Municipality Finance Plc Financial Statements Bulletin

1 January–31 December 2016

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2016 in Brief

- The Group's net interest income grew by 19.7% year-on-year, totalling EUR 206.1 million (2015: EUR 172.2 million).
- The Group's net operating profit amounted to EUR 174.2 million (2015: EUR 151.8 million). The growth over the previous year was 14.8%.
- The balance sheet total was EUR 34,052 million (2015: EUR 33,889 million). The growth compared to the end of 2015 was 0.5%.
- The Group's capital adequacy continued to strengthen, with the ratio of total own funds to risk-weighted assets being 66.89% at the end of 2016 (2015: 64.61%), and the ratio of Common Equity Tier 1 (CET1) to risk-weighted assets being 46.21% (2015: 41.49%).
- The leverage ratio at the end of 2016 was 3.54% (2015: 3.15 %).
- The total of new loans withdrawn amounted to EUR 2,924 million (2015: EUR 2,687 million). The lending portfolio increased to EUR 20,910 million (2015: EUR 20,088 million). This represented a growth of 4.1% from the end of 2015.
- At the end of the year, the leasing portfolio stood at EUR 286 million (2015: EUR 187 million), showing a growth of 52.9% year on year.
- Total funding acquisition for 2016 amounted to EUR 6,702 million (2015: EUR 7,297 million). A total of EUR 7,045 million was issued in short-term debt instruments under the Euro Commercial Paper programme in 2016 (2015: EUR 4,824 million).
- At the end of 2016, total liquidity was EUR 7,505 million. Investments totalled EUR 7 732 million, down by 2.9% from a year earlier.
- The turnover of Municipality Finance's subsidiary Inspira was EUR 2.2 million (2015: EUR 2.3 million). Inspira's net operating profit at the end of 2016 totalled EUR 0.1 million (2015: EUR 0.2 million).

Key figures (Consolidated):	**31 Dec 2016**	**31 Dec 2015**
Net interest income (EUR million)	206.1	172.2
Net operating profit (EUR million)	174.2	151.8
New loans issued (EUR million)	2,924	2,687
New long-term funding (EUR million)	6,702	7,297
Balance sheet total (EUR million)	34,052	33,889
Common Equity Tier 1 (CET1) (EUR million)	776.6	686.3
Tier 1 capital (EUR million)	1,124.1	1,033.8
Total own funds (EUR million)	1,124.1	1,068.8
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	46.21	41.49
Ratio of Tier 1 capital to risk-weighted assets, %	66.89	62.49
Ratio of total own funds to risk-weighted assets, %	66.89	64.61
Leverage ratio, %	3.54	3.15
Return on equity (ROE), %	12.51	14.84
Cost-to-income ratio	0.17	0.16
Personnel	106	95

Comment on the Financial Year by President and CEO Pekka Averio:

The year 2016 marked a new beginning for Municipality Finance. It was also a very busy year due to the transfer of Municipality Finance under the supervision of the European Central Bank, market uncertainty and the major structural reforms prepared by the Finnish Government.

Despite the continuous change and challenging conditions, Municipality Finance performed well in 2016. Our funding was very successful, and in line with our mission we were able to offer financing at competitive rates to the local government sector and to state-subsidised housing production.

Municipality Finance is a key operator in the municipalities' funding acquisition system, since it channels financing from the international capital markets. Similarly, the Municipal Guarantee Board plays an important role as a guarantor of this funding.

This joint funding system of the municipalities has secured competitive financing for its customers in all market conditions for more than 25 years. In the implementation of the health, social services and regional government reform, appropriate framework conditions must be ensured in order to strengthen the finances of municipalities and counties while safeguarding the continuity of the necessary investments.

In 2016, we were the first Finnish company to introduce green financing, a concept that encourages customers to make environmentally friendly investments. This received an excellent response from both customers and investors. I am confident that responsible funding will be further emphasised in the years to come – also beyond the context of environmental impacts. We will continue to develop our operations and human resources in order to ensure that we will be able to serve our customers flexibly, efficiently and responsibly also in the future.

Operating Environment in 2016

As in previous years, Municipality Finance's operating environment in 2016 was characterised by a number of economic uncertainties. In the euro area, market rates fell to record-low levels. Instead of an accelerating effect on economic growth, the ECB's sizable purchase programmes have substantially increased market liquidity and even distorted the financial markets. At the end of the second quarter, Europe's economic and political structures were shaken by the UK's decision to leave the European Union. The Brexit decision has weakened the economic outlook of the entire continent and increased financial instability. Furthermore, the political fluctuations caused by the U.S. presidential elections have strongly affected the volatility of international capital markets. In Finland, particularly the long-prepared health, social services and regional government reform and the open questions related to its implementation have increased the uncertainty about the future among Municipality Finance's customers and affected their willingness to invest. The company has actively monitored the changes taking place in the operation environment. Consequently, there are, however, not yet seen the need for significant changes.

Municipality Finance has a central role in the basic financial structure of Finnish society. It is the only credit institution in Finland specialising in financing the local government sector and state-subsidised housing production. Customers' interest in Municipality Finance's financial services remained high in 2016. The total of loans withdrawn increased slightly year on year, and Municipality Finance continued to be by far the most important financier for its customers.

Since 1 January 2016, Municipality Finance has been under the direct supervision of the European Central Bank (ECB). Municipality Finance succeeded well in responding to the supervisory requirements, and is developing its operations to further streamline its reporting to the authorities. Municipality Finance has proactively improved its capital adequacy for many years now.

Moody's and Standard & Poor's changed their ratings and outlook on MuniFin. This was attributable to similar changes in their credit ratings for Finland. In October 2016, Standard & Poor's changed the outlook for Municipality Finance's AA+ credit rating from negative to stable. In June 2016, Moody's downgraded Municipality Finance's credit rating from the best possible rating of Aaa to Aa1 with a stable outlook.

Rating agency	Long-term funding	Outlook	Short-term funding	Outlook
Moody's Investors Service	Aa1	Stable	P–1	Stable
Standard & Poor's	AA+	Stable	A–1+	Stable

Income Statement and Statement of Financial Position

Municipality Finance Group

The Group's business operations remained strong during 2016. The Group's operating profit before tax amounted to EUR 174.2 million (2015: EUR 151.8 million). The profit includes EUR 2.7 million of unrealised changes in the fair value of financial items (2015: EUR -2.7 million). These value changes are related to fluctuations in interest rates, the credit risk arising from counterparties in derivative transactions (CVA) and the market conditions of own derivative liabilities (DVA). The CVA and DVA value changes accounted for EUR -1.9 million of the total value changes (2015: EUR -1.7 million). Despite the zero-risk status of municipalities, in CVA calculations, capital reserves need to be established for derivative contracts concluded with municipalities and corporations guaranteed by municipalities, whereas this is not needed in financing granted to municipalities.

Net interest income continued developing well, with a growth of 19.7%. The total net interest income at the end of the year was EUR 206.1 million (2015: EUR 172.2 million). The improvement in net interest income was attributable to the growth in business volume and favourable funding. Net interest income includes EUR 1.2 million in commissions from the repurchase of own bonds (2015: EUR 1.4 million). In consolidated accounts, the AT1 capital loan is treated as an own equity instrument. The related interest expenses are not recognised through profit or loss in the consolidated accounts, but they are treated similarly to dividend distribution, i.e. as a decrease in retained earnings under shareholders' equity, upon realisation of payment on an annual basis.

The Group's commission expenses totalled EUR 4.0 million at the end of the year (2015: EUR 3.8 million). Operating expenses increased by 24.9% to EUR 31.1 million during the year (2015: EUR 24.9 million). This was mainly due to financial supervision costs paid to the ECB and to the Financial Supervisory Authority, contributions paid to EU-level crisis resolution fund and the ongoing information system projects. Administrative expenses came to EUR 18.8 million (2015: EUR 16.7 million), of which personnel expenses comprised EUR 11.9 million (2015: EUR 10.9 million). Depreciation of tangible and intangible assets amounted to EUR 1.8 million (2015: EUR 1.6 million). Other operating expenses were EUR 10.5 million (2015: EUR 6.6 million).

The Group's balance sheet total stood at EUR 34,052 million at the end of 2016, compared to EUR 33,889 million at the end of the previous year. During the financial year, a total of EUR 6.3 million in accumulated interest related to the AT1 capital instrument was paid from the Group's equity in accordance with the contractual terms.

Municipality Finance Plc

Municipality Finance's total net interest income at year-end was EUR 189.9 million (2015: EUR 168.2 million) and net operating profit stood at EUR 158.0 million (2015: EUR 147.7 million). The interest expenses of EUR 16.3 million for 2016 on the AT1 capital loan, which forms part of Additional Tier 1 capital in capital adequacy calculation, have been taken into account in full in the parent company's net interest income (2015: EUR 4.0 million). In the parent company, the AT1 capital loan has been recorded under the balance sheet item Subordinated liabilities.

Financial Advisory Services Inspira Ltd.

The turnover of Municipality Finance's subsidiary Inspira was EUR 2.2 million (2015: EUR 2.3 million), and its net operating profit was EUR 0.1 million (2015: EUR 0.2 million).

Financing and other services for customers

The operating environment of Municipality Finance's customers continued to be affected by a large number of uncertainty factors. In particular, the long-prepared health, social services and regional government reform and the open questions related to its implementation have affected the willingness to invest among Municipality Finance's customers.

In 2016, Municipality Finance launched a financial product intended for environmentally friendly investments. It attracted a great deal of interest among customers. Municipality Finance's green financing is in many respects a trailblazer in the Finnish financial market, and it is believed to increase the municipal sector's environmental investments. Whether or not a project fits the green financing framework is assessed by an evaluation team comprising external experts. By the end of the year, Municipality Finance had granted a total of EUR 500 million of green financing, which was more than anticipated. In 2016, a growing number of customers implemented the versatile and flexible Apollo service for managing their financial portfolio. Moreover, the demand for leasing financing continued to grow, with the growth in popularity particularly of leasing solutions for real estate.

Customers' interest in Municipality Finance's financial services remained high in 2016. The total of loans withdrawn increased year on year, and Municipality Finance continued to be by far the most important financier for its customers.

The total volume of loan quotation requests received by Municipality Finance was lower during the year and was EUR 4,168 million at the end of year (2015: EUR 4,834 million). The total amount of new loans withdrawn in 2016 was higher than in the previous year, EUR 2,924 million (2015: EUR 2,687 million). At the end of the year, the company's long-term loan portfolio stood at EUR 20,910 million (2015: EUR 20,088 million). This represents an increase of 4.1% on the previous year.

There was also continued demand for Municipality Finance's short-term financing. At the end of 2016, the total value of municipal commercial paper and municipal company commercial paper programmes concluded with MuniFin was EUR 4,368 million (2015: EUR 4,087 million). At the end of the year, the company had EUR 973 million in municipal papers and municipal commercial papers on its balance sheet (2015: EUR 1,115 million) and during the entire year, customers acquired EUR 7,942 million in financing under short-term programmes (2015: EUR 9,231 million).

In addition to loans, Municipality Finance offers municipalities, municipal federations and municipal enterprises derivative contracts tailored to their needs for the management of interest rate risk. As interest rates stayed low, customers increased their hedging against possible future increases in market rates.

Municipality Finance has offered leasing financing to municipalities, municipal federations and municipality-controlled entities since 2010. Long-term work has been carried out to ensure maximum transparency in the service model and its pricing. Demand for leasing solutions grew solidly in 2016. The group's customers are particularly interested in leasing-based solutions for real estate financing. The leasing portfolio grew by 52.9% during the year and stood at EUR 286 million at year-end (2015: EUR 187 million).

As part of the group's customer service model, during 2016 Municipality Finance strengthened its collaboration with its subsidiary Inspira, which offers advisory services.

Demand for Inspira's services increased in 2016, and the company concluded a total of 123 commission agreements (2015: 89). Inspira's turnover in 2016 was EUR 2.2 million (2015: EUR 2.3 million). Net operating profit for the period totalled EUR 0.1 million (2015: EUR 0.2 million). In 2016, Inspira provided financial advisory services in several lifecycle projects. In addition, investment projects related to energy savings and renewable energy played a major role in 2016. Inspira also acted as the advisor of the Ministry of Employment and the Economy in the allocation of funds from the European Fund for Strategic Investments (EFSI) to Finland, and participated in the assessment of the alternative courses of action for municipalities and municipal federations in the ongoing health and social services reform.

Operations in international capital markets

The international capital markets were characterised by high liquidity in 2016, especially in the first six months and Municipality Finance's funding operations were very successful. Thanks to the diversification, funding is effective, which ensures obtaining financing to Municipality Finance's customers at competitive prices. Municipality Finance's name is widely known in international capital markets, and Municipality Finance is one of the most flexible, reliable and fastest partners for investors in capital markets.

In 2016, EUR 6,702 million was acquired in long-term funding (2015: EUR 7,297 million). In March 2016, Municipality Finance issued its first euro-denominated benchmark bond in thirteen years in order to further diversify its funding sources. The issue of EUR 1 billion was successful, and it was very well received on the market. In July, company issued a USD 1 billion benchmark bond, which was oversubscribed by nearly 200 per cent.

During the first half of 2016, Municipality Finance carried out the preparations for the issuance of its first ever green bond. The preparations included collecting an environmental project portfolio and granting more low-cost lending and financial leasing for environmental projects that fit the green financing framework. The initiatives eligible for green financing are selected by an evaluation team comprising external experts. Municipality Finance's and Finland's first ever green bond of USD 500 million was successfully launched in the autumn, further expanding Municipality Finance's investor base.

In 2016, a total of EUR 7,045 million was issued in short-term debt instruments under the Euro Commercial Paper programme (2015: EUR 4,824 million), and total funding under the programme amounted to EUR 1,139 million at year end (2015: EUR 1,230 million).

Total funding at the end of the year amounted to EUR 28,662 million (2015: EUR 28,419 million). Of this total amount, 21% was denominated in euros (2015: 18%) and 79% was denominated in foreign currencies (2015: 82%). During the year, the company issued bonds denominated in 13 different currencies (2015: 12 currencies).

Municipality Finance currently obtains all of its funds from the international capital market, where the group is a well-known, valued and active operator. The total of long-term funding arrangements made in 2016 was 204 (2015: 315).

Municipality Finance's funding strategy is to diversify its funding sources, which aims to ensure the continuity of its funding under all market conditions. This has been proven to be a successful approach. Municipality Finance has various diversification strategies: by market, geographically, by issuing bonds targeted at different investor groups, and by varying maturities. Active, long-term collaboration with investors has increased the company's visibility in various markets, and investor relations are increasingly progressing towards the maintenance of key accounts.

The company's liquidity remained excellent during 2016. Municipality Finance's investment operations mostly comprise the management of funds obtained through ex ante funding. The funds are invested in liquid and highly rated financial instruments so as to ensure the stability of the company's operations in all market conditions. According to the company's liquidity policy, its liquidity must be sufficient to cover the needs of continued undisturbed operations (including new net lending) for at least the following six months. The company invests cash collateral received on the basis of derivative collateral agreements mainly in short-term money market investments. These investments are not included in calculations of the company's liquidity adequacy.

At the end of year, total liquidity was EUR 7,505 million (2015: EUR 7,732 million). Investments in securities totalled EUR 6,506 million (2015: EUR 5,897 million) and their average credit rating was AA (2015: AA). The average maturity of the security portfolio stood at 2.3 years at year-end (2015: 2.3 years). In addition to this, the company had EUR 999 million in other investments (2015: EUR 1,834 million), of which EUR 989 million were in central bank deposits (2015: EUR 1,814 million) and EUR 10 million in money market deposits in credit institutions (2015: EUR 20 million).

As of 2015, Municipality Finance has also monitored the ESG performance (Environmental, Social and Governance) of its investments. At the end of 2016, Municipality Finance's liquidity investments had an ESG average of 66.5 on a scale of 1–100 (2015: 65.0). The benchmark index is 64.4.

Capital Adequacy

The Group's capital adequacy has remained strong and it clearly exceeds the minimum capital requirements set by the law and authorities.

Municipality Finance Group's own funds totalled EUR 1,124.1 million at the end of 2016 (2015: EUR 1,068.8 million). Common Equity Tier 1 (CET1) totalled EUR 776.6 million (2015: EUR 686.3 million). Tier 1 capital amounted to EUR 1,124.1 million (2015: EUR 1,033.8 million). The unrealised profits from assets measured at fair value (fair value reserve) have been included in CET1 capital (transitional provision for the period 1 January 2015–31 December 2017). The company had no Tier 2 capital at year-end (2015: EUR 35 million).

The parent company's own funds stood at EUR 1,123.4 million (2015: EUR 1,067.9 million). Common Equity Tier capital (CET1) amounted to EUR 776.0 million (2015: EUR 685.9 million) and Tier 1 capital (T1) to EUR 1,123.4 million (2015: EUR 1,032.9 million).

The ratio of total own funds to risk-weighted assets was 66.89% (2015: 64.61%). At year-end, CET1 capital adequacy was 46.21% (2015: 41.49%). The parent company's capital adequacy was 67.11% (2015: 64.70%) and CET1 capital adequacy 46.35% (2015: 41.56%). Municipality Finance has a strong capital adequacy as compared to the statutory requirements and those set by the authorities. The statutory minimum capital adequacy is 8% and that of CET1 capital adequacy 4.5%. The fixed additional capital requirement (capital conservation buffer) of 2.5% and the so-called OSII additional capital requirement of 0.5% increase the minimum CET1 capital adequacy ratio requirement to 7.5% and the minimum capital adequacy ratio requirement to 11%.

The leverage ratio of Municipality Finance at the end of 2016 was 3.54% (2015: 3.15%), calculated using currently valid calculation principles. The liquidity coverage ratio (LCR) was 149% (2015: 297%). This clearly exceeds the regulatory requirement of 70% at the time of closing the accounts.

Risk Management

There were no material changes in the company's risk position in 2016. Risks remained within the set limits and, according to the company's assessment, risk management was performed according to requirements.

Outlook for 2017

The global economic outlook is difficult to predict. The political uncertainty in the United States and Europe is reflected in the economic development and the functioning of capital markets. The outlook for economic development in Finland is brightening up, but there are still no signs of growth leaps. These factors affect the operations of Municipality Finance both in terms of funding and financing.

The Finnish government is planning to implement a substantial reform related to the Finnish social and healthcare system and regional government. Some integral components of the reform are still under preparation and therefore it is difficult for Municipality Finance to evaluate the reform's impact on its operation. Potentially the reform might have an effect on Municipality Finance's volumes, but not in year 2017. Municipality Finance is actively following the development of the reform.

The demand for state-subsidised housing production is expected to remain stable. The reason for this is the strong pressure to increase state-subsidised housing production in Finland's urban growth areas.

In a changing operating environment, Municipality Finance will continue to invest heavily in meeting the changing needs of its customers. There will be continued focus on improving customer service, service offering and systems in order to further enhance efficiency, as well as on digitisation of services. Municipality Finance will also continue to develop the sustainability of its operations in a more systematic and long-term manner.

Municipality Finance expects its profitability to remain strong in 2017.

Proposal from the Board of Directors' Concerning Profit for the Financial Year

Municipality Finance Plc has distributable funds of EUR 61,496,269.28, of which the profit for the financial year totalled EUR 6,807,909.79. The Board proposes to the Annual General Meeting that no dividend be paid out, and that the distributable funds of EUR 61,496,269.28 be retained in equity.

The Board of Directors considers this to be a well-reasoned decision, as the company needs to continue preparing for tightening own funds requirements by increasing its Tier 1 capital through profit.

The Annual Report for 2016 can be found on the company's website (www.munifin.fi) from 2 March 2017.

Municipality Finance Plc

Further information:
Pekka Averio, President and CEO, tel. +358 500 406 856
Esa Kallio, Executive Vice President, Deputy CEO, tel. +358 50 337 7953
Marjo Tomminen, Executive Vice President, CFO, tel. +358 50 386 1764

Consolidated statement of financial position

(EUR 1,000)	31 Dec 2016	31 Dec 2015
ASSETS		
Cash and balances with central banks	988,949	1,813,813
Loans and advances to credit institutions	438,811	614,294
Loans and advances to the public and public sector entities	21,195,739	20,275,561
Debt securities	7,469,437	7,003,318
Shares and participations	9,695	9,620
Derivative contracts	3,634,302	3,925,025
Intangible assets	6,776	5,812
Tangible assets	2,462	2,298
Other assets	62,946	6,277
Accrued income and prepayments	243,068	232,792
TOTAL ASSETS	**34,052,186**	**33,888,811**
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	5,362,317	4,893,270
Liabilities to the public and public sector entities	872,919	954,026
Debt securities issued	24,584,169	24,804,490
Derivative contracts	1,676,859	1,799,692
Other liabilities	4,444	2,131
Accrued expenses and deferred income	194,860	217,768
Subordinated liabilities	-	35,542
Deferred tax liabilities	172,185	138,576
TOTAL LIABILITIES	**32,867,753**	**32,845,497**
EQUITY AND NON-CONTROLLING INTEREST		
Share capital	42,583	42,583
Reserve fund	277	277
Fair value reserve	19,519	11,354
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	734,107	601,065
Total equity attributable to parent company equity holders	**836,852**	**695,645**
Non-controlling interest	**127**	**216**
Other equity instruments issued	**347,454**	**347,454**
TOTAL EQUITY	**1,184,433**	**1,043,314**
TOTAL LIABILITIES AND EQUITY	**34,052,186**	**33,888,811**

Consolidated income statement

(EUR 1,000)	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
Interest income	180,503	195,858
Interest expense	25,625	–23,613
NET INTEREST INCOME	**206,128**	**172,245**
Commission income	2,738	5,157
Commission expense	–4,026	–3,776
Net income from securities and foreign exchange transactions	–1,759	–3,865
Net income from available-for-sale financial assets	–468	6,336
Net income from hedge accounting	2,587	583
Other operating income	139	21
Administrative expenses	–18,820	–16,653
Depreciation and impairment on tangible and intangible assets	–1,818	–1,600
Other operating expenses	–10,451	–6,646
NET OPERATING PROFIT	**174,250**	**151,801**
Income tax expense	–34,882	–30,307
PROFIT FOR THE PERIOD	**139,367**	**121,494**
Profit attributable to:		
Equity holders of the parent company	139,342	121,379
Non-controlling interest	26	115

Statement of comprehensive income

(EUR 1,000)	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
Profit for the period	139,367	121,494
Components of other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets (fair value reserve):		
Net change in fair value	10,281	–17,972
Net amount transferred to profit or loss	–98	–6,562
IAS 39 reclassification adjustment	24	84
Taxes related to components of other comprehensive income	–2,041	4,890
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**147,533**	**101,934**
Total comprehensive income attributable to:		
Equity holders of the parent company	147,507	101,820
Non-controlling interest	26	115

Capital Adequacy

Own Funds

(EUR 1,000)	Group 31 Dec 2016	Group 31 Dec 2015	Parent company 31 Dec 2016	Parent company 31 Dec 2015
Common Equity Tier 1 before adjustments	827,393	692,573	826,865	692,341
Adjustments to Common Equity Tier 1	−50,760	−6,244	−50,865	−6,397
COMMON EQUITY TIER 1 (CET1)	**776,633**	**686,329**	**776,000**	**685,945**
Additional Tier 1 capital before adjustments	347,454	347,454	347,426	346,935
Adjustments to Additional Tier 1 capital	-	-	-	-
ADDITIONAL TIER 1 CAPITAL (AT1)	**347,454**	**347,454**	**347,426**	**346,935**
TIER 1 CAPITAL (T1)	**1,124,086**	**1,033,782**	**1,123,426**	**1,032,879**
Tier 2 capital before adjustments	-	35,000	-	35,000
Adjustments to Tier 2 capital	-	-	-	-
TIER 2 CAPITAL (T2)	**-**	**35,000**	**-**	**35,000**
TOTAL OWN FUNDS	**1,124,086**	**1,068,782**	**1,123,426**	**1,067,879**

Key figures for capital adequacy

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	46.21	41.49	46.35	41.56
Ratio of Tier 1 capital (T1) to risk-weighted assets, %	66.89	62.49	67.11	62.58
Ratio of total own funds to risk-weighted assets, %	66.89	64.61	67.11	64.70

Consolidated minimum requirement for own funds

(EUR 1,000)	31 Dec 2016 Total exposure	31 Dec 2016 Risk-weighted assets	31 Dec 2015 Total exposure	31 Dec 2015 Risk-weighted assets
Credit and counterparty risk, standard method	**107,756**	**1,346,956**	**107,434**	**1,342,928**
Exposures to central governments or central banks	778	9,725	-	-
Exposures to regional governments or local authorities	379	4,735	368	4,598
Exposures to multilateral development banks	965	12,068	1,367	17,089
Exposures to institutions	79,937	999,213	69,645	870,561
Exposures to public sector entities	4,275	53,435	3,320	41,501
Exposures in the form of covered bonds	20,303	253,793	16,283	203,542
Items representing securitisation positions	423	5,284	15,743	196,792
Exposures in the form of shares in CIUs	107	1,331	108	1,354
Other items	590	7,372	599	7,490
Market risk	**794**	**9,930**	**47**	**594**
Credit valuation adjustment risk (CVA VaR), standard method	**1,304**	**16,299**	**1,009**	**12,613**
Operational risk, basic indicator approach	**24,589**	**307,364**	**23,851**	**298,143**
TOTAL	**134,444**	**1,680,550**	**132,342**	**1,654,278**

Parent company minimum requirements for own funds

(EUR 1,000)	Total exposure	31 Dec 2016 Risk-weighted assets	Total exposure	31 Dec 2015 Risk-weighted assets
Credit and counterparty risk, standard method	**107,749**	**1,346,863**	**107,416**	**1,342,696**
Exposures to central governments or central banks	778	9,725	-	-
Exposures to regional governments or local authorities	379	4,735	368	4,598
Exposures to multilateral development banks	965	12,068	1,367	17,089
Exposures to institutions	79,933	999,157	69,637	870,462
Exposures to public sector entities	4,275	53,435	3,320	41,501
Exposures in the form of covered bonds	20,303	253,793	16,283	203,542
Items representing securitisation positions	423	5,284	15,743	196,792
Exposures in the form of shares in CIUs	107	1,331	108	1,354
Other items	587	7,334	589	7,356
Market risk	**794**	**9,930**	**47**	**594**
Credit valuation adjustment risk (CVA VaR), standard method	**1,304**	**16,299**	**1,009**	**12,613**
Operational risk, basic indicator approach	**24,083**	**301,035**	**23,569**	**294,618**
TOTAL	**133,930**	**1,674,128**	**132,042**	**1,650,520**

Measured by the group's balance sheet, Municipality Finance Plc (MuniFin) is Finland's second largest credit institution. The company is owned by Finnish municipalities, the public sector pension fund Keva and the Republic of Finland. MuniFin is an integral part of the Finnish public economy.

MuniFin's balance sheet totals approximately EUR 34 billion. Funding for the company is primarily obtained through the international capital markets. MuniFin's funding is guaranteed by the Municipal Guarantee Board.

MuniFin's mission is to ensure competitive funding for local government investments and state-subsidised social housing production in all market conditions. The company's customers are Finnish municipalities, municipal federations, municipally controlled companies and non-profit housing corporations. The customers use financing solutions provided by MuniFin to finance social and non-profit targets such as day care centres, schools, housing, hospitals and other municipal investments.

The Municipality Finance Group also includes the subsidiary company, Financial Advisory Services Inspira Ltd.

Read more: www.munifin.fi

Municipality Finance Plc
Jaakonkatu 3 A, P.O. Box 744
00101 Helsinki, Finland
Tel. +358 9 6803 5666
www.munifin.fi
firstname.lastname@munifin.fi