IMPORTANT NOTICE

THIS SUPPLEMENT (AS DEFINED BELOW) IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") AND A "QUALIFIED PURCHASER" ("**QP**") WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) AND WHO ARE OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS.

IMPORTANT: You must read the following before continuing. This notice applies to the supplemental offering circular dated 7 September 2023 (the "**Supplement**") following this page, which supplements the offering circular dated 9 May 2023 (the "**Offering Circular**") prepared in connection with the €45,000,000,000 Programme for the Issuance of Debt Instruments established by Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**"), and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Supplement. In accessing the Supplement, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive information from the Issuer, the Guarantor, the Arranger and the Dealers (each as defined in the Offering Circular).

NOTHING IN THIS ELECTRONIC TRANSMISSION, THE SUPPLEMENT OR THE OFFERING CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THIS ELECTRONIC TRANSMISSION, THE SUPPLEMENT AND THE OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND PERMITTED BY, REGULATION S OR WITHIN THE UNITED STATES TO PERSONS WHO ARE BOTH A QIB WITHIN THE MEANING OF RULE 144A AND A "QUALIFIED PURCHASER" ("**QP**") WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. THE ATTACHED SUPPLEMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT AND/OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND CANNOT PURCHASE THE SECURITIES DISCUSSED IN THE ATTACHED SUPPLEMENT AND/OR THE OFFERING CIRCULAR (THE "**NOTES**").

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS BOTH A QIB AND A QP OR (2) IN ACCORDANCE WITH SECTIONS 903 OR 904 OF REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF "**U.S. PERSONS**" (AS DEFINED BY REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your representation: In order to be eligible to view the attached Supplement, you must be, and by accessing the attached Supplement you shall be deemed to have represented to the Issuer, the Guarantor, the Arranger and Dealers that you have understood and agree to the terms set out herein and you are either (1) (a) located outside the United States and not resident or located in any jurisdiction where accessing the Supplement is unlawful, (b) not a U.S. person (within the meaning of Regulation S) or a United States person as defined for US federal income tax purposes and (c) not an affiliate of the Issuer or a person acting on behalf of such an affiliate or (2) (a) a QIB and a QP, (b) not formed for the purpose of investing in the Rule 144A Notes or the Issuer, (c) not a broker dealer which owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers, (d) not a participant-directed employee plan such as a 401(k) plan, (e) acting for your own account, or the account of one or more QIBs each of which is also a QP, (f) aware that the sale of the Rule 144A Notes is being made in reliance on Rule 144A and (g) if acting as a fiduciary or agent for one or more investor accounts (i) each such account is a QIB that is also a QP, (ii) you have investment discretion with respect to each account, and (iii) you have full power and authority to make, and do make, the representations, warranties, agreements and acknowledgements herein on behalf of each such account. Additionally, you shall also be deemed to have represented to the Issuer, the Arranger and the Dealers that you consent to delivery of the Supplement by electronic transmission on the basis that you are a person into whose possession the Supplement may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and agree that you will not forward, transfer, transmit or otherwise send (by any means including by electronic transmission) the Supplement to any person in any territory where to do so would breach applicable local law or regulation. You are reminded that documents in electronic form may be altered or changed during the process of electronic transmission and, consequently, none of the Issuer, the Arranger, the Dealers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any such alteration or change. Breach of this representation could mean that you are in breach of applicable laws or regulations and, furthermore, you agree that the Issuer, the Arranger and the Dealers shall in no case bear liability for any infringement of any such prohibition or restriction.

The Supplement and the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Arranger/Dealers or any affiliate of the Arranger/Dealers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Arranger/Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Arranger, the Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of this electronic transmission, the Supplement or the Offering Circular or for any other statement made or purported to be made by it, or on its behalf, in connection with the Issuer or the Issuer or the offering referred to herein. The Arranger, the Dealers and each of their respective affiliates disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the electronic transmission, the Supplement or the Offering Circular or any such statement. No representation or warranty, express or implied, is made by the Arranger, the Dealers or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this electronic transmission, the Supplement or the Offering Circular.

Supplement dated 7 September 2023

MUNICIPALITY FINANCE PLC
(Kuntarahoitus Oyj)

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

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

Guaranteed by
THE MUNICIPAL GUARANTEE BOARD
(Kuntien takauskeskus)
(Established as a public law institution under the laws of the Republic of Finland)

This supplement (the "**Supplement**") to the offering circular dated 9 May 2023 (the "**Offering Circular**") is prepared in connection with the €45,000,000,000 Programme for the Issuance of Debt Instruments established by Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**"). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

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

Application may be made for Notes to be listed and admitted to trading on the Helsinki Stock Exchange maintained by Nasdaq Helsinki or to any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer. Unlisted Notes may also be issued pursuant to the Programme. Notes will not be subject to the prospectus requirements of (i) 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 a European Economic Area member state, or (ii) Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**") as a result of the exemption provided by Article 1.2(d) of the UK Prospectus Regulation for securities unconditionally and irrevocably guaranteed by the government or a local or regional authority of any country or territory.

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 amended and/or supplemented in the manner described below.

Presentation of Financial and Other Data

The subsection headed "Presentation of Financial and Other Data" starting on page 6 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 IAS 34 (including the auditors' report thereon and notes thereto) of the Issuer in respect of the six months ended 30 June 2023 and 30 June 2022 (the "**Interim 2023 Financials**") which are appended to this Supplement.

Risk Factors

The risk factor section starting on page 14 of the Offering Circular shall be deemed to be supplemented by the following.

The risk factor titled "The Group is exposed to the economic conditions in Finland and globally" starting on page 14 of the Offering Circular shall be deemed to be replaced by the following:

The Group conducts its lending operations exclusively in Finland and its lending volumes are reliant on the prospects of Finnish municipalities, joint municipal authorities, wellbeing services counties, joint county authorities for wellbeing services, entities controlled by the foregoing and housing corporations providing housing on social grounds in Finland. Therefore, the macroeconomic factors relating to Finland, and more specifically its municipalities, such as GDP, the inflation rate, interest rates, currency exchange rates and tax rates as well as unemployment, personal income and the financial situation of companies, together with various other factors, have a material impact on customer demand and margins for Group's products and services. According to the Ministry of Finance, Finland's GDP is projected to contract by 0.5 per cent in 2023, and private consumption in 2023 is expected to decline as rapidly rising prices reduce the real disposable income of households. Growth in Europe is projected to slow to 0 per cent to 0.5 per cent on average in 2023. The root cause of the downturn is the energy shortage exacerbated by the war between Russia and Ukraine and the sharp rise in energy prices as well as prolonged inflation and rising interest rates.

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

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

Recently, the global credit and financial markets have experienced volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. The financial markets, the global economy as well as the economy of Finland have been and may continue to be adversely affected by the current or anticipated impact of military conflict, including the conflict between Russia and Ukraine, terrorism or other geopolitical events. Sanctions imposed by the United States, the United Kingdom, the United Nations, and the European Union, and other countries in response to such conflicts, including the sanctions imposed relating to the conflict in Ukraine, have and may continue to adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. Russia's invasion of Ukraine has increased prices of energy, raw materials and food, which has cut household purchasing power, consumption and economic growth significantly. The Finnish government has proposed measures to support companies engaged in energy production. For example, in October 2022, the European Commission approved a subsidised loan and guarantee scheme that allows the Group to finance Finnish municipal energy companies under the EU State Aid Temporary Crisis Framework. This arrangement aims to ensure the continuity of municipal energy companies' operations and strengthen Finland's security of supply, and financing under the scheme can only be used towards collateral requirements in the electricity derivatives exchanges, spot trading, imbalance settlement and bilateral trading. The Group's customers had little demand for this type of financing during 2022 and the first half of 2023. In December 2022, the Group and the MGB together applied to continue this scheme in 2023 and also sought to extend the scope of financing to cover other financing needs arising from possible crisis situations in energy companies, such as balancing energy requirements and working capital financing. The European Commission approved this arrangement on 21 December 2022 until the year-end 2023.

Prolonged inflation continues to pose the biggest challenge in global macroeconomy. The fastest rise in consumer prices is likely to decrease in 2023, but it may take a few years for inflation to return to the central banks' target level. The US Federal Reserve raised its key interest rate by more than four percentage points throughout 2022, taking it to a targeted range between 4.25 per cent and 4.5 per cent by the end of 2022. In May 2023, the US Federal Reserve further increased interest rates, increasing its targeted range to between 5.0 per cent and 5.25 per cent. In June, the US Federal Reserve maintained the same rates, but in July 2023, it raised the key interest rate to a targeted range between 5.25 and 5.5 per cent. The European Central Bank raised its deposit facility rate by 2.5 percentage points in the second half of 2022, taking it from -0.5 per cent to 2.0 per cent. The deposit facility rate further increased in February and March 2023, reaching 3.0 per cent at the end of March 2023. The European Central Bank raised its deposit facility rate by 0.75 percentage points between March and August 2023, reaching 3.75 per cent by August 2023. The European Central Bank also tightened the conditions of its targeted longer-term refinancing operations that provide financing to credit institutions. Interest rate hikes are expected to continue throughout the second half of 2023, although at a slower rate than in 2022, while other contractive monetary policy measures for much longer. The European Central Bank's deposit facility rate peak will probably stay around 4 per cent, and interest rate decreases that would stimulate economic growth are unlikely.

The ongoing conflict between Russia and Ukraine as well as rising inflation and interest rates is expected to continue to have a significant impact on the Finnish economic outlook, including in relation to foreign trade and exports. Given the uncertainty of the situation, the exact impact on Finland's economy is not yet known but it is expected that the Finnish economy's growth outlook will decline given the conflict in Ukraine and the resulting rising inflation and rapidly tightening monetary policy. In the event geopolitical tensions fail to abate or deteriorate further, additional governmental sanctions may be enacted adversely impacting the global economy and supply chain, banking and monetary systems, which may have a material adverse effect on the Group's financial condition and results of operations.

The last sentence of the first paragraph of the risk factor titled "The Group is exposed to credit risk from its counterparties on financial instruments" starting on page 15 of the Offering Circular shall be amended as follows:

As a result of these activities, the Group had derivative contracts with a nominal value of Euro 75.5 billion as at 30 June 2023.

The risk factor titled "The Finnish health and social services reform may adversely affect the Group" on page 16 of the Offering Circular shall be deemed to be amended by adding the following sentences to the end of the sixth paragraph:

As of June 2023, 10 per cent of the Group's long-term loan portfolio consisted of loans to wellbeing services counties.

Capitalisation and Indebtedness

The section headed "Capitalisation and Indebtedness" on page 112 of the Offering Circular shall be deemed to be replaced by the following information:

The following table sets forth consolidated cash and balances with central banks and capitalisation (including short-term debt, long-term debt and shareholders' equity) of the Group as at 30 June 2023.

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 2023 Financials and the notes to that statement included elsewhere in this Supplement.

	As at 30 June 2023
	(Euro '000)
Cash and balances with central banks	**2**
Indebtedness:	
Liabilities to credit institutions	179,259
Liabilities to the public and public sector entities	2,516,086
Debt securities issued	38,376,034
Total indebtedness	**41,071,379**
Shareholders' equity	
Share capital	42,583
Reserve fund	277
Fair value reserve of investments	(4,848)
Own credit revaluation reserve	24,983
Cost-of-hedging reserve	(6,783)
Reserve for invested non-restricted equity	40,366
Retained earnings	1,526,871
Total equity attributable to parent company equity holders	**1,623,450**
Other equity instruments issued	**-**
Total equity	**1,623,450**
Total Capitalisation[1]	**42,694,829**

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

Selected Financial Information Relating to the Group

The section headed "Selected Financial Information Relating to the Group" starting on page 113 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 2023 as derived from the Interim 2023 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 2023 Financials and the section entitled "*Management's Discussion and Analysis of Financial Position and Results of Operations of the Group*" appearing elsewhere in this Supplement.

INCOME STATEMENT DATA

	For the six months ended 30 June	
	2023	**2022**
	(Euro '000)	
Interest and similar income	1,058,495	240,952
Interest and similar expense	(934,127)	(119,236)
NET INTEREST INCOME	**124,368**	**121,716**
Commission income	1,102	1,175
Commission expense	(7,730)	(2,761)
Net income on financial instruments at fair value through profit and loss[1]	(5,039)	16,145
Net income on financial assets at fair value through other comprehensive income	(257)	-
Other operating income	102	66
HR and administrative expenses[2]	(20,046)	(18,603)
Depreciation and impairment on tangible and intangible assets and on shares[3]	(3,138)	(7,549)
Other operating expenses	(12,562)	(18,916)

	For the six months ended 30 June	
	2023	2022
	(Euro '000)	
Credit loss and impairments on other financial assets	(218)	(740)
NET OPERATING PROFIT	**76,581**	**90,532**
Income tax expense	(15,665)	(19,129)
PROFIT FOR THE PERIOD	**60,917**	**71,403**

(1) Line item in the income statement until the end of 2022 was Net income from securities and foreign exchange transactions and Hedge accounting.
(2) Line item in the income statement until the end of 2022 was Administrative Expenses.
(3) Line item in the income statement until the end of 2022 was Depreciation and impairment on tangible and intangible assets.

CONSOLIDATED FINANCIAL POSITION DATA

	As at 30 June	As at 31 December
	2023	2022
	(Euro '000)	
ASSETS		
Cash and balances with central banks	2	2
Loans and advances to credit institutions	9,531,268	9,625,488
Loans and advances to the public and public sector entities	30,129,008	29,144,361
Debt securities	4,618,618	4,786,768
Derivative contracts	2,305,756	2,707,103
Intangible assets	7,828	8,831
Tangible assets	9,946	5,062
Other assets	1,454,404	1,234,810
Accrued income and prepayments	320,097	223,104
Deferred tax assets	12	763
TOTAL ASSETS	**48,376,941**	**47,736,293**
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	179,259	2,332,623
Liabilities to the public and public sector entities	2,516,086	2,529,585
Debt securities issued	38,376,034	35,592,065
Derivative contracts	4,485,429	4,616,111
Provisions and other liabilities	573,009	593,848
Accrued expenses and deferred income	328,618	166,635
Deferred tax liabilities	295,056	291,717
TOTAL LIABILITIES	**46,753,491**	**46,122,584**
EQUITY		
Share capital	42,583	42,583
Reserve fund	277	277
Fair value reserve of investments	(4,848)	(4,457)
Own credit revaluation reserve	24,983	(83)
Cost-of-hedging reserve	(6,783)	1,488
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	1,526,871	1,533,535
Total equity attributable to parent company equity holders	**1,623,450**	**1,613,709**
TOTAL EQUITY	**1,623,450**	**1,613,709**
TOTAL LIABILITIES AND EQUITY	**48,376,941**	**47,736,293**

CONSOLIDATED CASH FLOW DATA

	For the six months ended 30 June	
	2023	2022
	(Euro '000)	
Cash flow from operating activities	67,250	454,679
Cash flow from investing activities	(356)	(2,702)
Cash flow from financing activities	(68,641)	(406,918)
Change in cash and cash equivalents	(1,747)	45,059
Cash and cash equivalents at 1 January	48,624	8,435,504
Cash and cash equivalents at period end	**46,877**	**8,480,563**

KEY PERFORMANCE INDICATORS

	As at and for the six months ended 30 June	
	2023	2022
Turnover (mEUR)[1]	1,054	258
Net interest income (mEUR)*	124	122
% of turnover	11.8	47.3
Net operating profit (mEUR)*	77	91
% of turnover	7.3	35.3
Unrealised fair value changes (mEUR)* [2]	(5)	16
Net operating profit excluding unrealised fair value changes (mEUR)* [3]	81	74
Cost-to-income ratio* [4]	0.3	0.3
Cost-to-income ratio excluding unrealised fair value changes*[5]	0.3	0.3
Long-term customer financing (mEUR)* [6]	30,129	28,831
New lending (mEUR)* [7]	1,818	2,006
Total funding (mEUR)* [8]	41,018	40,850
New long-term funding (mEUR)* [9]	7,118	5,962
Equity (mEUR)	1,623	1,481
Total balance sheet (mEUR)	48,377	47,491
Total liquidity (mEUR)* [10]	11,323	11,798
Liquidity Coverage Ratio (LCR) (%) [11]	253.5	292.6
Net Stable Funding Ratio (NSFR) (%)[12]	127.1	129.4
Equity ratio (%)*[13]	3.4	3.1
CET1 capital (mEUR)	1,500	1,421
Tier 1 capital (mEUR)	1,500	1,421
Total own funds (mEUR)	1,500	1,421
CET1 capital ratio (%)[14]	101.3	83.8
Tier 1 capital ratio (%)[15]	101.3	83.8
Total capital ratio (%)[16]	101.3	83.8
Leverage ratio (%)[17]	11.9	10.6
Personnel	186	180

*Alternative Performance Measures, non-IFRS.

The required definitions and reconciliations of the APMs are presented on pages 39 to 47 of the Group's half year report for 2023.

(1) Turnover is calculated as the sum of interest and similar income (including leasing), commission income, net income on financial instruments at fair value through profit or loss, net income on financial assets at fair value through other comprehensive income and other operating income.

(2) Unrealised fair value changes is the sum of net income from financial assets and liabilities through profit or loss, 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	
	2023	2022
Net operating profit (mEUR)	77	91
Unrealised fair value changes (mEUR)	(5)	16
Net operating profit excluding unrealised fair value changes (mEUR)	**81**	**74**

(4) Cost-to-income ratio is calculated as the sum of HR and administrative expenses, depreciation and impairment on tangible and intangible assets and on shares and other operating expenses divided by the sum of net interest income, net commission income, net income on financial instruments at fair value through profit or loss, net income on financial assets at fair value through other comprehensive income and other operating income.

(5) Cost-to-income ratio excluding unrealised fair value changes is calculated as the (i) sum of HR and administrative expenses, depreciation and impairment on tangible and intangible assets and on shares and other operating expenses divided by (ii) the sum of net interest income, net commission income, net income on financial instruments at fair value through profit or loss, 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 income 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	
	2023	2022
Costs (excluding Commission expenses) (mEUR)	36	45
Divided by		
(Income (including Net commission income) (mEUR)	112	136

	For the six months ended 30 June	
	2023	2022
Unrealised fair value changes (mEUR))	(5)	16
Cost-to-income ratio excluding unrealised fair value changes	**0.3**	**0.4**

(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 less short-term customer financing) and the total of other investments (sum of cash and balances with central banks and other deposits).

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

(12) Net stable funding ratio (NSFR) (per cent) is calculated as available stable funding divided by the required stable funding. The NSFR figures represent the percentage at the period end reference date.

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

(14) CET1 capital ratio (per cent) equals Common Equity Tier 1 (CET1) capital divided by exposure amount. Risk exposure amount is calculated as defined in the Capital Requirements Regulation.

(15) Tier 1 capital ratio (per cent) equals Tier 1 capital divided by risk exposure amount.

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

(17) Leverage ratio (per cent) equals total Tier 1 capital divided by Total Exposure. Total Exposure is calculated as the total of on-balance sheet exposures (excluding derivatives and intangible assets), derivative exposure and off-balance sheet exposure. The Group fulfils the CRR II definition of a public development credit institution and as at 30 June 2023 has deducted all credit receivables from municipalities, wellbeing services counties and the central government. The deduction has also been made at 30 June 2022.

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 117 of the Offering Circular shall be deemed to be supplemented by the following.

The following section shall be added to the "Management's Discussion and Analysis of the Financial Position and Results of Operation of the Group" starting on page 117 of the Offering Circular, before the section headed "Significant Factors Affecting Operating and Financial Results":

Current Trading

The Group expects its net operating profit excluding unrealised fair value changes to be at the same level or higher as in 2022. The Group expects its capital adequacy ratio and leverage ratio to remain strong. The valuation principles under IFRS may cause significant but temporary unrealised fair value changes, some of which increase the volatility of net operating profit and make it more difficult to estimate. These estimates are based on a current assessment of the development of the Group's operations and the operating environment.

Significant Factors Affecting Operating and Financial Results

The section headed "Significant Factors Affecting Operating and Financial Results" starting on page 117 of the Offering Circular shall be deemed to be supplemented by the following.

Pricing, cost of funding and liquidity

The subsection headed "Pricing, cost of funding and liquidity" starting on page 117 of the Offering Circular shall be deemed to be amended by the following:

The availability and the cost of new funding has a material impact on the net interest income of the Group, impacting the Group's competition situation, and thus potentially the growth of its loan portfolio and the levels of its net interest margins. One of the most significant factors affecting the cost and availability of the Group's funding has been and is related to the general development of the European economy, in particular the Finnish economy. While the international position of Finland is favourable in terms of access to funding, should the European financial crisis re-emerge or the state of the Finnish economy deteriorates, the cost of acquiring funding might rise.

In June 2023, the Ministry of Finance stated that Finland's economic growth has been stagnant in the first half of 2023. Finland's GDP is projected to contract by 0.5 per cent in 2023. Private consumption is expected to decline as rapidly rising prices and interest rates reduce the real disposable income of households. Inflation is expected to slow down and income growth is expected to accelerate in 2024. Consequently, the Ministry of Finance expects GDP growth to recover to 1.4 per cent and 1.9 per cent respectively in 2024 and 2025. The Ministry of Finance noted that there is considerable uncertainty involved in this forecast due to the ongoing Russia-Ukraine conflict and rising interest rates.

The Group requires ongoing access to funding in order to originate new lending contracts. In accordance with its Liquidity and Funding Risk Policy (approved by the Board of Directors), the Group front-loads its expected funding requirements and seeks to maintain a liquidity buffer. The Group aims to maintain its liquidity buffer at such a level that it enables the Group to keep its liquidity and funding risk appetite at the level defined in the company's Risk Appetite Framework. In practice, the ongoing maintenance of the LCR and liquidity survival horizon at an adequate level defines the total size of the liquidity portfolio. The liquidity buffer must allow for at least twelve months of undisturbed operations. As at 30 June 2023, the Group's liquidity buffer was approximately 18 months from a survival horizon perspective. The Group's LCR on 30 June 2023 amounted to 253.3 per cent.

The main sources of funding used by the Group for lending activities are this Programme, its Euro 10 billion Euro-Commercial Paper Programme and its Australian dollar 2 billion Medium Term Note Programme. Since 2010, Municipality Finance Plc has held the status of central bank counterparty, and together with its securities portfolio, a substantial amount of the Group's municipal loan book can be used as eligible collateral for participation to the central bank open market operations and standing facilities. The central bank operations and the liquidity facility are treated as a secondary liquidity source which provides a substantial backstop for liquidity. In the first half of 2023, the Group took part in the SSM Stress Test carried out by the European Central Bank, covering the years 2023 to 2025. The test's results were published in July 2023. Under the adverse scenario, the Group's CET1 capital ratio would stand at 80.7 per cent and leverage ratio at 10.4 per cent at the end of 2025.

The Group operates a well-diversified funding strategy. The spread development on the Group's key funding markets has been favourable. This has resulted in increased presence of other market players in the lending market as these other market players have experienced similar development. The Group uses funds transfer pricing in its operations, i.e. its funding curve as a base for pricing its lending transactions to its customers. If the Group's funding cost were to increase, application of funds transfer pricing would result in an increase to the Group's pricing to customers which in turn may result in reduction in its market share and lending volumes.

Additionally, because the Group manages a significant liquidity buffer to meet its future needs, the Group has a significant amount of fixed-income and money market assets in its liquidity portfolio. Therefore, the Group must manage the cost of securing the funding against any returns on holding the funds to meet the Group's liquidity requirements prior to such funds being used for lending purposes. The low credit risk of the investments and the stability of its valuations are two of the most important criteria when the Group manages its liquid assets. The objective of the Group's liquidity management is to manage the portfolio by investing in highly liquid assets to ensure that the Group's liquidity enables it to secure its operations, including new lending and redemptions of funding, under all market conditions. As a result, the Group maintains a high proportion of HQLA. The assets in the liquidity portfolio include both the Group's own funds as well as acquired pre-funding. Due to the general market uncertainty, the Group increased during 2022 its average allocation in investments in central bank deposits. At the end of 2022, the Group's total liquidity stood at Euro 11,506 million (Euro 12,222 million for the year ended 31 December 2021). Of this, central bank deposits totalled Euro 8,144 million in 2022 (Euro 8,435 million for the year ended 31 December 2021) and investments in liquid, low-risk securities totalled Euro 3,330 million (Euro 3,753 million for the year ended 31 December 2021), with the average credit rating of AA+ (the same rating as in 2021 and 2020) and average maturity of 2.6 years. In addition to this, money market deposits in credit institutions totalled Euro 32 million in 2022 (Euro 34 million for the year ended 31 December 2021). At the end of June 2023, the Group's total liquidity stood at Euro 11,323 million (Euro 11,798 million for the six months ended 30 June 2022). Of this, central bank deposits totalled Euro 7,874 million (Euro 8,458 million for the six months ended 30 June 2022) and investments in liquid, low-risk securities totalled Euro

3,420 million (Euro 3,308 million for the six months ended 30 June 2022), with the average credit rating of AA+ (the same rating as in 2022 and 2021) and average maturity of 2.8 years (2.5 for the six months ended 30 June 2022). In addition to this, money market deposits in credit institutions totalled Euro 29 million at the end of June 2023 (Euro 32 million for the six months ended 30 June 2022). The Group's liquidity investments are hedged with interest rate swaps. Changes in interest rates therefore do not have a direct impact on profit and loss.

The Group continued to increase investments in socially responsible investment ("**SRI**") targets which totalled Euro 611 million as at 30 June 2023, which is 17.9 per cent of all investments in securities. In 2021, the Group published its Sustainable Investment Framework, which outlines the sustainability principles, processes and responsibilities relating to its investment operations. The Sustainable Investment Framework is based on the Group's sustainability policy approved by the Board of Directors. The Group continues to monitor the environmental and social responsibility and governance practices of the issuers in the liquidity portfolio by monitoring the ESG scores of their investments. This is also incorporated in the Group's Risk Appetite Framework.

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 118 of the Offering Circular shall be deemed to be amended by adding the following sentences to the end of the fourth paragraph:

The total amount of new lending made in the six months ended 30 June 2023 was lower than in the same period in the prior year at Euro 1,818 million (Euro 2,006 million for the six months ended 30 June 2022). As of 30 June 2023, the Group's long-term loan portfolio stood at Euro 28,782 million (Euro 27,841 million for the year ended 31 December 2022; Euro 27,597 million for the six months ended 30 June 2022), which was primarily due to the amount of maturing loan in the six months ended 30 June 2023 was lower than in the same period in the prior year.

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

The first and fourth paragraphs of the subsection headed "Fluctuations in interest rates, currency exchange rates and the valuation of derivatives" starting on page 120 of the Offering Circular shall be deemed to be deleted and replaced by the following:

The Group's lending is denominated in euros although the Group's funding is diversified across several different currencies. The Group's total funding as at 31 December 2022 was Euro 40,210 million compared with Euro 40,712 million and Euro 38,139 million as at 31 December 2021 and 2020, respectively. Of this total amount as at 31 December 2022, 48.5 per cent was denominated in euros and 51.5 per cent in foreign currencies. The Group's total funding as at 30 June 2023 was Euro 41,018 million. The Group hedges against all currency risks by using derivative contracts to swap foreign currency-denominated funding and investments into euros. However, the Group conducts daily collateral management in foreign currency when interest rate derivatives denominated in currencies other than Euros are cleared with central counterparties. Such activities may result in minor currency exposures, which are managed and monitored closely.

Also, while the Group's lending and funding is in both floating and fixed interest rates, the Group generally hedges its fixed rate interest exposure (both funding and lending) 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 a part of its fixed rate assets unhedged in order to steer the Group's net interest income towards the objective of earnings stabilisation.

In addition to financing, the Group offers its customers solutions for managing their interest rate risks with derivatives. The Group hedges the exposure of any derivative agreements it offers to municipalities, joint municipal authorities and municipal companies with its derivatives counterparties.

As a result of the foregoing activities, the Group had derivative contracts with a nominal value of Euro 73,876 million as at 31 December 2022 compared with Euro 70,428 million and Euro 67,625 million as at 31 December 2021 and 2020, respectively. The Group had derivative contracts with a nominal value of Euro 75,504 million as at 30 June 2023.

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

	As at 30 June 2023		
	Nominal value	Fair Value	
	Total	Positive	Negative
		Euro ('000)	
Contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	36,386,479	1,486,860	(2,203,640)
of which cleared by the central counterparty	35,304,832	1,432,111	(2,170,586)
Currency derivatives			
Cross currency interest rate swaps	13,326,197	374,477	(846,213)
Total contracts in hedge accounting	**49,712,677**	**1,861,337**	**(3,049,854)**
Contracts at fair value through profit or loss[(1)]			
Interest rate derivatives			
Interest rate swaps	18,874,781	375,545	(999,230)
of which cleared by the central counterparty	12,016,252	291,364	(3,102)
Interest rate options	-	-	-
Currency derivatives			
Cross currency interest rate swaps	3,576,009	57,809	(361,987)
Forward exchange contracts	3,109,386	11,065	(20,103)
Equity derivatives	230,801	-	(54,254)
Total contracts at fair value through profit or loss	**25,790,977**	**444,419**	**(1,435,575)**
Total derivative contracts	**75,503,654**	**2,305,756**	**(4,485,429)**

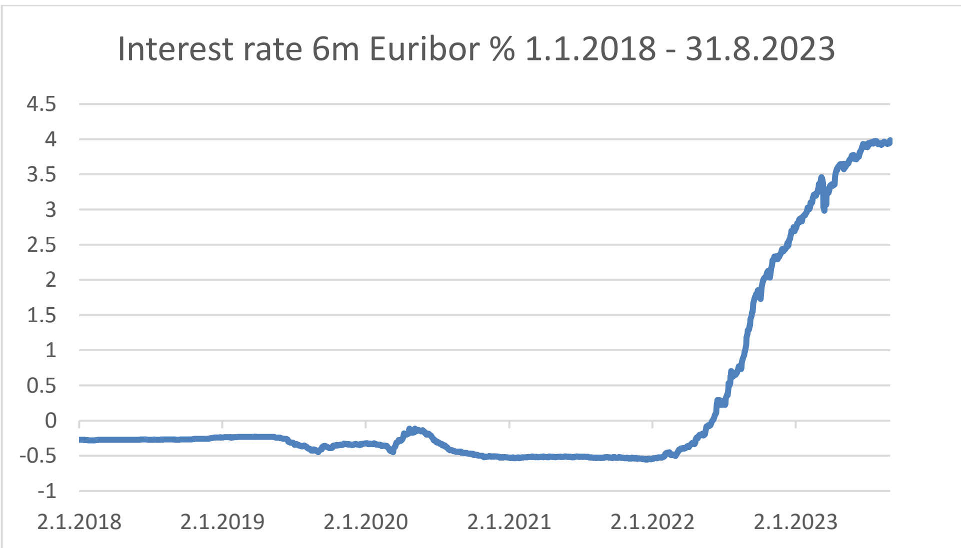
(1) Contracts that are measured at fair value through profit or loss contain all derivatives of the Group which are not included in hedge accounting, even if they are entered into for risk management purposes. The category contains derivatives used for hedging financial assets and liabilities which are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

The total nominal value of derivative contracts not included in hedge accounting under EU IFRS was Euro 25,791.0 million as at 30 June 2023. 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 on financial instruments at fair value through profit and loss.".

Interest rate movements

The chart on page 122 of the Offering Circular shall be deemed to be replaced by the following:

The chart below shows the Euribor 6-month interest rate for 2018, 2019, 2020, 2021, 2022 and the first eight months of 2023.



The section headed "Results of Operations" starting on page 125 of the Offering Circular shall be deemed to be amended by adding the following:

Results of Operations for the six months ended 30 June 2023 versus the six months ended 30 June 2022

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 2023 versus the six months ended 30 June 2022:

	For the six months ended 30 June		Change 2022 to 2023
	2023	2022	
	(Euro '000)		(%)
Interest and similar income	1,058,495	240,952	339.3
Interest and similar expense	(934,127)	(119,236)	683.4
NET INTEREST INCOME	**124,368**	**121,716**	**2.2**
Commission income	1,102	1,175	(6.2)
Commission expense	(7,730)	(2,761)	180.0
Net income on financial instruments at fair value through profit and loss	(5,039)	16,145	(131.2)
Net income on financial assets at fair value through other comprehensive income	(257)	-	-
Other operating income	102	66	54.5
HR and administrative expenses	(20,046)	(18,603)	7.8
Depreciation and impairment on tangible and intangible assets and on shares	(3,138)	(7,549)	(58.4)
Other operating expenses	(12,562)	(18,916)	(33.6)
Credit loss and impairments on financial assets	(218)	(740)	(70.5)
NET OPERATING PROFIT	**76,581**	**90,532**	**(15.4)**
Income tax expense	(15,665)	(19,129)	(18.1)
PROFIT FOR THE PERIOD	**60,917**	**71,403**	**(14.7)**

Net interest income

Net interest income increased by Euro 2.7 million, or 2.2 per cent, to Euro 124.4 million for the six months ended 30 June 2023, compared to Euro 121.7 million for the six months ended 30 June 2022 primarily due to the reasons set out below.

Interest income and expenses on assets

Net interest income on assets was Euro 707.0 million for the six months ended 30 June 2023, compared to net interest expense on assets of Euro 1.9 million for the six months ended 30 June 2022, primarily due to an increase in net interest income from loans and advances to the public and public sector entities and from derivatives.

Net interest expense payable on cash and balances with central banks decreased by Euro 23.6 million, or 100.0 per cent to nil for the six months ended 30 June 2023, compared to Euro 23.6 million for the six months ended 30 June 2022, primarily due to the central bank deposits previously recorded under Cash and balances with central bank and payable on demand. Since September 2022, central bank deposits have been made as overnight deposits and are now recorded under Loans and advances to credit institutions.

Net interest income from loans and advances to the public and public sector entities increased by Euro 244.3 million, or 319.8 per cent, to Euro 320.7 million for the six months ended 30 June 2023, compared to Euro 76.4 million for the six months ended 30 June 2022, primarily due to the increase in the average interest rates.

Net interest income from debt securities (i.e., the debt securities in the Group's liquidity portfolio and commercial papers from municipalities, wellbeing services counties and municipal companies) increased by Euro 31.7 million, or 6,340.0 per cent, to Euro 32.2 million for the six months ended 30 June 2023, compared to net interest income of Euro 0.5 million for the six months ended 30 June 2022, primarily due to the increase in the average interest rates.

Net interest expense payable on derivative contracts decreased by Euro 243.5 million, or 428.0 per cent, to income of Euro 186.6 million for the six months ended 30 June 2023, compared to expense of Euro 56.9 million for the six months ended 30 June 2022, primarily due to the increase in the average interest rates.

Interest income and expenses on liabilities

Interest income on liabilities decreased by Euro 706.2 million, or 571.4 per cent, to expense of Euro 582.6 million for the six months ended 30 June 2023, compared to income of Euro 123.6 million for the six months ended 30 June 2022, primarily due to an increase in interest expense on debt securities issued and derivative contracts.

Net interest expense payable on liabilities from debt securities issued increased by Euro 221.1 million, or 139.1 per cent, to Euro 380.1 million for the six months ended 30 June 2023, compared to Euro 159.0 million for the six months ended 30 June 2022. This increase was primarily due to changes in average interest rates.

Net interest expense on liabilities on derivative contracts decreased by Euro 448.6 million, or 144.0 per cent, to Euro 137.0 million for the six months ended 30 June 2023, compared to income of Euro 311.6 million for the six months ended 30 June 2022. This increase was primarily due to changes in interest rates.

Net income on financial instruments at fair value through profit and loss

Net income on financial instruments at fair value through profit and loss was a loss of Euro 5.0 million for the six months ended 30 June 2023, compared to a gain of Euro 16.1 million for the six months ended 30 June 2022. The change in net income on financial instruments at fair value through profit or loss was primarily due to unrealised fair value changes.

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*".

HR and administrative expenses

The Group had 186 total personnel as at 30 June 2023 compared to 180 total personnel as at 30 June 2022.

HR and administrative expenses increased by Euro 1.4 million, or 7.5 per cent, to Euro 20.0 million for the six months ended 30 June 2023, compared to Euro 18.6 million for the six months ended 30 June 2022. This increase was primarily due to costs of maintaining and developing information systems and an increase in the employee number.

Other operating expenses

Other operating expenses decreased by Euro 6.3 million, or 33.3 per cent, to Euro 12.6 million for the six months ended 30 June 2023, compared to Euro 18.9 million for the six months ended 30 June 2022. This decrease was primarily due to the terminated IT project and a lower contribution to the Single Resolution Fund.

Income taxes

Income taxes decreased by Euro 3.4 million, or 17.8 per cent, to Euro 15.7 million for the six months ended 30 June 2023, compared to Euro 19.1 million for the six months ended 30 June 2022 primarily due to the decrease in net operating profit.

The section headed "Financial Position" starting on page 128 of the Offering Circular shall be deemed to be amended by adding the following:

Financial Position

Assets as at 30 June 2023 compared to 31 December 2022

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

	As at 30 June	As at 31 December
	2023	**2022**
	(Euro '000)	
Assets		
Cash and balances with central banks	2	2
Loans and advances to credit institutions	9,531,268	9,625,488
Loans and advances to the public and public sector entities	30,129,008	29,144,361
Debt securities	4,618,618	4,786,768
Derivative contracts	2,305,756	2,707,103
Intangible assets	7,828	8,831
Tangible assets	9,946	5,062
Other assets	1,454,404	1,234,810
Accrued income and prepayments	320,097	223,104
Deferred tax assets	12	763
Total assets	**48,376,941**	**47,736,293**

As of 30 June 2023, the main components of the total assets of the Group were loans and advances to the public and public sector entities, loans and advances to credit institutions and debt securities, representing 62.3 per cent, 19.7 per cent and 9.5 per cent, respectively, of total assets. As of 30 June 2023, total assets had increased by Euro 640.6 million, or by 1.3 per cent, to Euro 48,376.9 million, compared to Euro 47,736.3 million as of 31 December 2022, which was mainly attributable to the increase in the long-term loan portfolio in loans and advances to the public and public sector entities and given cash collateral to central counterparties in other assets.

Cash and balances with central banks

Cash and balances with central banks remained at Euro 0.0 million, as at 30 June 2023, compared to 31 December 2022.

Loans and advances to credit institutions

Loans and advances to credit institutions decreased by Euro 94.2 million, or 1.0 per cent, to Euro 9,531.3 million as at 30 June 2023, compared to Euro 9,625.5 million as at 31 December 2022 due to a lower deposit with the central bank.

Loans and advances to the public and public sector entities

Loans and advances to the public and public sector entities decreased by Euro 984.6 million, or 3.4 per cent, to Euro 30,129.0 million as at 30 June 2023, compared to Euro 29,144.4 million as at 31 December 2022 due to the unrealised fair value changes resulting from the rise in the interest rate level and increase in the amount of loans.

Debt securities

Debt securities decreased by Euro 168.2 million, or 3.5 per cent, to Euro 4,618.6 million as at 30 June 2023, compared to Euro 4,786.8 million as at 31 December 2022 due to a decrease in the funds invested in debt securities.

Derivative contracts

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

Derivative contract assets decreased by Euro 401.3 million, or 14.8 per cent, to Euro 2,305.8 million as at 30 June 2023, compared to Euro 2,707.1 million as at 31 December 2022 primarily due to changes in interest rates and currency exchange rates.

Liabilities as at 30 June 2023 compared to 31 December 2022

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

	As at 30 June	As at 31 December
	2023	2022
	(Euro '000)	
Liabilities		
Liabilities to credit institutions	179,259	2,332,623
Liabilities to the public and public sector entities	2,516,086	2,529,585
Debt securities issued	38,376,034	35,592,065
Derivative contracts	4,485,429	4,616,111
Provisions and other liabilities	573,009	593,848
Accrued expenses and deferred income	328,618	166,635
Deferred tax liabilities	295,056	291,717
Total liabilities	**46,753,491**	**46,122,584**

As of 30 June 2023, the main components of the total liabilities of the Group were debt securities issued, derivative contracts and liabilities to the public and public sector entities, representing 82.1 per cent, 9.6 per cent and 5.4 per cent, respectively, of total liabilities. As of 30 June 2023, total liabilities had increased by Euro 630.9 million, or by 1.4 per cent, to Euro 46,753.5 million, compared to Euro 46,122.6 million as of 31 December 2022, which was mainly attributable to increase in debt securities issued partially offset by a decrease in liabilities to credit institutions.

Liabilities to credit institutions

Liabilities to credit institutions decreased by Euro 2,153.3 million, or 92.3 per cent, to Euro 179.3 million as at 30 June 2023, compared to Euro 2,332.6 million as at 31 December 2022 mainly due to repayment of TLTRO III debt in liabilities to credit institutions.

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 13.5 million, or 0.5 per cent, to Euro 2,516.1 million as at 30 June 2023, compared to Euro 2,529.6 million as at 31 December 2022 primarily due to a decrease in bilateral loans and unrealised fair value changes.

Debt securities issued

Debt securities issued by the Group increased by Euro 2,783.9 million, or 7.8 per cent, to Euro 38,376.0 million as at 30 June 2023, compared to Euro 35,592.1 million as at 31 December 2022 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 130.7 million, or 2.8 per cent, to Euro 4,485.4 million as at 30 June 2023, compared to Euro 4,616.1 million as at 31 December 2022 primarily due to changes in interest rates and currency exchange rates.

Capital Adequacy

The table "Consolidated own funds, Group" starting on page 132 of the Offering Circular shall be deemed supplemented by the addition of the following table:

Consolidated own funds, Group

	As at 30 June 2023	As at 31 December 2022
	(Euro '000)	
Common Equity Tier 1 before adjustments	1,587,121	1,546,129
Adjustments to Common Equity Tier 1	(87,137)	(64,519)
Common Equity Tier 1	**1,499,983**	**1,481,610**
Additional Tier 1 capital before adjustments	-	-
Adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 Capital	-	-
Tier 1 Capital	**1,499,983**	**1,481,610**
Tier 2 Capital	-	-
Total own funds	**1,499,983**	**1,481,610**

The table "Consolidated minimum requirement for own funds, Group" on page 134 of the Offering Circular shall be deemed supplemented by the addition of the following tables:

Consolidated Minimum requirement for own funds, Group

	30 June 2023		31 December 2022	
	Capital requirement	Risk-exposure amount	Capital requirement	Risk-exposure amount
	(Euro '000)			
Credit and counterparty risk, standardised approach	**42,488**	**531,096**	**41,727**	**521,592**
Exposures to central governments or central banks	-	0	-	0
Exposures to regional governments or local authorities	423	5,283	419	5,240
Exposures to public sector entities	420	5,251	639	7,983
Exposure to multilateral development banks	-	0	-	0
Exposures to institutions	26,480	331,004	26,800	335,004
Exposures to corporates	2,504	31,305	3,297	41,210
Exposures in the form of covered bonds	9,653	120,663	8,723	109,041
Other items	3,007	37,590	1,849	23,113
Market risk	-	-	-	-
Credit valuation adjustment risk (CVA VaR), standard method	**33,853**	**423,168**	**37,644**	**470,552**
Operational risk, basic indicator approach	**42,071**	**525,892**	**42,071**	**525,892**
Total	**118,413**	**1,480,157**	**121,443**	**1,518,036**

	As at 30 June 2023	As at 31 December 2022
CET1 capital ratio, %	101.3	97.6
Tier 1 capital ratio, %	101.3	97.6
Total capital ratio, %	101.3	97.6

The section headed "Contingent liabilities" starting on page 136 of the Offering Circular shall be deemed to be replaced by the following:

Contingent Liabilities

The Group had no contingent assets or liabilities as at 30 June 2023 or as at 31 December 2022. Previously, the accrued interest on AT1 capital instrument, issued by the Parent Company, comprised contingent liability at the reporting date. The contingent liability was realised as a reduction of equity once the Parent Company decided on the payment of interest. AT1 capital instrument was redeemed at 1 April 2022. As at 31 December 2022, MuniFin had no contingent liabilities.

Breakdown of off-balance sheet unmatured commitments and contingent liabilities	As at 30 June 2023
	(Euro '000)
AT1 accrued interest	-
Credit commitments	2,579,565

The section headed "Commitments" on page 137 of the Offering Circular shall be deemed to be replaced by the following:

Commitments

As at 30 June 2023, the Group had given collateral (carrying amount) to the central bank and Guarantor as follows:

Bonds	As at 30 June 2023
	(Euro '000)
Loans and advances to credit institutions to the central bank	31,990
Loans pledged to the central bank	4,549,095
Loans pledged to the Municipal Guarantee Board	11,583,587
Total	**16,164,672**

The section headed "Cash flows" starting on page 137 of the Offering Circular shall be deemed to be amended by the addition of the following:

Cash Flows

The six months ended 30 June 2023 compared to the six months ended 30 June 2022

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	
	2023	2022
	(Euro '000)	
Cash flow from operating activities	67,250	454,679
Cash flow from investing activities	(356)	(2,702)
Cash flow from financing activities	(68,641)	(406,918)
Change in cash and cash equivalents	(1,747)	45,059
Cash and cash equivalents at 1 January	48,624	8,435,504
Cash and cash equivalents at period end	**46,877**	**8,480,563**

Operating activities

The operating activities of the Group for the six months ended 30 June 2023 generated net cash inflows of Euro 67.3 million compared to net cash inflows of Euro 454.7 million for the six months ended 30 June 2022. The main drivers for this change were net changes in short-term funding, short-term lending and cash collaterals.

Investing activities

The investing activities of the Group generated net cash outflows of Euro 2.7 million and Euro 0.4 million for the six months ended 30 June 2022 and 30 June 2023, respectively, mainly from the acquisition of intangible assets.

Financing activities

Net cash outflow from financing activities was Euro 68.6 million for the six months ended 30 June 2023, primarily as a result of dividends paid. Net cash outflow from financing activities was Euro 406.9 million for the six months ended 30 June 2022, primarily as a result of interest paid on and redemption of an AT1 capital instrument and dividend paid.

During the six months ended 30 June 2023, the Group paid dividends of Euro 67.6 million.

Municipality Finance Plc

The section headed "Customer finance" starting on page 139 of the Offering Circular shall be deemed to be amended by the addition of the following sentences to the end of the last paragraph:

As at 30 June 2023, the amount of Group's green finance aimed at environmentally sustainable investments totalled Euro 3,814 million and the amount of its social finance aimed at investments promoting equality and communality totalled Euro 1,875 million. As at 30 June 2023, the total amount of green and social finance increased by 14.1 per cent compared to the end of 2022.

The section headed "Liquidity" starting on page 141 of the Offering Circular shall be deemed to be to be replaced by the following:

The Group front-loads its funding requirements. Pursuant to its policies, the Group seeks to maintain minimum amount of short-term liquidity measured by the liquidity coverage ratio, of 100 per cent on a daily basis. As at 30 June 2023, the liquidity coverage ratio was 253.5 per cent. As a long-term requirement, the Group seeks to maintain liquidity for at least twelve months of undisturbed operation. As at 30 June 2023, the Group's liquidity buffer was approximately 18 months. The main sources of funding used by the Group for lending activities are this Programme, its Euro-Commercial Paper Programme and its AUD debt programme. Since 2010, Municipality Finance has held the status of central bank counterparty, and together with its securities portfolio, part of the Group's municipal loan book can be used as eligible collateral for participation to the central bank open market operations or standing facilities, which act as a secondary source of liquidity.

Management and Shareholders of Municipality Finance Plc

The section headed "Independent Auditor" on page 144 of the Offering Circular shall be deemed to be amended by the addition of the following sentences to the end of the first paragraph:

With respect to the consolidated interim financial statements for the six months period ended 30 June 2023, included herein, KPMG Oy AB, independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

No Significant Change

The fifth paragraph under the section headed "General Information" starting on page 170 of the Offering Circular shall be deemed to be replaced by the following statement:

Since 30 June 2023 there has been no significant change in the financial or trading position of the Issuer or the Group.

The sixth paragraph under the section headed "General Information" starting on page 170 of the Offering Circular shall be deemed to be amended by the following being added immediately after paragraph (f):

(g) the Interim 2023 Financials;

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Consolidated income statement

(EUR 1,000)	Note	Jan–Jun 2023	Jan–Jun 2022
Interest and similar income	(2)	1,058,495	240,952
Interest and similar expense	(2)	-934,127	-119,236
Net interest income		**124,368**	**121,716**
Commission income		1,102	1,175
Commission expense		-7,730	-2,761
Net income on financial instruments at fair value through profit and loss	(3)	-5,039	16,145
Net income on financial assets at fair value through other comprehensive income		-257	-
Other operating income		102	66
HR and administrative expenses		-20,046	-18,603
Depreciation and impairment on tangible and intangible assets and on shares	(9)	-3,138	-7,549
Other operating expenses		-12,562	-18,916
Credit loss and impairments on financial assets	(10)	-218	-740
Net operating profit		**76,581**	**90,532**
Income tax expense		-15,665	-19,129
Profit for the period		**60,917**	**71,403**

In the consolidated income statement, where applicable, the Finnish Financial Supervisory Authority's amendments to the *Regulations and Instructions 2/2016* (valid from 1 Jan 2023) have been taken into account for certain items in the income statement.

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

Consolidated statement of comprehensive income

(EUR 1,000)	Note	Jan–Jun 2023	Jan–Jun 2022
Profit for the period		60,917	71,403
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)	31,333	-30,352
Net change in Cost-of-Hedging	(4)	-10,339	-26,975
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		-771	-4,275
Net amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income		287	-
Net change in expected credit loss of financial assets at fair value through other comprehensive income	(10)	-4	0
Taxes related to components of other comprehensive income		-4,101	12,320
Total components of other comprehensive income		16,405	-49,281
Total comprehensive income for the period		**77,321**	**22,121**

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

Consolidated statement of financial position

(EUR 1,000)	Note	30 Jun 2023	31 Dec 2022
Assets			
Cash and balances with central banks	(7)	2	2
Loans and advances to credit institutions		9,531,268	9,625,488
Loans and advances to the public and public sector entities		30,129,008	29,144,361
Debt securities		4,618,618	4,786,768
Derivative contracts	(8)	2,305,756	2,707,103
Intangible assets	(9)	7,828	8,831
Tangible assets	(9)	9,946	5,062
Other assets		1,454,404	1,234,810
Accrued income and prepayments		320,097	223,104
Deferred tax assets		12	763
Total assets	**(5, 6)**	**48,376,941**	**47,736,293**

(EUR 1,000)	Note	30 Jun 2023	31 Dec 2022
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	(11)	179,259	2,332,623
Liabilities to the public and public sector entities		2,516,086	2,529,585
Debt securities issued	(12)	38,376,034	35,592,065
Derivative contracts	(8)	4,485,429	4,616,111
Provisions and other liabilities	(13)	573,009	593,848
Accrued expenses and deferred income		328,618	166,635
Deferred tax liabilities		295,056	291,717
Total liabilities	**(5, 6)**	**46,753,491**	**46,122,584**
Equity			
Share capital		42,583	42,583
Reserve fund		277	277
Fair value reserve of investments		-4,848	-4,457
Own credit revaluation reserve		24,983	-83
Cost-of-Hedging reserve	(4)	-6,783	1,488
Reserve for invested non-restricted equity		40,366	40,366
Retained earnings		1,526,871	1,533,535
Total equity attributable to Parent Company equity holders		**1,623,450**	**1,613,709**
Total equity		**1,623,450**	**1,613,709**
Total liabilities and equity		**48,376,941**	**47,736,293**

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								Other equity instruments issued	Total equity
	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		
Equity at 31 Dec 2022	**42,583**	**277**	**-4,457**	**-83**	**1,488**	**40,366**	**1,533,535**	**1,613,709**	**-**	**1,613,709**
Redemption of Additional Tier 1 capital instrument	-	-	-	-	-	-	-	-	-	-
Interest paid on Additional Tier 1 capital instrument	-	-	-	-	-	-	-	-	-	-
Dividends paid for 2022	-	-	-	-	-	-	-67,580	-67,580	-	-67,580
Profit for the period	-	-	-	-	-	-	60,917	60,917	-	60,917
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	-	-	-	25,066	-	-	-	25,066	-	25,066
Net change in Cost-of-Hedging	-	-	-	-	-8,271	-	-	-8,271	-	-8,271
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	-	-	-387	-	-	-	-	-387	-	-387
Net change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	-3	-	-	-	-	-3	-	-3
Equity at 30 Jun 2023	**42,583**	**277**	**-4,848**	**24,983**	**-6,783**	**40,366**	**1,526,871**	**1,623,450**	**-**	**1,623,450**

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

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

Consolidated statement of cash flows

(EUR 1,000)	Jan–Jun 2023	Jan–Jun 2022
Cash flow from operating activities	**67,250**	**454,679**
Net change in long-term funding	2,647,844	2,661,798
Net change in short-term funding	-1,672,863	-243,885
Net change in long-term loans	-900,667	-761,974
Net change in short-term loans	263,280	-458,508
Net change in investments	197,218	312,761
Net change in collaterals	-607,458	-1,069,729
Interest on assets	568,270	-11,516
Interest on liabilities	-401,960	69,701
Other income	33,283	23,934
Payments of operating expenses	-42,348	-32,793
Taxes paid	-17,348	-35,109
Cash flow from investing activities	**-356**	**-2,702**
Acquisition of tangible assets	-7	-5
Proceeds from sale of tangible assets	112	103
Acquisition of intangible assets	-461	-2,800
Cash flow from financing activities	**-68,641**	**-406,918**
Redemption of AT1 capital instrument	-	-350,000
Paid interest on AT1 capital instrument	-	-15,750
Dividend paid	-67,580	-40,236
Total cash flow from leases	-1,060	-932
Change in cash and cash equivalents	**-1,747**	**45,059**
Cash and cash equivalents at 1 Jan	**48,624**	**8,435,504**
Cash and cash equivalents at 30 Jun	**46,877**	**8,480,563**

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

Notes to the Half Year Report

Note 1. Basis of preparation of the Half Year Report

The Half Year Report has been prepared in accordance with International Financial Reporting Standards (*IFRS*). The Half Year Report complies with IAS 34 *Interim Financial Reporting* standard and the accounting policies presented in the Consolidated Financial Statements 2022 (Note *1*). This Half Year Report should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2022.

No significant changes have been made to the accounting principles during the reporting period. In the Half Year Report, where applicable, the Finnish Financial Supervisory Authority's amendments to the *Regulations and Instructions 2/2016* (valid from 1 Jan 2023) have been taken into account for certain items in the income statement. The comparison data has also been updated to reflect the updated guidelines.

LINE ITEM IN THE INCOME STATEMENT UNTIL THE END OF 2022	LINE ITEM IN THE INCOME STATEMENT FROM BEGINNING OF 2023
Net income from securities and foreign exchange transactions	Net income on financial instruments at fair value through profit or loss
Hedge accounting	Net income on financial instruments at fair value through profit or loss
Administrative expenses	HR and administrative expenses
Depreciation and impairment on tangible and intangible assets	Depreciation and impairment on tangible and intangible assets and on shares

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.

Management judgement and estimates

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

Management judgement related to the determination of fair value

The level of management judgement required in establishing fair value of financial instruments for which there is a quoted price in an active market is usually minimal. For the valuation of financial instruments where prices quoted in active markets are not available, the Group uses valuation techniques to establish fair value. These valuation techniques involve some level of management estimation and judgement, the degree of which will depend on the observability of the input parameters and the instrument's complexity. For instruments valued using valuation models which are standard across the industry and where all inputs are quoted in active markets, the level of subjectivity or judgement required is low. The level of subjectivity and degree of management judgement required is more significant for those instruments valued using sophisticated models and where some or all of the inputs are less liquid or unobservable. Management judgement is required in the selection and application of appropriate parameters, assumptions and modelling techniques in particular, where data is obtained from infrequent market transactions or extrapolation techniques are applied.

MuniFin Group discloses financial assets and liabilities according to their fair value hierarchy levels in the Notes to the Half Year Report. Management judgement is required in determining the hierarchy level to which a financial instrument should be classified specifically when the valuation is determined by a number of inputs, of which some are observable and others are not. Furthermore, the classification of an instrument can change over time to reflect changes in input liquidity. The Group also discloses a sensitivity analysis of the impact on the level 3 financial instruments by using reasonably possible alternatives for the unobservable input. The determination of reasonably possible alternatives requires management judgement.

The valuation methods and controls and quantitative disclosures with respect to the determination of fair value as well as the fair value hierarchy levels and sensitivity analysis are disclosed in Note *6 Fair values of financial assets and liabilities*.

Management judgement related to the expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, with the estimation of amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Expected credit losses are disclosed in Note *10 Credit risks of financial assets and other commitments.*

The changes of the expected credit losses are recognised under the income statement line *Credit loss and impairments of financial assets*.

The Group's ECL calculations are an output of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default (*PD*) to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and qualitative assessment.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of relationships between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values and their effect on PDs, EADs (*Exposures at Default*) and LGDs (*Loss Given Default*).
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group regularly reviews its models in the context of actual loss experience and adjusts them when necessary. MuniFin Group has updated in the first half of 2023 the probability of defaults according to the update cycle. In addition, macro scenarios were updated to take into account forward-looking information at the end of the period. The Group has assessed the impact of the quickly increased interest rate environment on its receivables from customer financing and credit risk. According to the management judgement, some customers may face challenges in the sufficiency of cash flows during the second half of 2023, which may appear in increased payment delays and forbearances for MuniFin Group. Hence, the Group's management decided to record an additional discretionary provision of EUR 609 thousand based on a group-specific assessment at the end of June 2023. The additional provision relates to the balance sheet line item *Loans and advances to the public and public sector entities*. The additional provision has not been allocated to the contract level.

Note 2. Interest income and expense

(EUR 1,000)	Jan–Jun 2023 Interest and similar income	Jan–Jun 2023 Interest and similar expense	Jan–Jun 2023 Net	Jan–Jun 2022 Interest and similar income	Jan–Jun 2022 Interest and similar expense	Jan–Jun 2022 Net
Assets						
Amortised cost						
Cash and balances with central banks	-	-	-	-	-23,595	-23,595
Loans and advances to credit institutions	133,117	-77	133,040	36	-3,822	-3,786
Loans and advances to the public and public sector entities	320,110	-	320,110	75,800	-	75,800
Debt securities	18,449	-23	18,426	9	-2,485	-2,476
Other assets	19,038	-	19,038	1,186	-	1,186
Fair value through other comprehensive income						
Debt securities	2,102	-	2,102	-	-174	-174
Designated at fair value through profit or loss						
Loans and advances to the public and public sector entities	174	-	174	174	-	174
Debt securities	11,708	-	11,708	3,191	-	3,191
Mandatorily at fair value through profit or loss						
Loans and advances to the public and public sector entities	460	-	460	423	-	423
Debt securities	-	-	-	-	-	-
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	176,031	-133,187	42,844	34,100	-43,382	-9,282
Derivative contracts in hedge accounting	143,751	-	143,751	-47,611	-	-47,611
Leased assets	15,355	-	15,355	4,247	-	4,247
Interest on non-financial other assets	1	-	1	4	-	4
Interest on assets	**840,296**	**-133,287**	**707,009**	**71,559**	**-73,458**	**-1,899**
, of which interest income/expense according to the effective interest method	*490,714*	*-100*		*77,030*	*-30,075*	

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(EUR 1,000)	Jan–Jun 2023 Interest and similar income	Jan–Jun 2023 Interest and similar expense	Jan–Jun 2023 Net	Jan–Jun 2022 Interest and similar income	Jan–Jun 2022 Interest and similar expense	Jan–Jun 2022 Net
Liabilities						
Amortised cost						
Liabilities to credit institutions	-	-20,552	-20,552	12,228	-2,347	9,881
Liabilities to the public and public sector entities	-	-19,262	-19,262	-	-20,408	-20,408
Debt securities issued	-	-195,636	-195,636	764	-129,049	-128,286
Provisions and other liabilities	-	-7,309	-7,309	-	-1,852	-1,852
Designated at fair value through profit or loss						
Liabilities to credit institutions	-	-301	-301	-	-27	-27
Liabilities to the public and public sector entities	-	-18,058	-18,058	-	-16,547	-16,547
Debt securities issued	-	-184,510	-184,510	-	-30,710	-30,710
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	218,200	-163,072	55,128	156,401	-66,833	89,568
Derivative contracts in hedge accounting	-	-192,139	-192,139	-	221,995	221,995
Interest on liabilities	**218,200**	**-800,840**	**-582,641**	**169,393**	**-45,779**	**123,615**
, of which interest income/expense according to the effective interest method	-	*-242,759*		*12,992*	*-153,656*	
Total interest income and expense	**1,058,495**	**-934,127**	**124,368**	**240,952**	**-119,236**	**121,716**

Interest income on stage 3 financial assets in the expected credit loss (*ECL*) calculations totalled EUR 30 thousand (EUR 389 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 26 thousand (EUR 27 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 consisted of interest paid on central bank deposits, and interest on loans and advances to credit institutions of interest on cash collateral receivables in the comparison period. Interest expenses on debt securities consist of interest paid on short-term lending. Negative interest has arisen on debt securities at fair value through other comprehensive income due to the premium / discount amortisation of debt securities and commercial papers. Interest expenses on derivative contracts at fair value through profit or loss consist of negative interest income on derivative contracts that are not included in hedge accounting. The derivative contracts contained in this line item hedge financial assets which are designated at fair value through profit or loss, derivative contracts with municipalities and derivative contracts hedging derivatives with municipalities, in addition to derivative contracts used for hedging interest rate risk of the balance sheet, for which no hedged item has been specified. Derivative contracts in hedge accounting hedge line items *Loans and advances to the public and public sector entities* and *Leased assets*.

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

Note 3. Net income on financial instruments at fair value through profit or loss

Jan–Jun 2023 (EUR 1,000)	Capital gains and losses (net)	Unrealised fair value changes	Total
Financial assets			
Designated at fair value through profit or loss	-	16,619	16,619
Mandatorily at fair value through profit or loss	-	98	98
Financial liabilities			
Designated at fair value through profit or loss	-	-179,577	-179,577
Derivative contracts at fair value through profit or loss	-88	163,435	163,347
Day 1 gain or loss	-	22	22
Net income from financial assets and liabilities through profit or loss	**-88**	**596**	**508**
Net income from FX differences	**9,642**	**-9,785**	**-143**
Net income from hedge accounting	**-260**	**-5,144**	**-5,404**
Total	**9,294**	**-14,333**	**-5,039**

Line item *Net income from financial assets and liabilities through profit or loss* 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. Line item *Net income from FX differences* includes unrealised and realised translation differences for all items denominated in foreign currencies. The breakdown of line item *Net income from hedge accounting* is presented in Note *4 Hedge accounting*. The reconciliation for Day 1 gain or loss is presented in Note *6 Fair values of financial assets and liabilities.*

Jan–Jun 2022 (EUR 1,000)	Capital gains and losses (net)	Unrealised fair value changes	Total
Financial assets			
Designated at fair value through profit or loss	-	-146,401	-146,401
Mandatorily at fair value through profit or loss	-	-2,284	-2,284
Financial liabilities			
Designated at fair value through profit or loss	-	567,062	567,062
Derivative contracts at fair value through profit or loss	-	-415,503	-415,503
Day 1 gain or loss	-	20	20
Net income from financial assets and liabilities through profit or loss	**-**	**2,895**	**2,895**
Net income from FX differences	**4,132**	**-4,071**	**61**
Net income from hedge accounting	**-**	**13,189**	**13,189**
Total	**4,132**	**12,012**	**16,145**

The following tables present carrying amounts of financial assets and liabilities designated at fair value through profit or loss and their fair value changes recognised during the reporting period in the income statement under *Net income on financial instruments at fair value through profit or loss* 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 2023	Carrying amount 30 Jun 2023	Nominal value 31 Dec 2022	Carrying amount 31 Dec 2022
Financial assets				
Loans and advances to the public and public sector entities	30,000	28,856	30,000	28,432
Debt securities	3,315,674	3,131,813	3,355,906	3,162,034
Total financial assets *	**3,345,674**	**3,160,669**	**3,385,906**	**3,190,465**
Financial liabilities				
Liabilities to credit institutions	44,000	41,566	5,000	3,291
Liabilities to the public and public sector entities	1,470,136	1,290,153	1,495,567	1,318,658
Debt securities issued	9,320,370	8,797,593	11,505,250	10,842,676
Total financial liabilities	**10,834,506**	**10,129,312**	**13,005,818**	**12,164,626**

* 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 2023 and 31 Dec 2022.

CHANGE IN FAIR VALUE OF FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2023	1 Jan 2023	Fair value change recognised in the income statement Jan–Jun 2023	, of which due to credit risk	, of which due to market risk
Financial assets					
Loans and advances to the public and public sector entities	-9,807	-10,581	774	68	705
Debt securities	-199,652	-215,498	15,846	-1,320	17,166
Total financial assets	**-209,459**	**-226,078**	**16,619**	**-1,252**	**17,872**

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 2023	1 Jan 2023	Fair value change recognised in the income statement Jan–Jun 2023	Change in own credit risk recognised in the other comprehensive income Jan–Jun 2023	Total fair value change in Jan–Jun 2023
Financial liabilities					
Liabilities to credit institutions	2,333	1,708	626	100	726
Liabilities to the public and public sector entities	223,573	245,483	-21,910	16,664	-5,246
Debt securities issued	574,962	733,254	-158,293	14,568	-143,725
Total financial liabilities	**800,868**	**980,445**	**-179,577**	**31,333**	**-148,245**

NET CHANGE IN FAIR VALUE IN LINE ITEM NET INCOME FROM FINANCIAL ASSETS AND LIABILITIES THROUGH PROFIT OR LOSS (EUR 1,000)	Cumulative change in fair value 30 Jun 2023	Fair value change recognised in the income statement Jan–Jun 2023
Financial liabilities designated at fair value through profit or loss	800,868	-179,577
Derivative contracts at fair value through profit or loss hedging financial liabilities	-802,371	187,400
Net change in fair value	**-1,503**	**7,822**

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 standard 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 on financial instruments at fair value through profit or loss*.

MuniFin Group applies the income approach of IFRS 13 standard to the separation of fair value changes related to changes in own credit risk from the fair value changes of the financial liability. For the majority of financial liabilities designated at fair value through profit or loss, no market price is available as there is no active secondary market. The methodology for separation of own credit risk utilises MuniFin's benchmark curves, cross currency basis spreads and credit spreads of MuniFin's issued debt securities on the primary market as input. Based on the aforementioned inputs, valuation curves can be constructed for various reporting periods for valuing financial liabilities designated at fair value through profit or loss. By comparing fair values calculated using the trade date and the reporting date, the impact of change in own credit risk on the fair value of the financial liability can be determined.

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

CHANGE IN FAIR VALUE OF FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2022	1 Jan 2022	Fair value change recognised in the income statement Jan–Jun 2022	, of which due to credit risk	, of which due to market risk
Financial assets					
Loans and advances to the public and public sector entities	-8,396	-769	-7,627	131	-7,757
Debt securities	-118,549	20,226	-138,774	-3,815	-134,960
Total financial assets	**-126,944**	**19,457**	**-146,401**	**-3,684**	**-142,717**

CHANGE IN FAIR VALUE OF FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (EUR 1,000)	30 Jun 2022	1 Jan 2022	Fair value change recognised in the income statement Jan–Jun 2022	Change in own credit risk recognised in the other comprehensive income Jan–Jun 2022	Total fair value change in Jan–Jun 2022
Financial liabilities					
Liabilities to credit institutions	1,331	187	1,144	-47	1,097
Liabilities to the public and public sector entities	125,137	-152,113	277,250	-18,156	259,095
Debt securities issued	861,722	573,054	288,668	-12,149	276,519
Total financial liabilities	**988,189**	**421,127**	**567,062**	**-30,352**	**536,711**

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

Note 4. Hedge accounting

The interest rate and foreign exchange rate risks of the Group are managed by entering into derivative transactions. According to the Market Risk Policy, the Group's hedging strategy is mainly to hedge all material foreign exchange and interest rate risks of financial assets and liabilities with maturities exceeding one year. As a result, foreign currency denominated items are translated into euros, and fixed rates and long-term reference rates are swapped to floating interest rates with shorter terms. The risk management principles related to the Group' s hedging of market risk are described in more detail in the Consolidated Financial Statements 2022 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 2022 (Note *1*) in Section *10. Hedge Accounting*. Net income on hedge accounting is recognised in PnL in *Net income on financial instruments at fair value through profit or loss*.

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

HEDGE ACCOUNTING 30 Jun 2023 (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	12,232,010	10,864,864	10,806,324	58,540	-
Loans and advances to the public and public sector entities – Leased assets	304,504	278,186	-	278,186	-
Total assets	**12,536,514**	**11,143,050**	**10,806,324**	**336,726**	**-**
Liabilities					
Liabilities to credit institutions	95,000	83,893	-	83,893	-
Liabilities to the public and public sector entities	1,302,710	1,225,933	-	1,225,933	-
Debt securities issued	32,217,473	29,343,912	-	16,830,764	12,513,148
Total liabilities	**33,615,183**	**30,653,739**	**-**	**18,140,590**	**12,513,148**

HEDGE ACCOUNTING 31 Dec 2022 (EUR 1,000)	Nominal value	Fair value hedge accounting total	IAS 39 portfolio hedge accounting	IFRS 9 fair value hedge accounting	IFRS 9 fair value hedge accounting incl. Cost-of-Hedging
Assets					
Loans and advances to the public and public sector entities – Loans	12,826,877	11,348,612	11,289,353	59,259	-
Loans and advances to the public and public sector entities – Leased assets	302,864	274,053	-	274,053	-
Total assets	**13,129,741**	**11,622,665**	**11,289,353**	**333,313**	**-**
Liabilities					
Liabilities to credit institutions	95,000	84,892	-	84,892	-
Liabilities to the public and public sector entities	1,302,710	1,210,927	-	1,210,927	-
Debt securities issued	27,163,444	24,419,692	-	12,603,372	11,816,320
Total liabilities	**28,561,154**	**25,715,510**	**-**	**13,899,190**	**11,816,320**

The figures presented in the following table contain the cumulative fair value change at the beginning and end of the reporting period, in addition to the fair value change of the hedged risk and the hedging instrument during the reporting period. These figures presented in the table do not include the changes in fair value due to foreign exchange differences of hedging instruments and the hedged items. Due to the aforementioned reason, the total amount of hedging instruments does not correspond to the fair value presented in Note *8 Derivatives* on line *Total derivative contracts in hedge accounting*. The fair value changes of the hedged risk of the hedged items and all other fair value changes of the hedging instruments are recognised in the income statement under *Net income on financial instruments at fair value through profit or loss*. The ineffective portion of the hedging relationship is thus shown on this line in the income statement. Net income on financial instruments at fair value through profit or loss 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 2023	1 Jan 2023	Recognised in the income statement Jan–Jun 2023
Assets			
IAS 39 portfolio hedge accounting			
Loans and advances to the public and public sector entities	-1,365,106	-1,476,553	111,447
Derivative contracts in hedge accounting	1,431,472	1,549,315	-117,842
Accumulated fair value accrual from the termination of hedge accounting	-1,781	-1,721	-61
IAS 39 portfolio hedge accounting, net	**64,585**	**71,041**	**-6,456**
IFRS 9 fair value hedge accounting			
Loans and advances to the public and public sector entities	-26,790	-29,402	2,613
Derivative contracts in hedge accounting	25,710	28,548	-2,838
IFRS 9 fair value hedge accounting, net	**-1,080**	**-855**	**-225**
Liabilities			
IFRS 9 fair value hedge accounting			
Liabilities to credit institutions	11,107	10,108	999
Liabilities to the public and public sector entities	50,068	54,570	-4,501
Debt securities issued	2,491,885	2,559,950	-68,065
Derivative contracts in hedge accounting	-2,557,985	-2,631,089	73,104
IFRS 9 fair value hedge accounting, net	**-4,925**	**-6,461**	**1,537**
IBOR reform related compensations *	-3,603	-3,343	-260
Total hedge accounting	**54,977**	**60,382**	**-5,404**

* Compensations relate to the IBOR reform of which more information is presented in the accounting policies of the Consolidated Financial Statements 2022 (Note *1*) in Section *23. IBOR reform.*

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

The difference between the changes in fair value of the actual derivative and the designated portion of the derivative are recorded in other comprehensive income as Cost-of-Hedging to the line item *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 2023	1 Jan 2023	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	-6,783	1,488	-8,271
Total	**-6,783**	**1,488**	**-8,271**

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

EFFECTIVENESS OF HEDGE ACCOUNTING
30 Jun 2023 (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	-1,365,106	1,431,472	66,367
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	-473	741	268
Fixed rate and revisable rate leased assets	Interest rate derivatives	-26,317	24,969	-1,348
Assets total		**-1,391,895**	**1,457,182**	**65,287**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	1,854,770	-1,863,098	-8,328
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	698,291	-694,887	3,403
Liabilities total		**2,553,060**	**-2,557,985**	**-4,925**

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

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

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

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

Note 5. Financial assets and liabilities

FINANCIAL ASSETS 30 Jun 2023 (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	2	-	-	-	-	2	2
Loans and advances to credit institutions	9,531,268	-	-	-	-	9,531,268	9,531,268
Loans and advances to the public and public sector entities *	29,001,830	-	28,856	29,797	-	29,060,484	30,704,321
Debt securities	1,198,237	288,568	3,131,813	-	-	4,618,618	4,618,470
Derivative contracts at fair value through profit or loss	-	-	-	-	444,419	444,419	444,419
Derivative contracts in hedge accounting	-	-	-	-	1,861,337	1,861,337	1,861,337
Other assets **	1,429,777	-	-	-	-	1,429,777	1,429,777
Total	**41,161,115**	**288,568**	**3,160,669**	**29,797**	**2,305,756**	**46,945,906**	**48,589,595**

* Line item includes EUR 278,186 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 2023 (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	137,693	41,566	-	179,259	179,233
Liabilities to the public and public sector entities	1,225,933	1,290,153	-	2,516,086	2,529,155
Debt securities issued	29,578,441	8,797,593	-	38,376,034	38,411,605
Derivative contracts at fair value through profit or loss	-	-	1,435,575	1,435,575	1,435,575
Derivative contracts in hedge accounting	-	-	3,049,854	3,049,854	3,049,854
Provisions and other liabilities *	557,162	-	-	557,162	557,162
Total	**31,499,229**	**10,129,312**	**4,485,429**	**46,113,970**	**46,162,585**

* Line item includes EUR 548,502 thousand of cash collateral received from central counterparties and EUR 8,660 thousand of lease liabilities in accordance with IFRS 16 standard.

FINANCIAL ASSETS 31 Dec 2022 (EUR 1,000)	Amortised cost	Fair value through other comprehensive income	Designated at fair value through profit or loss	Mandatorily at fair value through profit or loss	Fair value through profit or loss	Total	Fair value
Cash and balances with central banks	2	-	-	-	-	2	2
Loans and advances to credit institutions	9,625,488	-	-	-	-	9,625,488	9,625,488
Loans and advances to the public and public sector entities *	28,055,798	-	28,432	31,090	-	28,115,321	29,739,890
Debt securities	1,457,098	167,636	3,162,034	-	-	4,786,768	4,786,383
Derivative contracts at fair value through profit or loss	-	-	-	-	504,097	504,097	504,097
Derivative contracts in hedge accounting	-	-	-	-	2,203,006	2,203,006	2,203,006
Other assets **	1,219,541	-	-	-	-	1,219,541	1,219,541
Total	**40,357,928**	**167,636**	**3,190,465**	**31,090**	**2,707,103**	**46,454,223**	**48,078,407**

* Line item includes EUR 274,053 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 31 Dec 2022 (EUR 1,000)	Amortised cost	Designated at fair value through profit or loss	Fair value through profit or loss	Total	Fair value
Liabilities to credit institutions	2,329,332	3,291	-	2,332,623	2,332,609
Liabilities to the public and public sector entities	1,210,927	1,318,658	-	2,529,585	2,543,548
Debt securities issued	24,749,389	10,842,676	-	35,592,065	35,650,001
Derivative contracts at fair value through profit or loss	-	-	1,562,525	1,562,525	1,562,525
Derivative contracts in hedge accounting	-	-	3,053,586	3,053,586	3,053,586
Provisions and other liabilities *	574,192	-	-	574,192	574,192
Total	**28,863,840**	**12,164,626**	**4,616,111**	**45,644,576**	**45,716,461**

* Line item includes EUR 570,922 thousand of cash collateral received from central counterparties and EUR 3,269 thousand of lease liabilities in accordance with IFRS 16 standard.

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

RECLASSIFIED FINANCIAL ASSETS (EUR 1,000)	Original measurement category under IAS 39	New measurement category under IFRS 9	Fair value 30 Jun 2023	Fair value gain or loss for the period *	EIR determined as at 1 Jan 2018 **	Interest revenue recognised during Jan–Jun 2023
Loans and advances to the public and public sector entities	Fair value option	Amortised cost	89,325	118	0.14%	1,092

* 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 2022	Fair value gain or loss for the financial year	EIR determined as at 1 Jan 2018	Interest revenue recognised during Jan–Dec 2022
Loans and advances to the public and public sector entities	Fair value option	Amortised cost	91,834	-983	0.14%	478

Note 6. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the fair value measurements.

Level 1
Inputs that are quoted market prices (unadjusted) for identical instruments in active markets that the Group can access at the measurement date. The market is considered to be active if trading is frequent and price data is regularly available. These quotes (mid) represent the price for an orderly transaction between parties in the market on the valuation date. Level 1 instruments comprise mainly investments in debt securities.

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

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

Due to the nature of MuniFin Group's funding portfolio (i.e. issued bonds are hedged back-to-back), if a swap that is hedging an issued bond is designated as a level 3 instrument, then the issued bond will also be designated as a level 3 instrument. The same principle applies to other portfolios and levels of the hierarchy as well. 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 2023 (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	288,568	248,526	40,042	-	288,568
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	28,856	-	28,856	-	28,856
Debt securities	3,131,813	3,064,297	67,516	-	3,131,813
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	29,797	-	-	29,797	29,797
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	444,419	-	434,913	9,506	444,419
Derivative contracts in hedge accounting	1,861,337	-	1,861,337	-	1,861,337
Total at fair value	**5,784,791**	**3,312,823**	**2,432,664**	**39,303**	**5,784,791**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	11,143,659	-	11,696,502	-	11,696,502
Total in fair value hedge accounting	**11,143,659**	**-**	**11,696,502**	**-**	**11,696,502**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	9,531,268	7,949,696	1,581,573	-	9,531,268
Loans and advances to the public and public sector entities	17,858,171	-	18,949,164	-	18,949,164
Debt securities	1,198,237	-	1,198,089	-	1,198,089
Other assets	1,429,777	-	1,429,777	-	1,429,777
Total at amortised cost	**30,017,457**	**7,949,698**	**23,158,603**	**-**	**31,108,302**
Total financial assets	**46,945,906**	**11,262,521**	**37,287,770**	**39,303**	**48,589,595**

FINANCIAL LIABILITIES 30 Jun 2023 (EUR 1,000)		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
At fair value					
Designated at fair value through profit or loss					
Liabilities to credit institutions	41,566	-	41,566	-	41,566
Liabilities to the public and public sector entities	1,290,153	-	1,195,075	95,078	1,290,153
Debt securities issued	8,797,593	-	8,343,190	454,403	8,797,593
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,435,575	-	1,240,123	195,452	1,435,575
Derivative contracts in hedge accounting	3,049,854	-	3,042,349	7,505	3,049,854
Total at fair value	**14,614,740**	**-**	**13,862,303**	**752,438**	**14,614,740**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	83,893	-	83,867	-	83,867
Liabilities to the public and public sector entities	1,225,933	-	1,239,003	-	1,239,003
Debt securities issued *	29,343,912	-	29,303,445	76,039	29,379,484
Total in fair value hedge accounting	**30,653,739**	**-**	**30,626,315**	**76,039**	**30,702,354**
At amortised cost					
Liabilities to credit institutions	53,800	-	53,800	-	53,800
Debt securities issued	234,529	-	234,529	-	234,529
Provisions and other liabilities	557,162	-	557,162	-	557,162
Total at amortised cost	**845,490**	**-**	**845,490**	**-**	**845,490**
Total financial liabilities	**46,113,970**	**-**	**45,334,108**	**828,476**	**46,162,585**

* 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 2022 (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	167,636	137,695	29,941	-	167,636
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	28,432	-	28,432	-	28,432
Debt securities	3,162,034	3,057,135	104,899	-	3,162,034
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	31,090	-	-	31,090	31,090
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	504,097	-	489,218	14,880	504,097
Derivative contracts in hedge accounting	2,203,006	-	2,202,335	671	2,203,006
Total at fair value	**6,096,296**	**3,194,830**	**2,854,824**	**46,641**	**6,096,296**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	11,622,665	-	12,214,359	-	12,214,359
Total in fair value hedge accounting	**11,622,665**	**-**	**12,214,359**	**-**	**12,214,359**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	9,625,488	8,224,415	1,401,072	-	9,625,488
Loans and advances to the public and public sector entities	16,433,133	-	17,466,009	-	17,466,009
Debt securities	1,457,098	-	1,456,713	-	1,456,713
Other assets	1,219,541	-	1,219,541	-	1,219,541
Total at amortised cost	**28,735,262**	**8,224,417**	**21,543,335**	**-**	**29,767,753**
Total financial assets	**46,454,223**	**11,419,247**	**36,612,519**	**46,641**	**48,078,407**

FINANCIAL LIABILITIES 31 Dec 2022 (EUR 1,000)	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
At fair value					
Designated at fair value through profit or loss					
Liabilities to credit institutions	3,291	-	3,291	-	3,291
Liabilities to the public and public sector entities	1,318,658	-	1,166,432	152,227	1,318,658
Debt securities issued	10,842,676	-	9,865,856	976,820	10,842,676
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,562,525	-	1,222,013	340,512	1,562,525
Derivative contracts in hedge accounting	3,053,586	-	3,047,585	6,001	3,053,586
Total at fair value	**16,780,736**	**-**	**15,305,177**	**1,475,559**	**16,780,736**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	84,892	-	84,878	-	84,878
Liabilities to the public and public sector entities	1,210,927	-	1,224,889	-	1,224,889
Debt securities issued	24,419,692	-	24,420,879	56,749	24,477,627
Total in fair value hedge accounting	**25,715,510**	**-**	**25,730,646**	**56,749**	**25,787,395**
At amortised cost					
Liabilities to credit institutions	2,244,440	-	2,244,440	-	2,244,440
Debt securities issued	329,698	-	329,698	-	329,698
Provisions and other liabilities	574,192	-	574,192	-	574,192
Total at amortised cost	**3,148,329**	**-**	**3,148,329**	**-**	**3,148,329**
Total financial liabilities	**45,644,576**	**-**	**44,184,153**	**1,532,308**	**45,716,461**

All valuation models, both complex and simple models, use market prices and other inputs. These market prices and inputs comprise interest rates, FX rates, volatilities, correlations etc. The Group applies different types of valuation inputs depending on the type and complexity of the instruments and the related risk factors and payoff structures. The Group's defined categorisation to the fair value hierarchy levels is based on the analysis performed with regards to the valuation input, stress testing (reasonable possible alternative assumption) and model complexity. If the inputs used to measure fair value are categorised into different levels on the fair value hierarchy, the fair value measurement is categorised in its entirety on the level of the lowest level input that is significant to the entire measurement.

IFRS 13 classifies valuation models and techniques into three different categories: market approach, income approach and cost approach. The 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 values of certain types of instruments. The choice of base models and model calibration depends on the complexity of the financial instrument and the observability of the relevant inputs. In line with market practice, the primary choice of base model is contingent on the underlying instrument classes. Additionally, instruments are broken down into different categories granular enough to capture the most important risk drivers and different kinds of calibration techniques. The specific combination of base models and the different assumptions and calibration techniques are documented. The Group's fair value instruments that are subject to mark-to-model valuation techniques consist of four asset classes:

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

Financial instruments under *FX, equity-linked* and *hybrid* 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) and Expected Exposure (*EE*). In addition, the Group calculates Funding Valuation Adjustment for those derivative contracts that do not hold cash collateral arrangements (derivatives made with MuniFin Group's customers).

Valuation framework

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

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

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

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

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

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

Transfers in the fair value hierarchy

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

During the period Jan–Jun 2023 transfers totalling EUR 96,998 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 2023	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 2023
Financial assets							
At fair value							
Mandatorily at fair value through profit or loss							
Loans and advances to the public and public sector entities	31,090	-1,293	-	-	-	-	29,797
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	14,880	-2,990	-	-2,384	-	-	9,506
Derivative contracts in hedge accounting	671	-	-	-	-	-671	-
Financial assets in total	**46,641**	**-4,283**	**-**	**-2,384**	**-**	**-**	**39,303**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	152,227	477	-	-57,626	-	-	95,078
Debt securities issued	976,820	-17,788	-	-504,629	-	-	454,403
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	340,512	8,875	-	-153,935	-	-	195,452
Derivative contracts in hedge accounting	6,001	220	3,402	-	-	-2,118	7,505
In fair value hedge accounting							
Amortised cost							
Debt securities issued	56,749	3,321	40,253	-	-	-24,284	76,039
Financial liabilities in total	**1,532,308**	**-4,895**	**43,655**	**-716,190**	**-**	**-26,402**	**828,476**
Level 3 financial assets and liabilities in total *	**1,578,949**	**-9,179**	**43,655**	**-718,573**	**-**	**-26,402**	**867,780**

* The Group recognises these gains and losses within the line item *Net income on financial instruments at fair value through profit or loss*. 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 2022, transfers totalling EUR 9,270 thousand were made between level 1 and level 2. There were no transfers from level 2 to level 3.

LEVEL 3 TRANSFERS (EUR 1,000)	1 Jan 2022	Change in fair value in the income statement	Purchases and new contracts	Sales and matured contracts	Transfers into level 3	Transfers out of level 3	31 Dec 2022
Financial assets							
At fair value							
Mandatorily at fair value through profit or loss							
Loans and advances to the public and public sector entities	34,861	-3,649	-	-121	-	-	31,090
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	62,829	-42,509	687	-5,415	-	-713	14,880
Derivative contracts in hedge accounting	407	515	66	-	-	-317	671
Financial assets in total	**98,097**	**-45,643**	**753**	**-5,536**	**-**	**-1,030**	**46,641**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	263,793	-46,923	-	-	-	-64,643	152,227
Debt securities issued	1,759,569	-122,696	180,471	-796,670	-	-43,855	976,820
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	744,299	150,724	20,607	-569,309	-	-5,809	340,512
Derivative contracts in hedge accounting	25,690	-1,179	2,884	-133	-	-21,260	6,001
In fair value hedge accounting							
Amortised cost							
Debt securities issued	86,040	1,491	26,047	-3,066	-	-53,764	56,749
Financial liabilities in total	**2,879,390**	**-18,583**	**230,009**	**-1,369,177**	**-**	**-189,331**	**1,532,308**
Level 3 financial assets and liabilities in total	**2,977,487**	**-64,226**	**230,762**	**-1,374,713**	**-**	**-190,361**	**1,578,949**

Sensitivity analysis of unobservable inputs

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

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements on level 3, changing one or more of the assumptions to the reasonably possible alternative assumptions would have the following effects: as of 30 June 2023, these assumptions could have increased fair values by EUR 22.1 million or decreased fair values by EUR 22.2 million. As of 31 December 2022, these assumptions could have increased fair values by EUR 60.6 million or decreased fair values by EUR 71.1 million.

SENSITIVITY ANALYSIS OF SIGNIFICANT UNOBSERVABLE INPUTS BY INSTRUMENT TYPE (EUR 1,000)	30 Jun 2023		31 Dec 2022	
	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	41	-23	249	-273
Derivative contracts				
Equity-linked derivatives	2,248	-1,926	18,117	-22,052
FX-linked cross currency and interest rate derivatives	675	-873	834	-1,318
Other interest rate derivatives	8,547	-8,726	11,726	-11,860
Debt securities issued and Liabilities to the public and public sector entities				
Equity-linked liabilities	1,848	-2,312	16,927	-23,275
FX-linked liabilities	756	-560	834	-990
Other liabilities	7,994	-7,799	11,919	-11,327
Total	**22,108**	**-22,218**	**60,606**	**-71,095**

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

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

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

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

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

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

SENSITIVITY ANALYSIS OF UNOBSERVABLE INPUTS 30 Jun 2023 (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	29,797	Stochastic model	Volatility – Extrapolated or Illiquid	41	-23
Derivative contracts					
			Correlation parameters	8	-39
Equity-linked derivatives	-54,254	Stochastic model	Volatility – Extrapolated or Illiquid	2,180	-1,785
			Dividend yield	59	-102
			Correlation parameters	61	-79
FX-linked cross currency and interest rate derivatives	-33,202	Stochastic model	Volatility – Extrapolated or Illiquid	614	-794
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	1	-3
Other interest rate derivatives	-105,994	Stochastic model	Volatility – Extrapolated or Illiquid	8,161	-8,339
			Interest rates – Extrapolated or Illiquid	385	-385
Debt securities issued and Liabilities to the public and public sector entities					
			Correlation parameters	-33	-57
Equity-linked liabilities	219,256	Stochastic model	Volatility – Extrapolated or Illiquid	1,827	-2,149
			Dividend yield	55	-105
			Correlation parameters	101	-62
FX-linked liabilities	128,882	Stochastic model	Volatility – Extrapolated or Illiquid	655	-498
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	2	-2
Other liabilities	277,381	Stochastic model	Volatility – Extrapolated or Illiquid	7,987	-7,793
			Interest rates – Extrapolated or Illiquid	5	-5
Total				**22,108**	**-22,218**

SENSITIVITY ANALYSIS OF UNOBSERVABLE INPUTS 31 Dec 2022 (EUR 1,000)	Fair value	Valuation technique	Unobservable input	Positive range of fair value	Negative range of fair value
Loans and advances to the public and public sector entities					
Loans	31,090	Stochastic model	Volatility – Extrapolated or Illiquid	249	-273
Derivative contracts					
			Correlation parameters	-1,743	-1,906
Equity-linked derivatives	-104,317	Stochastic model	Volatility – Extrapolated or Illiquid	21,290	-17,708
			Dividend yield	-1,430	-2,438
			Correlation parameters	-11	-121
FX-linked cross currency and interest rate derivatives	-120,294	Stochastic model	Volatility – Extrapolated or Illiquid	845	-1,197
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	80	14
Other interest rate derivatives	-106,351	Stochastic model	Volatility – Extrapolated or Illiquid	11,510	-11,736
			Interest rates – Extrapolated or Illiquid	136	-138
Debt securities issued and Liabilities to the public and public sector entities					
			Correlation parameters	569	-194
Equity-linked liabilities	676,238	Stochastic model	Volatility – Extrapolated or Illiquid	15,511	-22,611
			Dividend yield	847	-470
			Correlation parameters	-36	-133
FX-linked liabilities	170,030	Stochastic model	Volatility – Extrapolated or Illiquid	870	-857
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	0	0
Other liabilities	339,527	Stochastic model	Volatility – Extrapolated or Illiquid	11,876	-11,285
			Interest rates – Extrapolated or Illiquid	43	-43
Total				**60,606**	**-71,095**

DAY 1 GAIN OR LOSS (EUR 1,000)	Jan–Jun 2023	Jan–Dec 2022
Opening balance in the beginning of the reporting period	-392	-236
Recognised gain in the income statement	-17	498
Recognised loss in the income statement	-452	-470
Deferred gain or loss on new transactions	491	-184
Total at the end of the reporting period	**-371**	**-392**

The definition and amortisation method for the Day 1 gain or loss are presented in the accounting policies of the Consolidated Financial Statements 2022 (Note *1*) in Section *13. Determination of fair value*.

Note 7. Cash and cash equivalents

30 Jun 2023 (EUR 1,000)	Total	Cash and cash equivalents	Expected credit losses
Cash	2	2	-
Central bank deposits payable on demand	0	0	-
Cash and balances with central banks	**2**	**2**	**-**
Loans and advances to credit institutions payable on demand	46,875	46,875	0
Total cash and cash equivalents	**46,877**	**46,877**	**0**

31 Dec 2022 (EUR 1,000)	Total	Cash and cash equivalents	Expected credit losses
Cash	2	2	-
Central bank deposits payable on demand	-	-	-
Cash and balances with central banks	**2**	**2**	**-**
Loans and advances to credit institutions payable on demand	48,622	48,622	0
Total cash and cash equivalents	**48,624**	**48,624**	**0**

Note 8. Derivative contracts

DERIVATIVE CONTRACTS 30 Jun 2023 (EUR 1,000)	Nominal value of underlying instrument	Fair value	
		Positive	Negative
Derivative contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	36,386,479	1,486,860	-2,203,640
, of which cleared by the central counterparty	*35,304,832*	*1,432,111*	*-2,170,586*
Currency derivatives			
Cross currency interest rate swaps	13,326,197	374,477	-846,213
Total derivative contracts in hedge accounting	**49,712,677**	**1,861,337**	**-3,049,854**
Derivative contracts at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps	18,874,781	375,545	-999,230
, of which cleared by the central counterparty	*12,016,252*	*291,364*	*-3,102*
Interest rate options	-	-	-
Currency derivatives			
Cross currency interest rate swaps	3,576,009	57,809	-361,987
Forward exchange contracts	3,109,386	11,065	-20,103
Equity derivatives	230,801	-	-54,254
Total derivative contracts at fair value through profit or loss	**25,790,977**	**444,419**	**-1,435,575**
Total derivative contracts	**75,503,654**	**2,305,756**	**-4,485,429**

Line item *Derivative contracts at fair value through profit or loss* contains 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 2022 (EUR 1,000)	Nominal value of underlying instrument	Fair value	
		Positive	Negative
Derivative contracts in hedge accounting			
Interest rate derivatives			
Interest rate swaps	33,687,419	1,608,625	-2,279,032
, of which cleared by the central counterparty	*32,422,737*	*1,546,169*	*-2,240,748*
Currency derivatives			
Cross currency interest rate swaps	12,567,281	594,381	-774,553
Total derivative contracts in hedge accounting	**46,254,701**	**2,203,006**	**-3,053,586**
Derivative contracts at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps	18,272,893	411,500	-1,084,554
, of which cleared by the central counterparty	*11,417,640*	*320,535*	*-7,895*
Interest rate options	40,000	94	-94
Currency derivatives			
Cross currency interest rate swaps	3,983,481	81,658	-226,389
Forward exchange contracts	4,591,665	10,848	-147,174
Equity derivatives	732,900	-2	-104,314
Total derivative contracts at fair value through profit or loss	**27,620,939**	**504,097**	**-1,562,525**
Total derivative contracts	**73,875,640**	**2,707,103**	**-4,616,111**

Note 9. Changes in intangible and tangible assets

	Intangible assets	Tangible assets			
Jan–Jun 2023 (EUR 1,000)	Total	Other real estate	Other tangible assets	Right-of-use assets	Total
Acquisition cost 1 Jan	28,074	299	7,230	9,818	17,347
+ Additions	607	-	7	6,434	6,441
- Disposals	-	-	-213	-77	-290
Acquisition cost 30 Jun	28,681	299	7,023	16,176	23,498
Accumulated depreciation and impairment charges 1 Jan	19,243	-	5,665	6,620	12,285
- Accumulated depreciation on disposals	-	-	-198	-63	-262
+ Depreciation for the period	1,610	-	508	1,020	1,528
+/- Impairment and reversals	-	-	-	-	-
Accumulated depreciation and impairment charges 30 Jun	20,853	-	5,975	7,576	13,552
Carrying amount 30 Jun	**7,828**	**299**	**1,048**	**8,599**	**9,946**

	Intangible assets	Tangible assets			
Jan–Dec 2022 (EUR 1,000)	Total	Other real estate	Other tangible assets	Right-of-use assets	Total
Acquisition cost 1 Jan	39,841	299	8,585	9,335	18,219
+ Additions	3,988	-	16	614	630
- Disposals	-15,755	-	-1,371	-131	-1,502
Acquisition cost 31 Dec	28,074	299	7,230	9,818	17,347
Accumulated depreciation and impairment charges 1 Jan	27,545	-	5,835	4,893	10,728
- Accumulated depreciation on disposals	-710	-	-1,302	-112	-1,413
+ Depreciation for the period	2,890	-	1,132	1,839	2,971
+/- Impairment and reversals *	-10,482	-	-	-	-
Accumulated depreciation and impairment charges 31 Dec	19,243	-	5,665	6,620	12,285
Carrying amount 31 Dec	**8,831**	**299**	**1,565**	**3,198**	**5,062**

* The line item includes a non-recurring item of impairment of EUR -10,482 thousand on MuniFin Group's significant terminated IT system implementation.

Note 10. Credit risks of financial assets and other commitments

MuniFin Group's credit risks are described in the Consolidated Financial Statements 2022 in Note *2 Risk management principles and the Group's risk position* in Section *7. Credit Risk*. The accounting policies of the expected credit loss calculations and impairment stages are described in the accounting policies of the Consolidated Financial Statements 2022 (Note *1*) in Section *9. Impairment of financial assets.*

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

EXPOSURES BY ASSET GROUPS AND IMPAIRMENT STAGES	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3 *			
30 Jun 2023 (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	2	-	-	-	-	-	2	-
Loans and advances to credit institutions at amortised cost	9,531,268	-80	-	-	-	-	9,531,268	-80
Loans and advances to the public and public sector entities at amortised cost	27,826,634	-92	894,941	-1,140	2,069	-3	28,723,644	-1,235
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,325,419	-7	21,291	-6	-	-	1,346,710	-13
Debt securities at amortised cost	1,194,603	-1	3,634	0	-	-	1,198,237	-1
Debt securities at fair value through other comprehensive income	288,568	-40	-	-	-	-	288,568	-40
Cash collateral to CCPs in Other assets at amortised cost	1,429,777	-8	-	-	-	-	1,429,777	-8
Credit commitments (off-balance sheet)	2,519,987	-12	59,566	-1	-	-	2,579,553	-12
Total	**44,116,259**	**-239**	**979,432**	**-1,147**	**2,069**	**-3**	**45,097,760**	**-1,389**

* The Group has collateral and guarantee arrangements that fully cover the stage 3 receivables as described in the Consolidated Financial Statements 2022 in Note *2 Risk management principles and the Group's risk position* in Section *7. Credit risk*. The Group's management expects that all the stage 3 receivables will be recovered and no final credit loss will emerge. Stage 3 receivables include EUR 2,073 thousand (EUR 2,144 thousand) of originated credit impaired receivables (P*urchased or Originated Credit Impaired, POCI*). Expected credit losses for the POCI receivables amount to EUR 3 thousand (EUR 8 thousand).

EXPOSURES BY ASSET GROUPS AND IMPAIRMENT STAGES	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3			
31 Dec 2022 (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	2	-	-	-	-	-	2	-
Loans and advances to credit institutions at amortised cost	9,625,488	-109	-	-	-	-	9,625,488	-109
Loans and advances to the public and public sector entities at amortised cost	27,277,326	-89	497,729	-662	6,690	-21	27,781,745	-772
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,283,297	-6	19,655	-22	142	0	1,303,094	-28
Debt securities at amortised cost	1,457,098	-1	-	-	-	-	1,457,098	-1
Debt securities at fair value through other comprehensive income	167,636	-44	-	-	-	-	167,636	-44
Cash collateral to CCPs in Other assets at amortised cost	1,219,541	-203	-	-	-	-	1,219,541	-203
Credit commitments (off-balance sheet)	2,447,573	-11	16,392	-2	-	-	2,463,964	-14
Total	**43,477,961**	**-464**	**533,776**	**-686**	**6,832**	**-21**	**44,018,569**	**-1,171**

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

TOTAL EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-464**	**-686**	**-21**	**-1,171**	**44,018,569**
New assets originated or purchased	-56	-13	0	-70	5,831,271
Assets derecognised or repaid (excluding write-offs)	75	77	12	165	-4,751,765
Transfers to Stage 1	-1	65	-	64	64
Transfers to Stage 2	2	-175	-	-173	-174
Transfers to Stage 3	-	-	-	-	-
Additional provision *(Management overlay)*	-	-609	-	-609	-609
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models * and inputs ** used for ECL calculations	205	195	6	406	403
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 30 Jun 2023	**-239**	**-1,147**	**-3**	**-1,389**	**45,097,760**

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

MuniFin Group has updated in the first half of 2023 the probability of defaults according to the update cycle. In addition, macro scenarios were updated to take into account forward-looking information at the end of the period. Expected losses decreased by EUR 406 thousand due to the changes in models and parameters.

The Group has assessed the impact of the quickly increased interest rate environment on its receivables from customer financing and on credit risk. According to the management judgement, some customers may face challenges in the sufficiency of cash flows during the second half of 2023, which may appear in increased payment delays and forbearances for MuniFin Group. Hence, the Group's management decided to record an additional discretionary provision of EUR 609 thousand based on a group-specific assessment at the end of June 2023. The additional provision relates to the balance sheet line item *Loans and advances to the public and public sector entities*. The additional provision has not been allocated to the contract level.

MuniFin Group's total credit risk has still remained low and the amount of ECL remains low. The rising interest rate levels and inflation have not yet significantly affected MuniFin Group's customers' ability to pay or creditworthiness during the first half of 2023. MuniFin Group's customer exposures have zero risk weight in the capital adequacy calculation as they are from Finnish municipalities, joint municipal authorities or wellbeing services counties, or involve a municipal, joint municipal authority or wellbeing services counties guarantee or a state deficiency guarantee supplementing the real estate collateral. The Group's management estimates that all receivables will be recovered in full and therefore no final credit loss will arise. On 30 June 2023, MuniFin Group did not have any guarantee receivables from the public sector due to the insolvency of customers (EUR 4 million). Credit risk of the liquidity portfolio has remained on a good quality level and the average credit rating of debt securities in the portfolio was AA+ (AA+).

TOTAL EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-166**	**-578**	**-546**	**-1,289**	**43,092,161**
New assets originated or purchased	-361	357	-1	-5	17,324,241
Assets derecognised or repaid (excluding write-offs)	95	7	77	179	-16,397,777
Transfers to Stage 1	-1	496	-	496	496
Transfers to Stage 2	1	-575	18	-556	-556
Transfers to Stage 3	0	-	0	0	0
Additional provision *(Management overlay)*	-	-	430	430	430
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-32	-394	0	-426	-426
Write-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 31 Dec 2022	**-464**	**-686**	**-21**	**-1,171**	**44,018,568**

The following tables present changes and reconciliation of expected credit losses by impairment stages and asset groups during the period.

EXPECTED CREDIT LOSSES ON CASH AND BALANCES WITH CENTRAL BANKS AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-**	**-**	**-**	**-**	**2**
New assets originated or purchased	-	-	-	-	0
Assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Total 30 Jun 2023	**-**	**-**	**-**	**-**	**2**

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO CREDIT INSTITUTIONS AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-109**	**-**	**-**	**-109**	**9,625,488**
New assets originated or purchased	-14	-	-	-14	630,331
Assets derecognised or repaid (excluding write-offs)	40	-	-	40	-724,554
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	4	-	-	4	4
Total 30 Jun 2023	**-80**	**-**	**-**	**-80**	**9,531,268**

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO THE PUBLIC AND PUBLIC SECTOR ENTITIES AT AMORTISED COST BY IMPAIRMENT STAGES

	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-89**	**-662**	**-21**	**-772**	**27,781,745**
New assets originated or purchased	-8	-21	-	-29	1,873,816
Assets derecognised or repaid (excluding write-offs)	11	68	12	91	-931,392
Transfers to Stage 1	-1	64	-	63	63
Transfers to Stage 2	2	-166	-	-165	-165
Transfers to Stage 3	-	-	-	-	-
Additional provision *(Management overlay)*	-	-609	-	-609	-609
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-7	187	6	186	186
Write-offs	-	-	-	-	-
Total 30 Jun 2023	**-92**	**-1,140**	**-3**	**-1,235**	**28,723,644**

EXPECTED CREDIT LOSSES ON LEASED ASSETS IN LOANS AND ADVANCES TO THE PUBLIC AND PUBLIC SECTOR ENTITIES AT AMORTISED COST BY IMPAIRMENT STAGES

	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-6**	**-22**	**0**	**-28**	**1,303,094**
New assets originated or purchased	-1	8	0	8	88,107
Assets derecognised or repaid (excluding write-offs)	0	7	0	7	-44,492
Transfers to Stage 1	-	1	-	1	1
Transfers to Stage 2	0	-9	-	-9	-9
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	0	8	0	8	8
Total 30 Jun 2023	**-7**	**-6**	**0**	**-13**	**1,346,710**

EXPECTED CREDIT LOSSES ON DEBT SECURITIES AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-1**	**0**	**-**	**-1**	**1,457,098**
New assets originated or purchased	-1	0	-	-1	1,154,839
Assets derecognised or repaid (excluding write-offs)	1	-	-	1	-1,413,700
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	0	0	-	0	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	0	0	-	0	-
Total 30 Jun 2023	**-1**	**0**	**-**	**-1**	**1,198,237**

EXPECTED CREDIT LOSSES ON DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-44**	**-**	**-**	**-44**	**167,636**
New assets originated or purchased	-15	-	-	-15	175,950
Assets derecognised or repaid (excluding write-offs)	17	-	-	17	-55,018
Transfers to Stage 1	-	-	-	-	
Transfers to Stage 2	-	-	-	-	
Transfers to Stage 3	-	-	-	-	
Changes to models and inputs used for ECL calculations	3	-	-	3	
Total 30 Jun 2023	**-40**	**-**	**-**	**-40**	**288,568**

The loss allowance on debt instruments classified at fair value through comprehensive income is recognised in the fair value reserve. The accumulated loss allowance is recognised to the profit or loss upon derecognition of the assets. More details regarding presentation of allowance for expected credit losses is presented in the accounting policies in Note *1* in Section *9.4 Presentation of allowance for ECL in the statement of financial position* of the Consolidated Financial Statements 2022.

EXPECTED CREDIT LOSSES ON CASH COLLATERAL TO CCPS IN OTHER ASSETS AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-203**	**-**	**-**	**-203**	**1,219,541**
New assets originated or purchased	-10	-	-	-10	247,912
Assets derecognised or repaid (excluding write-offs)	-	-	-	-	-37,881
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	205	-	-	205	205
Total 30 Jun 2023	**-8**	**-**	**-**	**-8**	**1,429,777**

EXPECTED CREDIT LOSSES ON GUARANTEE RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES IN OTHER ASSETS BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-**	**-**	**-**	**-**	**-**
New assets originated or purchased	-	-	-	-	-
Assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 30 Jun 2023	**-**	**-**	**-**	**-**	**-**

EXPECTED CREDIT LOSSES ON CREDIT COMMITMENTS (OFF-BALANCE SHEET) BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2023	**-11**	**-2**	**-**	**-14**	**2,463,964**
New assets originated or purchased	-7	0	-	-8	1,660,315
Assets derecognised or repaid (excluding write-offs)	7	2	-	9	-1,544,727
Transfers to Stage 1	0	0	-	0	
Transfers to Stage 2	0	0	-	0	
Transfers to Stage 3	-	-	-	-	
Changes to models and inputs used for ECL calculations	0	0	-	0	
Total 30 Jun 2023	**-12**	**-1**	**-**	**-12**	**2,579,553**

The loss allowance on binding credit commitments is recognised under *Other liabilities*. More details regarding presentation of allowance for expected credit losses is presented in the accounting policies in Note *1* in Section *9.4 Presentation of allowance for ECL in the statement of financial position* of the Consolidated Financial Statements 2022.

EXPECTED CREDIT LOSSES ON CASH AND BALANCES WITH CENTRAL BANKS AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**0**	**-**	**-**	**0**	**8,399,045**
New assets originated or purchased	-	-	-	-	-
Assets derecognised or repaid (excluding write-offs)	0	-	-	0	-8,399,043
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Total 31 Dec 2022	**-**	**-**	**-**	**-**	**2**

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO CREDIT INSTITUTIONS AT AMORTISED COST BY IMPAIRMENT STAGES

	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-82**	**-**	**-**	**-82**	**1,417,310**
New assets originated or purchased	-85	-	-	-85	9,112,062
Assets derecognised or repaid (excluding write-offs)	62	-	-	62	-903,880
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-3	-	-	-3	-3
Total 31 Dec 2022	**-109**	**-**	**-**	**-109**	**9,625,488**

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO THE PUBLIC AND PUBLIC SECTOR ENTITIES AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-23**	**-578**	**-546**	**-1,147**	**27,805,752**
New assets originated or purchased	-42	357	-1	314	3,871,298
Assets derecognised or repaid (excluding write-offs)	2	4	77	84	-3,895,282
Transfers to Stage 1	-1	496	-	496	496
Transfers to Stage 2	0	-573	18	-554	-554
Transfers to Stage 3	0	-	0	0	0
Additional provision *(Management overlay)*	-	-	430	430	430
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-25	-370	0	-395	-395
Write-offs	-	-	-	-	-
Total 31 Dec 2022	**-89**	**-662**	**-21**	**-772**	**27,781,745**

EXPECTED CREDIT LOSSES ON LEASED ASSETS IN LOANS AND ADVANCES TO THE PUBLIC AND PUBLIC SECTOR ENTITIES AT AMORTISED COST BY IMPAIRMENT STAGES

	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-2**	**-**	**0**	**-2**	**1,334,146**
New assets originated or purchased	-5	0	0	-5	242,148
Assets derecognised or repaid (excluding write-offs)	2	-	-	2	-273,177
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	0	0	-	0	0
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-2	-22	-	-23	-23
Total 31 Dec 2022	**-6**	**-22**	**0**	**-28**	**1,303,094**

EXPECTED CREDIT LOSSES ON DEBT SECURITIES AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**0**	**0**	**-**	**0**	**1,088,888**
New assets originated or purchased	-1	-	-	-1	1,457,098
Assets derecognised or repaid (excluding write-offs)	0	0	-	0	-1,088,888
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Total 31 Dec 2022	**-1**	**-**	**-**	**-1**	**1,457,098**

EXPECTED CREDIT LOSSES ON DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-41**	**-**	**-**	**-41**	**213,466**
New assets originated or purchased	-28	-	-	-28	52,770
Assets derecognised or repaid (excluding write-offs)	26	-	-	26	-98,599
Transfers to Stage 1	-	-	-	-	
Transfers to Stage 2	-	-	-	-	
Transfers to Stage 3	-	-	-	-	
Changes to models and inputs used for ECL calculations	-1	-	-	-1	
Total 31 Dec 2022	**-44**	**-**	**-**	**-44**	**167,636**

EXPECTED CREDIT LOSSES ON CASH COLLATERAL TO CCPS IN OTHER ASSETS AT AMORTISED COST BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-13**	**-**	**-**	**-13**	**238,930**
New assets originated or purchased	-190	-	-	-190	980,611
Assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Total 31 Dec 2022	**-203**	**-**	**-**	**-203**	**1,219,541**

EXPECTED CREDIT LOSSES ON GUARANTEE RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES IN OTHER ASSETS BY IMPAIRMENT STAGES

	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-**	**-**	**-**	**-**	**1,752**
New assets originated or purchased	-	-	-	-	-
Assets derecognised or repaid (excluding write-offs)	-	-	-	-	-1,752
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Recoveries	-	-	-	-	-
Total 31 Dec 2022	**-**	**-**	**-**	**-**	**-**

EXPECTED CREDIT LOSSES ON CREDIT COMMITMENTS (OFF-BALANCE SHEET) BY IMPAIRMENT STAGES	Not credit-impaired		Credit-impaired	Total	
	Stage 1	Stage 2	Stage 3		
(EUR 1,000)	12-month ECL	Lifetime ECL	Lifetime ECL	ECL	Gross carrying amount
Opening balance 1 Jan 2022	**-4**	**0**	**0**	**-4**	**2,592,873**
New assets originated or purchased	-9	0	-	-9	1,608,248
Assets derecognised or repaid (excluding write-offs)	3	2	0	5	-1,737,157
Transfers to Stage 1	-	-	-	-	
Transfers to Stage 2	0	-2	-	-2	
Transfers to Stage 3	-	-	-	-	
Changes to models and inputs used for ECL calculations	-1	-2	-	-4	
Total 31 Dec 2022	**-11**	**-2**	**-**	**-14**	**2,463,964**

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. These macroeconomic projections cover a period of 3 years and as no reliable macroeconomic projections exceeding a three-year time horizon are available, forward-looking adjustment will be limited to a three-year period. Mainly three scenarios are used; base, optimistic and adverse. Scenarios include probability weights. The scenario probability weightings are as follows:

	30 Jun 2023			31 Dec 2022		
SCENARIO	2023	2024	2025	2023	2024	2025
Adverse	40%	40%	40%	30%	30%	30%
Base	50%	50%	50%	60%	60%	60%
Optimistic	10%	10%	10%	10%	10%	10%

MuniFin Group has identified key drivers of credit losses for each portfolio that share similar kinds 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 interest rates, the development of residential housing prices and unemployment rate. For non-Finnish financial assets, stress test scenarios published by the European Central Bank are employed in the model and scenario parameters. Each variable covers an estimate over a period of three years. The following table presents the macroeconomic variables and their forecasts over the three-year forecast period.

		30 Jun 2023			31 Dec 2022		
MACROECONOMIC VARIABLES	**Scenario**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
10Y Fin Government rate, %	Adverse	2.1	1.8	2.2	4.0	3.6	3.4
	Base	3.0	2.9	2.9	3.2	3.1	3.2
	Optimistic	2.8	2.7	2.7	2.2	1.9	1.8
Residential Real Estate (selling price, YoY change), %	Adverse	-13.0	-2.0	2.0	-13.0	0.0	2.0
	Base	-6.0	1.0	2.5	-2.0	2.0	1.5
	Optimistic	-3.5	1.0	2.5	0.0	3.0	2.5
Unemployment rate, %	Adverse	9.0	9.5	9.0	9.5	9.0	8.5
	Base	7.3	7.3	6.8	7.4	7.3	6.8
	Optimistic	6.7	6.0	5.8	6.5	6.0	5.8

The economic downturn towards a recession has been milder and slower than expected. The savings accumulated by households during the pandemic years, as well as the recovery of the service sector, have supported domestic demand and employment. However, the growth prospects are expected to worsen due to increasing cost of living and the tightening of monetary policy. MuniFin Group anticipates a contraction of 0.5% in output in 2023. Growth is expected to remain subdued at 1.0% in 2024. In the latter years of the forecast period, the economy is projected to return to its long-term growth trajectory, with an annual expansion rate of approximately 1.5%. Unemployment is projected to exceed 7.0% in 2023–2024. The unemployment rate is anticipated to begin declining from 2025 onwards. Annual CPI inflation is projected to persist at 5.0% in 2023 while gradually converging back to an annual pace of around 2.0% in the years 2024 to 2026. In order to ensure that future inflation expectations remain firmly anchored, it is anticipated that the European Central Bank (*ECB*) will persist in raising interest rates until the third quarter of 2023. However, the pace of monetary tightening slows down as cost pressures gradually ease off. At the national level, increased interest rates dampen households' intentions to purchase homes. Home prices are projected to decline by 6.0% in 2023. For the remaining forecast period, the average annual growth in home prices is expected to stabilize at around 2.0%.

Compared to the baseline scenario, MuniFin Group's upside (*optimistic*) scenario considers the economic impact of high inflation and tightening financial conditions to be less severe. The Group anticipates that inflationary pressures will also ease at a somewhat faster rate. In the upside scenario, the Finnish GDP is projected to grow 1.0% in 2023 and 2.0% in 2024. The unemployment rate will continue its gradual decline throughout the forecast period. Consumer price inflation is expected to cool down to 4.5% in 2023. Housing demand is projected to recover in the latter half of 2023, which will limit the downward pressure on home prices. Subsequently, consumer and home prices are anticipated to rise at a rate of about 2.0% in 2024–2026. As inflation decelerates at a faster pace, the ECB will raise interest rates slightly less compared to the baseline scenario. Consequently, market interest rates will peak at a somewhat lower level as well.

MuniFin Group's downside (*adverse*) scenario portrays a "hard landing" outcome characterised by a cost-of-living crisis and rising interest rates, which in turn trigger a synchronised downturn in the global economy. Both the United States and the eurozone experience a relatively deep recession during the second half of 2023, resulting in negative spillover effects worldwide. This economic recession persists well into 2024. Unemployment undergoes a significant increase and remains at high levels throughout the forecast period. The contraction in aggregate demand exacerbates deflationary forces in the economy, leading to a more rapid cooling down of inflation compared to the baseline scenario. Lower inflation, coupled with strong economic headwinds, prompts a shift towards a more accommodative monetary policy stance, known as a "dovish pivot." The ECB responds by implementing multiple interest rate cuts in 2023 and continues to pursue monetary easing throughout 2024. The lack of demand in the housing market results in a sharp decline in home prices. The prolonged global recession generates tensions in financial markets, leading to wider risk premia in asset pricing.

The following table presents the sensitivity of the expected credit losses to the forward-looking information assuming 100% weight for adverse scenario until 2024 (2023).

	30 Jun 2023			31 Dec 2022	
SENSITIVITY ANALYSIS (EUR 1,000)	**Weighted scenario**	**Adverse scenario (100%)**	**Excluding weighted scenario**	**Weighted scenario**	**Adverse scenario (100%)**
ECL	780	845	725	1,171	1,547
Proportion of the exposure in Stage 2 and 3	2.36%	2.59%	2.20%	1.27%	2.57%

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

Non-performing and forborne exposures

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

NON-PERFORMING AND FORBORNE EXPOSURES 30 Jun 2023 (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	-	-	-	-	-
Forborne exposures	79,910	2,073	81,983	-318	81,665
Total	**79,910**	**2,073**	**81,983**	**-318**	**81,665**

NON-PERFORMING AND FORBORNE EXPOSURES 31 Dec 2022 (EUR 1,000)	Performing exposures (gross)	Non-performing exposures (gross)	Total exposures (gross)	Total expected credit losses	Total exposures (net)
Over 90 days past due	-	4,087	4,087	-13	4,074
Unlikely to be paid	-	509	509	0	509
Forborne exposures	77,268	2,513	79,780	-478	79,303
Total	**77,268**	**7,110**	**84,377**	**-491**	**83,886**

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

The COVID-19 pandemic affected the financial situation and liquidity of MuniFin Group's customers. The Group therefore offered concessions to the payment terms of loans to those customers whose finances had been temporarily affected by the pandemic. During the first half of 2023 there were no forbearances due to the COVID-19 pandemic and in 2022 there were only a few individual extensions of repayment holidays. The uncollected installments were mainly transferred to the end of the loan term to be paid in connection with the last installment. No lease concessions were granted to the Group's leasing customers.

Russia's invasion of Ukraine has had no direct impact on MuniFin's customers or receivables. The inflation and rising interest rate levels may appear as increased forbearance measures and payment delays.

Realised credit losses

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

Note 11. Liabilities to credit institutions

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Bilateral loans to credit institutions	125,459	88,183
TLTRO *	-	2,000,000
Received collateral on derivatives	53,800	244,440
Total	**179,259**	**2,332,623**

* MuniFin Group participated in the ECB's third series of targeted longer-term refinancing operations that is, the so-called TLTRO III operation in total of EUR 2,000 million. The interest rate until 23 June 2022 was determined based on the net lending review period expired on 31 December 2021. MuniFin Group met the net lending criteria for this period to the lower interest rate and recognised the interest with the -1% rate until 23 June 2022. After the special interest rate periods, the interest rate was determined as the average of the ECB overnight deposit rates to maturity. Additionally, the interest rate terms changed starting from 23 November 2022. Therefore, a new last interest rate period was determined, the interest rate of which is defined as the average of the ECB rates during that last interest rate period. The final interest rate was determined when the TLTRO III debt matured as a weighted average of the interest rates of all the different interest rate periods. During the period, the Group dediced to use call option and redeemed TLTRO III debt.

Although the interest rate for the TLTRO III debt described above is favorable for MuniFin Group, it was 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 has treated TLTRO III debt in its entirety as an IFRS 9 financial liability.

Note 12. Debt securities issued

	30 Jun 2023		31 Dec 2022	
(EUR 1,000)	Carrying amount	Nominal value	Carrying amount	Nominal value
Bonds	35,277,041	38,641,966	30,942,233	34,330,170
Other *	3,098,993	3,130,876	4,649,832	4,668,524
Total	**38,376,034**	**41,772,842**	**35,592,065**	**38,998,694**

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

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

BENCHMARK ISSUANCES DURING THE REPORTING PERIOD	Value date	Maturity date	Interest-%	Nominal value (1,000)	Currency
Fixed rate benchmark bond, issued under the MTN programme	18 Jan 2023	18 Jan 2028	2.875%	1,500,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	22 Feb 2023	25 Sep 2028	3.000%	1,000,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	26 Apr 2023	29 Jul 2030	3.125%	1,000,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	13 Jun 2023	15 Dec 2027	4.125%	1,000,000	USD

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

Note 13. Provisions and other liabilities

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Provisions		
Other provisions	-	446
Other liabilities		
Lease liabilities	8,660	3,269
Cash collateral taken from CCPs	548,502	570,922
Other	15,847	19,210
Total	**573,009**	**593,848**

Line item *Other provisions* related to a tax interpretation issue for which the Group requested a preliminary ruling and for which the Group received the decision of the Supreme Administrative Court during the period. The provision has been reversed on the basis of the received decision.

	Other provisions	
(EUR 1,000)	Jan–Jun 2023	Jan–Dec 2022
Carrying amount at the beginning of the period	446	446
Increase in provisions	-	5,100
Unused amounts reversed	-446	-5,100
Carrying amount at the end of the period	**-**	**446**

During the financial year 2022, increase in provisions and unused amounts reversed related to the IT implementation project, which was terminated in 2022. Unused used amounts reversed during the first half of 2023 related to a tax interpretation issue for which the Group requested a preliminary ruling and for which the Group received the decision of the Supreme Administrative Court during the period. The provision has been reversed on the basis of the received decision.

Note 14. Collateral given

GIVEN COLLATERALS ON BEHALF OF OWN LIABILITIES AND COMMITMENTS (EUR 1,000)	30 Jun 2023	31 Dec 2022
Loans and advances to credit institutions to the counterparties of derivative contracts *	1,581,573	1,400,559
Loans and advances to credit institutions to the counterparties of repurchase agreements **	-	514
Loans and advances to credit institutions to the central bank ***	31,990	31,745
Loans and advances to the public and public sector entities to the central bank ***	4,549,095	3,676,627
Loans and advances to the public and public sector entities to the Municipal Guarantee Board ****	11,583,587	12,101,459
Debt securities to the counterparties of repurchase agreements **	-	9,580
Debt securities to the central counterparty	24,775	24,942
Other assets to the counterparties of derivative contracts *	1,429,777	1,219,541
Total	**19,210,322**	**18,464,967**

* MuniFin Group has pledged collateral to the counterparties of derivative contracts based on the CSA agreements of the derivative contracts (*ISDA/Credit Support Annex*).

** MuniFin Group has pledged collateral to the counterparties of repurchase agreements based on the GMRA general agreements of the repurchase agreements (*General Master Repurchase Agreement*).

*** MuniFin is a monetary policy counterparty approved by the central bank (*Bank of Finland*) and for this purpose, collateral has been pledged to the central bank for possible operations related to this counterparty position.

**** MuniFin Group has pledged loans 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 Group has no contingent assets or liabilities at 30 June 2023 or at the comparison date 31 December 2022.

Note 16. Off-balance-sheet commitments

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Credit commitments	2,579,565	2,463,978
Total	**2,579,565**	**2,463,978**

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

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

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

There have been no material changes in the related party transactions after 31 December 2022.

Note 18. Events after the reporting period

The results of Europe-wide stress tests were published on 28 July 2023. MuniFin Group took part in the European Central Bank's SSM Stress Test covering the years 2023–2025. The Group's capital adequacy and leverage ratio remained very strong also under the adverse scenario. Under the adverse scenario, the Group's CET1 capital ratio would stand at 80.7% and leverage ratio at 10.4% at the end of 2025. Both figures exceed minimum requirements by a wide margin.

Report on review of the interim financial information of Municipality Finance Plc as of and for the six-month period ending 30 June 2023

To the Board of Directors of Municipality Finance Plc

Introduction

We have reviewed the consolidated balance sheet as of 30 June 2023 and the consolidated income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement of Municipality Finance Plc for the six-month period then ended, as well as explanatory notes to the interim financial information. The Board of Directors and the Managing Director are responsible for the preparation of this interim financial information in accordance with the IAS 34 Interim Financial Reporting -standard. We will express our conclusion on the interim financial information based on our review.

Scope of review

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

Conclusion

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

Helsinki 7 August 2023

KPMG OY AB

Tiia Kataja
Authorised Public Accountant, KH