Derivative contracts in hedge accounting	-	-	-	-	1,212,024	1,212,024	1,212,024
Other assets **	255,984	-	-	-	-	255,984	255,984
Total	**38,452,512**	**282,078**	**3,739,704**	**40,627**	**1,915,792**	**44,430,713**	**46,678,373**

* Line item includes EUR 243,038 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 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	2,581,241	10,801	-	2,592,042	2,591,903
Liabilities to the public and public sector entities	2,076,781	1,537,416	-	3,614,197	3,635,253
Debt securities issued	24,611,459	9,995,676	-	34,607,135	34,688,402
Derivative contracts at fair value through profit or loss	-	-	1,073,707	1,073,707	1,073,707
Derivative contracts in hedge accounting	-	-	1,200,421	1,200,421	1,200,421
Provisions and other liabilities *	315,228	-	-	315,228	315,228
Total	**29,584,710**	**11,543,892**	**2,274,128**	**43,402,730**	**43,504,913**

* Line item includes EUR 309,945 thousand of cash collateral received from central counterparties and EUR 5,284 thousand of lease liabilities in accordance with IFRS 16 standard.

FINANCIAL ASSETS 31 DEC 2020 (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	5,565,801	-	-	-	-	5,565,801	5,565,801
Loans and advances to credit institutions	1,841,853	-	-	-	-	1,841,853	1,841,853
Loans and advances to the public and public sector entities *	27,102,391	-	-	44,438	-	27,146,828	29,643,718
Debt securities	1,310,305	423,050	4,029,859	-	-	5,763,214	5,763,793
Shares and participations	-	-	-	27	-	27	27
Derivative contracts at fair value through profit or loss	-	-	-	-	833,293	833,293	833,293
Derivative contracts in hedge accounting	-	-	-	-	1,524,870	1,524,870	1,524,870
Other assets **	243,269	-	-	-	-	243,269	243,269
Total	**36,063,619**	**423,050**	**4,029,859**	**44,465**	**2,358,163**	**42,919,155**	**45,416,624**

* Line item includes EUR 215,444 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 2020 (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	1,976,920	24,558	-	2,001,478	2,001,414
Liabilities to the public and public sector entities	2,246,352	1,637,674	-	3,884,026	3,906,619
Debt securities issued	22,457,624	10,454,282	-	32,911,906	32,968,471
Derivative contracts at fair value through profit or loss	-	-	1,403,900	1,403,900	1,403,900
Derivative contracts in hedge accounting	-	-	1,456,670	1,456,670	1,456,670
Provisions and other liabilities *	237,212	-	-	237,212	237,212
Total	**26,918,108**	**12,116,514**	**2,860,570**	**41,895,193**	**41,974,287**

* Line item includes EUR 231,180 thousand of cash collateral received from central counterparties and EUR 6,032 thousand of lease liabilities in accordance with IFRS 16 standard.

RECLASSIFIED FINANCIAL ASSETS (EUR 1,000)	Original measurement category under IAS 39	New measurement category under IFRS 9	Fair value 30 Jun 2021	Fair value gain or loss for the reporting period *	EIR determined as at 1 Jan 2018 **	Interest revenue recognised during 1 Jan–30 Jun 2021
Loans and advances to the public and public sector entities	Fair value option	Amortised cost	103,531	-1,041	0.14%	352

* 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 2020	Fair value gain or loss for the financial year	EIR determined as at 1 Jan 2018	Interest revenue recognised during 1 Jan–31 Dec 2020
Loans and advances to the public and public sector entities	Fair value option	Amortised cost	113,143	1,119	0.14%	187

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, Group's issued plain-vanilla financial liabilities and 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 valuation 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 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 bond is 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. 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 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	282,078	211,215	70,863	-	282,078
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	39,882	-	39,882	-	39,882
Debt securities	3,699,822	3,664,123	35,699	-	3,699,822
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	40,627	-	521	40,106	40,627
Shares and participations	-	-	-	-	-
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	703,768	-	640,206	63,561	703,768
Derivative contracts in hedge accounting	1,212,024	-	1,211,708	317	1,212,024
Total at fair value	**5,978,200**	**3,875,338**	**1,998,878**	**103,984**	**5,978,200**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	12,623,500	-	13,413,722	-	13,413,722
Total in fair value hedge accounting	**12,623,500**	**-**	**13,413,722**	**-**	**13,413,722**
At amortised cost					
Cash and balances with central banks	7,682,899	7,682,899	-	-	7,682,899
Loans and advances to credit institutions	1,512,763	170,130	1,342,633	-	1,512,763
Loans and advances to the public and public sector entities	14,895,109	-	16,352,153	-	16,352,153
Debt securities	1,482,258	-	1,482,652	-	1,482,652
Other assets	255,984	-	255,984	-	255,984
Total at amortised cost	**25,829,012**	**7,853,029**	**19,433,422**	**-**	**27,286,450**
Total financial assets	**44,430,713**	**11,728,367**	**34,846,022**	**103,984**	**46,678,373**

FINANCIAL LIABILITIES 30 JUN 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	10,801	-	10,801	-	10,801
Liabilities to the public and public sector entities	1,537,416	-	1,308,330	229,085	1,537,416
Debt securities issued	9,995,676	-	7,982,906	2,012,769	9,995,676
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,073,707	-	443,563	630,144	1,073,707
Derivative contracts in hedge accounting	1,200,421	-	1,180,352	20,069	1,200,421
Total at fair value	**13,818,020**	**-**	**10,925,952**	**2,892,067**	**13,818,020**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	49,041	-	48,902	-	48,902
Liabilities to the public and public sector entities	2,076,781	-	2,097,837	-	2,097,837
Debt securities issued *	24,261,154	-	24,246,676	95,746	24,342,421
Total in fair value hedge accounting	**26,386,977**	**-**	**26,393,415**	**95,746**	**26,489,160**
At amortised cost					
Liabilities to credit institutions	2,532,200	-	2,532,200	-	2,532,200
Debt securities issued	350,305	-	350,305	-	350,305
Provisions and other liabilities	315,228	-	315,228	-	315,228
Total at amortised cost	**3,197,733**	**-**	**3,197,733**	**-**	**3,197,733**
Total financial liabilities	**43,402,730**	**-**	**40,517,100**	**2,987,813**	**43,504,913**

* 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 2020 (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	423,050	321,308	101,741	-	423,050
Designated at fair value through profit or loss					
Debt securities	4,029,859	3,922,131	107,728	-	4,029,859
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	44,438	-	702	43,735	44,438
Shares and participations	27	-	-	27	27
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	833,293	-	753,841	79,452	833,293
Derivative contracts in hedge accounting	1,524,870	-	1,524,298	572	1,524,870
Total at fair value	**6,855,536**	**4,243,439**	**2,488,310**	**123,787**	**6,855,536**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	11,829,557	-	12,614,580	-	12,614,580
Total in fair value hedge accounting	**11,829,557**	**-**	**12,614,580**	**-**	**12,614,580**
At amortised cost					
Cash and balances with central banks	5,565,801	5,565,801	-	-	5,565,801
Loans and advances to credit institutions	1,841,853	298,085	1,543,769	-	1,841,853
Loans and advances to the public and public sector entities	15,272,833	-	16,984,700	-	16,984,700
Debt securities	1,310,305	-	1,310,885	-	1,310,885
Other assets	243,269	-	243,269	-	243,269
Total at amortised cost	**24,234,062**	**5,863,886**	**20,082,621**	**-**	**25,946,507**
Total financial assets	**42,919,155**	**10,107,325**	**35,185,512**	**123,787**	**45,416,624**

FINANCIAL LIABILITIES 31 DEC 2020 (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	24,558	-	24,558	-	24,558
Liabilities to the public and public sector entities	1,637,674	-	1,413,261	224,413	1,637,674
Debt securities issued	10,454,282	-	8,328,568	2,125,714	10,454,282
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,403,900	-	757,607	646,293	1,403,900
Derivative contracts in hedge accounting	1,456,670	-	1,432,280	24,391	1,456,670
Total at fair value	**14,977,085**	**-**	**11,956,273**	**3,020,811**	**14,977,085**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	68,800	-	68,736	-	68,736
Liabilities to the public and public sector entities	2,246,352	-	2,268,946	-	2,268,946
Debt securities issued	22,077,489	-	22,040,007	94,048	22,134,054
Total in fair value hedge accounting	**24,392,642**	**-**	**24,377,688**	**94,048**	**24,471,736**
At amortised cost					
Liabilities to credit institutions	1,908,120	-	1,908,120	-	1,908,120
Debt securities issued	380,134	-	380,134	-	380,134
Provisions and other liabilities	237,212	-	237,212	-	237,212
Total at amortised cost	**2,525,467**	**-**	**2,525,467**	**-**	**2,525,467**
Total financial liabilities	**41,895,193**	**-**	**38,859,428**	**3,114,859**	**41,974,287**

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 the 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 the income approach for many of its financial instruments, for example derivatives, lending and funding. The Group does not use the cost approach for the valuation of any of its financial instruments.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little 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 value of a certain type of instruments. The choice of base models and its calibration depends on the complexity of the financial instrument and the observability of the relevant inputs. In line with market practice, the primary choice of base model is contingent on the underlying instrument classes. Additionally, instruments are broken down into different categories granular enough to capture the most important risk drivers and different kind of calibration techniques. The specific combination of base models and the different assumptions and calibrations techniques are documented. The Group's fair value instruments that are subject to mark-to-model valuation techniques consist of four asset classes:

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

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

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), 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. The Executive Management Team (*EMT*) is responsible for the approval of new valuation models (including limitations and conditions of use) and material changes to existing models. All approved valuation models within the model inventory are subject to annual review and re-approval by the EMT.

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

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

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

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

During the reporting period 1 Jan–30 Jun 2021 transfers totalling EUR 40,778 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 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	30 Jun 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	-3,145	-	-485	-	-	40,106
Shares and participations	27	-	-	-27	-	-	-
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	79,452	-14,430	-19	-1,442	-	-	63,561
Derivative contracts in hedge accounting	572	-509	254	-	-	-	317
Financial assets in total	**123,787**	**-18,084**	**235**	**-1,954**	**-**	**-**	**103,984**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	224,413	-5,022	9,694	-	-	-	229,085
Debt securities issued	2,125,714	-19,140	799,749	-884,937	-	-8,617	2,012,769
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	646,293	9,953	40,996	-66,720	-	-378	630,144
Derivative contracts in hedge accounting	24,391	940	-	-	-	-5,261	20,069
In fair value hedge accounting							
Amortised cost							
Debt securities issued	94,048	844	11,017	-	-	-10,163	95,746
Financial liabilities in total	**3,114,859**	**-12,426**	**861,455**	**-951,656**	**-**	**-24,419**	**2,987,813**
Level 3 financial assets and liabilities in total *	**3,238,646**	**-30,509**	**861,690**	**-953,610**	**-**	**-24,419**	**3,091,797**

* 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 2020 transfers totalling EUR 205,516 thousand were made between level 1 and level 2 and EUR 35,796 thousand between level 2 and level 3.

LEVEL 3 TRANSFERS (EUR 1,000)	1 Jan 2020	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 2020
Financial assets							
At fair value							
Mandatorily at fair value through profit or loss							
Loans and advances to the public and public sector entities	50,028	-4,714	-	-1,578	-	-	43,735
Shares and participations	-	-	-	-	27	-	27
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	133,007	-12,405	-32	-41,804	686	-	79,452
Derivative contracts in hedge accounting	3,728	-2,118	117	-	-	-1,154	572
Financial assets in total	**186,764**	**-19,238**	**84**	**-43,382**	**713**	**-1,154**	**123,787**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	138,684	9,860	49,782	-	26,088	-	224,413
Debt securities issued	3,077,729	-259,858	868,572	-1,566,659	8,617	-2,686	2,125,714
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	458,243	289,125	37,906	-139,179	378	-181	646,293
Derivative contracts in hedge accounting	12,646	18,479	1,432	-	-	-8,167	24,391
In fair value hedge accounting							
Amortised cost							
Debt securities issued	151,671	-13,650	21,314	-	-	-65,286	94,048
Financial liabilities in total	**3,838,973**	**43,955**	**979,006**	**-1,705,838**	**35,083**	**-76,320**	**3,114,859**
Level 3 financial assets and liabilities in total	**4,025,736**	**24,717**	**979,090**	**-1,749,220**	**35,796**	**-77,474**	**3,238,646**

Sensitivity analysis of unobservable inputs

Sensitivity analysis illustrates the impact of the reasonably possible 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 extremes of reasonably possible alternatives 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 2021, these assumptions could have increased fair values by EUR 55.4 million or decreased fair values by EUR 52.9 million and as of 31 December 2020, these assumptions could have increased fair values by EUR 44.6 million or decreased fair values by EUR 33.7 million.

SENSITIVITY ANALYSIS OF SIGNIFICANT UNOBSERVABLE INPUTS BY INSTRUMENT TYPE (EUR 1,000)	30 Jun 2021		31 Dec 2020	
	Positive range of fair value	Negative range of fair value	Positive range of fair value	Negative range of fair value
Loans and advances to the public and public sector entities				
Loans	545	199	542	327
Derivative contracts				
Equity linked derivatives	17,932	-13,244	12,416	-7,240
FX linked cross currency and interest rate derivatives	-170	-2,218	1,786	-365
Other interest rate derivatives	10,266	-11,007	8,686	-10,165
Debt securities issued and Liabilities to the public and public sector entities				
Equity linked liabilities	13,709	-15,425	11,690	-5,248
FX linked liabilities	1,882	598	-941	-1,681
Other liabilities	11,190	-11,819	10,430	-9,276
Total	**55,354**	**-52,915**	**44,609**	**-33,648**

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 below. 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.

The majority of the financial instruments with correlation as significant unobservable input are the Group's 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, are 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 fair value of complex interest rate structures. The future cash flows and their fair value is 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 table below 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 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	40,106	Stochastic model	Volatility – Extrapolated or Illiquid	545	199
Derivative contracts					
Equity linked derivatives	-45,083	Stochastic model	Correlation parameters	-769	-1,044
			Volatility – Extrapolated or Illiquid	16,943	-11,037
			Dividend yield	1,758	-1,164
FX linked cross currency and interest rate derivatives	-530,533	Stochastic model	Correlation parameters	140	-170
			Volatility – Extrapolated or Illiquid	-318	-2,040
			Interest rates – Extrapolated or Illiquid	8	-8
Other interest rate derivatives	-10,719	Stochastic model	Correlation parameters	7	-10
			Volatility – Extrapolated or Illiquid	9,882	-10,620
			Interest rates – Extrapolated or Illiquid	377	-377
Debt securities issued and Liabilities to the public and public sector entities					
Equity linked liabilities	812,963	Stochastic model	Correlation parameters	14	-3
			Volatility – Extrapolated or Illiquid	12,271	-16,551
			Dividend yield	1,424	1,128
FX linked liabilities	960,294	Stochastic model	Correlation parameters	-10	-93
			Volatility – Extrapolated or Illiquid	1,888	694
			Interest rates – Extrapolated or Illiquid	4	-4
Other liabilities	566,826	Stochastic model	Correlation parameters	0	-1
			Volatility – Extrapolated or Illiquid	11,025	-11,652
			Interest rates – Extrapolated or Illiquid	165	-166
Total				**55,354**	**-52,915**

SENSITIVITY ANALYSIS OF UNOBSERVABLE INPUTS 31 DEC 2020 (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	43,735	Stochastic model	Volatility – Extrapolated or Illiquid	542	327
Derivative contracts					
			Correlation parameters	1,324	-932
Equity linked derivatives	-75,037	Stochastic model	Volatility – Extrapolated or Illiquid	9,142	-7,641
			Dividend yield	1,951	1,333
			Correlation parameters	51	-368
FX linked cross currency and interest rate derivatives	-517,779	Stochastic model	Volatility – Extrapolated or Illiquid	1,642	96
			Interest rates – Extrapolated or Illiquid	93	-93
			Correlation parameters	8	-6
Other interest rate derivatives	2,156	Stochastic model	Volatility – Extrapolated or Illiquid	8,230	-9,711
			Interest rates – Extrapolated or Illiquid	447	-448
Debt securities issued and Liabilities to the public and public sector entities					
			Correlation parameters	2,810	2,088
Equity linked liabilities	885,327	Stochastic model	Volatility – Extrapolated or Illiquid	7,733	-7,746
			Dividend yield	1,148	410
			Correlation parameters	213	54
FX linked liabilities	1,027,104	Stochastic model	Volatility – Extrapolated or Illiquid	-1,161	-1,729
			Interest rates – Extrapolated or Illiquid	6	-6
			Correlation parameters	1	-1
Other liabilities	531,744	Stochastic model	Volatility – Extrapolated or Illiquid	10,220	-9,066
			Interest rates – Extrapolated or Illiquid	209	-209
Total				**44,609**	**-33,648**

DAY 1 GAIN OR LOSS (EUR 1,000)	1 Jan–30 Jun 2021	1 Jan–31 Dec 2020
Opening balance in the beginnig of the reporting period	-29	-
Recognised gain in the income statement	205	242
Recognised loss in the income statement	-354	-67
Deferred gain or loss on new transactions	192	-204
Total at the end of the reporting period	**14**	**-29**

The definition and amortisation method for the Day 1 gain or loss is presented in the accounting policies of the Consolidated Financial Statements 2020 (Note 1) in Section *Determination of fair value*.

Note 7. Derivative contracts

DERIVATIVE CONTRACTS 30 JUN 2021 (EUR 1,000)	Nominal value of underlying instrument	Fair value	
		Positive	Negative
Derivative contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	33,110,511	879,596	-369,597
, of which cleared by the central counterparty	*29,853,138*	*731,220*	*-275,478*
Currency derivatives			
Cross currency interest rate swaps	10,778,797	332,429	-830,824
Total derivative contracts in hedge accounting	**43,889,308**	**1,212,024**	**-1,200,421**
Derivative contracts at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps	17,264,071	553,398	-397,796
, of which cleared by the central counterparty	*10,483,775*	*10,521*	*-204,287*
Interest rate options	40,000	92	-92
Currency derivatives			
Cross currency interest rate swaps	4,272,415	111,841	-627,349
Forward exchange contracts	3,664,802	38,456	-3,407
Equity derivatives	879,136	-19	-45,064
Total derivative contracts at fair value through profit or loss	**26,120,424**	**703,768**	**-1,073,707**
Total derivative contracts	**70,009,732**	**1,915,792**	**-2,274,128**

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 2020 (EUR 1,000)	Nominal value of underlying instrument	Fair value	
		Positive	Negative
Derivative contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	29,944,724	1,155,265	-470,736
, of which cleared by the central counterparty	*25,510,126*	*684,090*	*-314,856*
Currency derivatives			
Cross currency interest rate swaps	9,837,981	369,605	-985,934
Total derivative contracts in hedge accounting	**39,782,706**	**1,524,870**	**-1,456,670**
Derivative contracts at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps	18,552,843	749,891	-488,850
, of which cleared by the central counterparty	*11,211,380*	*5,605*	*-189,246*
Interest rate options	40,000	106	-106
Currency derivatives			
Cross currency interest rate swaps	4,800,480	82,985	-713,063
Forward exchange contracts	3,516,421	-	-126,805
Equity derivatives	932,553	313	-75,076
Total derivative contracts at fair value through profit or loss	**27,842,297**	**833,293**	**-1,403,900**
Total derivative contracts	**67,625,003**	**2,358,163**	**-2,860,570**

Note 8. 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 2021	31,630	299	8,950	9,152	18,401
+ Additions	4,524	-	1	102	103
– Disposals	-449	-	-323	-	-323
Acquisition cost 30 Jun 2021	35,705	299	8,628	9,254	18,182
Accumulated depreciation 1 Jan 2021	14,283	-	4,840	3,197	8,037
– Accumulated depreciation on disposals	-	-	-198	-	-198
+ Depreciation for the reporting period	1,377	-	619	857	1,475
Accumulated depreciation 30 Jun 2021	15,660	-	5,260	4,054	9,314
Carrying amount 30 Jun 2021	**20,045**	**299**	**3,368**	**5,201**	**8,868**

	Intangible assets	Tangible assets			
(EUR 1,000)	Total	Other real estate	Other tangible assets	Right-of-use assets	Total
Acquisition cost 1 Jan 2020	25,706	299	5,649	8,942	14,890
+ Additions	5,924	-	3,644	296	3,939
– Disposals	-	-	-343	-85	-428
Acquisition cost 31 Dec 2020	31,630	299	8,950	9,152	18,401
Accumulated depreciation 1 Jan 2020	11,002	-	4,247	1,602	5,849
– Accumulated depreciation on disposals	-	-	-252	-72	-324
+ Depreciation for the financial year	3,281	-	845	1,667	2,513
Accumulated depreciation 31 Dec 2020	14,283	-	4,840	3,197	8,037
Carrying amount 31 Dec 2020	**17,346**	**299**	**4,110**	**5,955**	**10,364**

Note 9. Credit risks of financial assets and other commitments

MuniFin Group's credit risks are described in the Consolidated Financial Statements 2020 in Note *2 Risk management principles and the Group's risk position* in Section *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 2020 (Note 1) in Section *Impairment of financial assets.*

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

EXPOSURES BY ASSET GROUPS AND IMPAIRMENT STAGES	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3 *			
30 JUN 2021 (EUR 1,000)	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	7,682,899	0	-	-	-	-	7,682,899	0
Loans and advances to credit institutions at amortised cost	1,512,763	-95	-	-	-	-	1,512,763	-95
Loans and advances to the public and public sector entities at amortised cost	26,964,538	-24	174,310	-891	136,723	-170	27,275,570	-1,084
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,225,287	-2	-	-	166	0	1,225,452	-2
Debt securities at amortised cost	1,467,836	0	14,423	0	-	-	1,482,258	0
Debt securities at fair value through other comprehensive income	282,078	-45	-	-	-	-	282,078	-45
Cash collateral to CCPs in Other assets at amortised cost	255,984	-16	-	-	-	-	255,984	-16
Guarantee receivables from the public and public sector entities in Other assets	1,667	-	-	-	-	-	1,667	-
Credit commitments (off-balance sheet)	2,537,022	-4	37	0	4,506	0	2,541,565	-4
Total	**41,930,072**	**-186**	**188,770**	**-891**	**141,394**	**-170**	**42,260,236**	**-1,246**

* The Group has collateral and guarantee arrangements that fully cover the stage 3 receivables as described in the Consolidated Financial Statements 2020 in Note *2 Risk management principles and the Group's risk position* in Section *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 2,440 thousand (EUR 2,404 thousand) of originated credit impaired receivables (purchased or originated credit impaired, POCI). Expected credit losses for the POCI receivables amount to EUR 8 thousand (EUR 4 thousand).

EXPOSURES BY ASSET GROUPS AND IMPAIRMENT STAGES

31 DEC 2020 (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	5,565,801	0	-	-	-	-	5,565,801	0
Loans and advances to credit institutions at amortised cost	1,841,853	-43	-	-	-	-	1,841,853	-43
Loans and advances to the public and public sector entities at amortised cost	26,606,595	-30	145,061	-835	135,291	-224	26,886,947	-1,089
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,090,768	-2	-	-	173	-	1,090,940	-2
Debt securities at amortised cost	1,303,105	0	7,200	-	-	-	1,310,305	0
Debt securities at fair value through other comprehensive income	423,050	-42	-	-	-	-	423,050	-42
Cash collateral to CCPs in Other assets at amortised cost	243,269	-4	-	-	-	-	243,269	-4
Guarantee receivables from the public and public sector entities in Other assets	1,606	-	-	-	-	-	1,606	-
Credit commitments (off-balance sheet)	2,348,271	-4	4,506	0	1,201	0	2,353,978	-4
Total	**39,424,318**	**-126**	**156,767**	**-835**	**136,665**	**-224**	**39,717,750**	**-1,184**

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

TOTAL EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGES (EUR 1,000)	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2021	**-126**	**-835**	**-224**	**-1,184**	**39,717,750**
New assets originated or purchased	-28	0	-9	-38	6,673,157
Assets derecognised or repaid (excluding write-offs)	34	44	20	98	-4,130,558
Transfers to Stage 1	0	14	-	14	14
Transfers to Stage 2	0	-115	44	-71	-71
Transfers to Stage 3	-	1	-2	0	0
Additional provision (*Management overlay*)	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models * and inputs ** used for ECL calculations	-66	0	0	-66	-56
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 30 Jun 2021	**-186**	**-891**	**-170**	**-1,246**	**42,260,236**

* Represents changes in the model.

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

During the financial year 2020 MuniFin Group recorded an additional discretionary provision (management overlay) of EUR 340 thousand to take into account the financial effects of the COVID-19 pandemic. Year 2020 and first half of 2021 were financially exceptionally weak for certain customer segments such as the cultural sector and the sports activities. However, the deteriorating financial situation is not yet reflected in the Group's internal risk ratings, which have been mainly updated based on the 2019 financial statements. As the creditworthiness of certain customer segments is estimated to have decreased since then, MuniFin Group's management decided to record an additional discretionary provision based on a group-specific assessment. The additional provision relates to the statement of financial position 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 provisions is based on the fact that MuniFin Group's management estimates that due to the increase in credit risk (not yet reflected in the internal risk ratings), part of the exposures would transfer to stage 2 in the expected credit loss calculations. More detailed information on the financial situation of the companies subject to the additional provision will be available after the completion of their 2020 financial statements, so that any change in expected credit losses can be allocated to individual contracts through risk ratings and determined according to the normal ECL calculation process. At the reporting date 30 June 2021, the internal risk ratings have not yet been updated based on the 2020 financial statements. The updates will be conducted during Q3. Although the financial situation at the reporting date looks better than at the financial statement date, which is also reflected in the scenarios updated by the Group at the reporting date, there is still uncertainty about the customers' financial situation. For this reason, the Group's management decided not to change the additional provision during the reporting period.

MuniFin Group's total credit risk has remained low and the amount of expected credit losses (*ECL*) remains low. The Group's customer exposures have zero risk weight in MuniFin Group's 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 2020 in Note *2 Risk management principles and the Group's risk position* under Section *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 2021, the Group has a total of EUR 23 million (EUR 24 million) in guarantee receivables from the public sector due to the insolvency of customers. Credit risk of the liquidity portfolio has remained of good quality with the average rating of 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 2020	**-167**	**-80**	**-80**	**-327**	**34,772,275**
New assets originated or purchased	-83	-30	-13	-126	10,624,630
Assets derecognised or repaid (excluding write-offs)	119	10	43	173	-5,678,253
Transfers to Stage 1	0	30	-	30	30
Transfers to Stage 2	0	-50	9	-41	-41
Transfers to Stage 3	0	19	-7	12	12
Additional provision (*Management overlay*)	-	-340	-	-340	-340
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models * and inputs ** used for ECL calculations	5	-395	-176	-566	-564
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 31 Dec 2020	**-126**	**-835**	**-224**	**-1,184**	**39,717,750**

During the second half of 2020, MuniFin Group specified the methods for estimating and modeling expected credit losses as well as the assumptions used in the model. The change in the modeling methodology affected the modeling of the probability of default over the lifetime of the loan and thus affected the amount of expected credit losses on stages 2 and 3, which increased by approximately EUR 0.5 million due to the change.

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. The scenarios for Finland have been updated by the Chief Economist and Scenario Design Team of MuniFin Group to take into account the effect of COVID-19 pandemic. The macroeconomic projections cover a three-year period 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. Due to uncertainty caused by the COVID-19 pandemic, MuniFin Group has given a larger weight to the adverse scenario.

The scenario probability weightings are as following:

	30 Jun 2021			31 Dec 2020		
SCENARIO	2021	2022	2023	2020	2021	2022
Adverse	40%	40%	40%	50%	40%	40%
Base	50%	50%	40%	40%	40%	40%
Optimistic	10%	10%	20%	10%	20%	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 table below presents the macroeconomic variables and their forecasts over the three-year forecast period.

		30 Jun 2021			31 Dec 2020		
MACROECONOMIC VARIABLES	**Scenario**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
10Y Fin Government rate, %	Adverse	0.1	-0.4	0.0	0.10	-0.25	0.0
	Base	0.18	0.42	0.78	-0.37	-0.25	0.1
	Optimistic	0.45	0.85	1.15	0.00	0.3	0.60
Residential Real Estate (selling price, YoY change), %	Adverse	-8.0	-7.0	2.0	-12.5	-2.5	2.0
	Base	2.5	1.5	2.0	0.5	1.0	2.0
	Optimistic	3.5	3.0	2.5	2.0	2.5	2.0
Unemployment rate, %	Adverse	9.0	9.4	8.7	9.5	9.2	8.7
	Base	7.6	7.1	6.9	8.2	7.8	7.6
	Optimistic	7.1	6.6	6.2	7.7	7.2	6.9

The Finnish economy unexpectedly contracted in the first quarter of 2021 as the measures required to slow down the spread of the COVID-19 virus temporarily halted economic revival. However, recovery in activity re-gained momentum already in the second quarter as vaccinations proceeded at a relatively fast pace and consumer confidence started to pick up. Private investments also took an upward turn in the first half of 2021. MuniFin Group expects output to grow by 2.7% in 2021 and 3.0% in 2022. From 2023 onwards, the economy will gradually converge back to its long-term growth path and the annual pace of expansion is around 1.4–1.5%. Unemployment rate peaked at 7.8% in 2020. For the next couple of years, unemployment will remain above its structural level, which is estimated to be around 6.5–7.0%. Temporary factors, such as asynchronous revival of supply and demand and the recovery of energy prices, have contributed to higher inflation in the first half of 2021. In MuniFin Group's base scenario, inflationary pressures are transitory and future inflation expectations remain anchored. MuniFin Group assumes Finnish consumer prices to rise 1.9% in 2021. Annual CPI inflation is expected to stabilise to 1.7% percent from 2022 onwards. The European Central Bank is committed to a very accommodative monetary policy stance and interest rate expectations will rise only gradually in line with economic recovery. On the national level, housing prices are expected to rise 2.5% in 2021 as rising personal income supports home buying intentions. Recovering residential building activity will increase supply in the housing market and home price inflation moderates to its long-term trend of 1.5–2.0% in 2022–2024.

Compared to the base scenario, the optimistic scenario factors in less severe economic scars from the COVID-19 pandemic and assumes somewhat speedier recovery in global trade and investment spending. As a result, the Finnish GDP would grow faster in the subsequent two years (3.5% and 4.0% in 2021 and 2022, respectively). In the optimistic scenario, unemployment rate declines below the pre-pandemic level of 6.7% already in 2022. In 2021, consumer price inflation rises to 2.6%. Inflationary pressures are mostly transitory, but as the output gap gradually turns positive, CPI inflation remains at 2.3% in 2022. Strong housing demand accelerates housing price inflation to 3.0–3.5% range in 2021–2022. Thereafter, consumer and housing prices rise at about 2.0–2.5% pace in 2023–2024. Reviving inflation expectations lead to somewhat higher interest rates than in the base scenario.

The adverse scenario represents an outcome where the COVID-19 pandemic causes significant and persistent damage to the productive capacity. Economic recession continues well into 2021. Unemployment rises more and remains high much longer than in the base scenario. Despite a temporary rise in consumer prices in the first half of 2021, underlying deflationary pressures keep CPI inflation low in the whole forecasting period. Lack of demand in the housing market leads to sharp declines in housing price indices. Prolonged global recession creates tensions in financial markets, giving rise to wider risk premia in asset pricing.

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

SENSITIVITY ANALYSIS 30 JUN 2021 (EUR 1,000)	Weighted scenario	Adverse scenario (100%)
ECL	906	1,038
Proportion of the exposure in Stage 2 and 3	0.79%	0.81%

The sensitivity analysis does not include the additional discretionary provision (*management overlay*) amounting to EUR 340 thousand.

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 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	-	-	-	-	-
Unlikely to be paid	-	99,253	99,253	-133	99,120
Forborne exposures	64,697	27,737	92,434	-277	92,157
Total	**64,697**	**126,989**	**191,687**	**-409**	**191,278**

NON-PERFORMING AND FORBORNE EXPOSURES 31 DEC 2020 (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	-	-	-	-	-
Unlikely to be paid	-	116,263	116,263	-162	116,102
Forborne exposures	68,715	19,584	88,299	-288	88,010
Total	**68,715**	**135,847**	**204,562**	**-450**	**204,112**

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 the loans to customers whose finances had been temporarily affected by the pandemic. The granted repayment holidays concerned mainly the year 2020 and were mainly between 6–9 months in length. Only a few individual repayment holidays have been extended in the first half of 2021. The uncollected installments were mainly transferred to the end of the loan term to be paid in connection with the last installment. Most of the repayment holidays were granted during April and May in 2020. 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 10. Liabilities to credit institutions

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Bilateral loans to credit institutions	59,842	93,358
TLTRO *	2,000,000	1,250,000
Received collateral on derivatives	532,200	658,120
Total	**2,592,042**	**2,001,478**

* In September 2020 MuniFin Group participated in the third series of targeted longer-term refinancing operation 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 currently 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 2021 was determined based on the net lending review period expired on 31 March 2021. MuniFin Group met the net lending criteria for this period to the lower interest rate. The final interest rate will be determined when the TLTRO III debt matures. Based on the historical development of MuniFin Group's lending portfolio as well as business forecast for future years, the Group expects to meet the conditions of positive net lending in the reference period and recognises the interests with the -1% rate.

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 11. Debt securities issued

(EUR 1,000)	30 Jun 2021 Carrying amount	30 Jun 2021 Nominal value	31 Dec 2020 Carrying amount	31 Dec 2020 Nominal value
Bonds	30,761,887	30,850,657	29,016,086	28,671,412
Other *	3,845,248	4,144,802	3,895,820	3,896,421
Total	**34,607,135**	**34,995,459**	**32,911,906**	**32,567,833**

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

All funding issued by the Parent Company Municipality Finance Plc 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	20 Jan 2021	20 Mar 2026	0.63%	1,500,000	USD
Fixed rate benchmark bond,issued under the MTN programme	2 Mar 2021	2 Mar 2031	0.00%	1,000,000	EUR
Fixed rate benchmark bond,issued under the MTN programme	21 Apr 2021	21 Apr 2028	0.00%	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 12. Provisions and other liabilities

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Provisions		
Restructuring provision	-	562
Other provisions	160	-
Other liabilities		
Lease liabilities	5,284	6,032
Cash collateral taken from CCPs	309,945	231,180
Other	16,263	9,247
Total	**331,651**	**247,021**

The restructuring provision is related to the reorganisation of the Group's operations and the co-operation negotiations conducted during the financial year 2020 due to the reorganisation. Other provisions relate to a tax interpretation issue that is open at the reporting date and for which MuniFin has requested a preliminary ruling.

	Restructuring provision		Other provisions
(EUR 1,000)	1 Jan–30 Jun 2021	1 Jan–31 Dec 2020	1 Jan–30 Jun 2021
Carrying amount in the beginning of the reporting period	562	-	-
Increase in provisions	-	641	160
Provisions used	-562	-79	-
Carrying amount at the end of the reporting period	**-**	**562**	**160**

Note 13. Capital instruments

30 JUN 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**		

31 DEC 2020 (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**		

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 buy-back 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 14. Collateral given

GIVEN COLLATERALS ON BEHALF OF OWN LIABILITIES AND COMMITMENTS (EUR 1,000)	30 Jun 2021	31 Dec 2020
Loans and advances to credit institutions to the counterparties of derivative contracts *	360,563	1,607,069
Loans and advances to credit institutions to the central bank **	39,461	34,918
Loans and advances to the public and public sector entities to the central bank **	4,853,925	5,181,646
Loans and advances to the public and public sector entities to the Municipal Guarantee Board ***	11,301,447	10,997,495
Other assets to the counterparties of derivative contracts *	255,984	243,269
Total	**16,811,380**	**18,064,396**

* 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 (the Bank of Finland) and for this purpose, a sufficient amount of collateral has been pledged to the central bank for possible operations related to this 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 MunFin'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 15. Contingent assets and liabilities

The accrued interest on the Parent Company's AT1 capital loan is a contingent liability, totalling EUR 3,107 thousand on the reporting date 30 Jun 2021. The contingent liability will be realised as a deduction of equity once the Parent Company decides on the payment of interest. At the end of 2020, MuniFin had a contingent liability of EUR 9,459 thousand, which realised upon interest payment on 1 April 2021.

The Group has no contingent assets on the reporting date 30 Jun 2021 or 31 Dec 2020.

Note 16. Off-balance-sheet commitments

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Credit commitments	2,541,565	2,353,978
Total	**2,541,565**	**2,353,978**

Note 17. Related-party transactions

MuniFin Group's related parties include MuniFin's shareholders whose ownership and corresponding voting rights in the company exceed 20%. In addition, the Group's related parties consist of 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, as well as the spouses, children and dependants of these persons and the children and dependants of these persons' spouses. In addition, MuniFin Group's related parties are 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 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 2020.

Note 18. Events after the reporting period

ECB announced on 23 July 2021, that its recommendation limiting dividend distribution will expire on 30 September 2021. MuniFin's Board of Directors may thus decide on the distribution of dividends for 2020 after the expiry of the recommendation on the basis of the authorisation given by the AGM in spring 2021.

The results of the EU-wide stress test were published on Friday, July 30, 2021. The Group participated in *the SSM Stress Test* led by ECB. The stress test covered years 2021–2023. MuniFin Group's capital adequacy and leverage ratio remained extremely strong under even adverse scenario. According to this adverse scenario, the Group's CET1 capital ratio would be 67% at the end of 2023 and the leverage ratio at 3.6% (*CRR*). Both figures exceed clearly regulatory requirements.