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Municipality Finance Plc Financial Statements Bulletin

1 JANUARY–31 DECEMBER 2017



2017 in Brief

- The Group's net interest income grew by 10.9% year-on-year, totalling EUR 228.5 million (2016: EUR 206.1 million).
- The Group's net operating profit amounted to EUR 198.4 million (2016: EUR 174.2 million). Growth over the previous year was 13.9%.
- The balance sheet total was EUR 34,738 million (2016: EUR 34,052 million). Growth compared to the end of 2016 was 2.0%.
- The Group's capital adequacy continued to strengthen, with the year-end ratio of own funds to risk-weighted assets being 75.51% (2016: 66.89%) and the ratio of Common Equity Tier 1 (CET1) to risk-weighted assets 55.22% (2016: 46.21%).
- The leverage ratio at the end of 2017 was 3.84% (2016: 3.54%).
- The total of new loans withdrawn amounted to EUR 2,439 million (2016: EUR 2,924 million). The lending portfolio increased to EUR 21,219 million (2016: EUR 20,910 million). This represented a growth of 1.5% from the end of 2016.
- The leasing portfolio stood at EUR 432 million at the end of the year (2016: EUR 286 million), showing a growth of 51.0% year-on-year.
- Long-term funding in 2017 totalled EUR 9,557 million (2016: EUR 6,702 million). A total of EUR 9,989 million was issued in short-term debt instruments under the Euro Commercial Paper (ECP) programme (2016: EUR 7,045 million). The total amount of funding grew to EUR 30,153 million (2016: EUR 28,662 million). This represents a growth of 5.2% from the end of 2016.
- At the end of 2017, total liquidity was EUR 9,325 million (2016: EUR 7,505 million). Growth compared to the end of previous year was 24.2%.
- The turnover of Municipality Finance's subsidiary Inspira was EUR 2.7 million (2016: EUR 2.2 million). Inspira's net operating profit at the end of 2017 totalled EUR 0.2 million (2016: EUR 0.1 million).

KEY FIGURES	31 DEC 2017	31 DEC 2016
Net interest income (EUR million)	228.5	206.1
Net operating profit (EUR million)	198.4	174.2
New loans issued (EUR million)	2,439	2,924
New funding (EUR million)	9,557	6,702
Balance sheet total (EUR million)	34,738	34,052
Common Equity Tier 1 (CET1) (EUR million)	946	777
Tier 1 capital (EUR million)	1,293	1,124
Total own funds (EUR million)	1,293	1,124
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	55.22	46.21
Ratio of Tier 1 capital (T1) to risk-weighted assets, %	75.51	66.89
Ratio of total own funds to risk-weighted assets, %	75.51	66.89
Leverage ratio, %	3.84	3.54
Return on equity (ROE), %	12.57	12.51
Cost-to-income ratio	0.18	0.17
Personnel	134	106

Comment on the Financial Year by Interim President and CEO Esa Kallio:

In many respects, 2017 was a good year for Municipality Finance (MuniFin) and its customers. The Finnish economy was growing rapidly: local governments improved their cash position by earning more tax income than anticipated.

Within MuniFin's operations, solid local government finances resulted in moderate demand for financing, despite the rise in demand for financing for central government-subsidised housing in line with general growth in the construction industry. Competition intensified, but MuniFin is still by far the largest provider of financing for the local government sector and central government-subsidised housing production.

The green financing launched in 2016 proved very popular, and the green project portfolio exceeds one billion euros.

In 2017, the liquidity of international capital markets was high and MuniFin succeeded in its funding. To a large extent, this was due to the successful timing of benchmark bond transactions.

We recruited a record number of new employees in 2017 to meet future challenges and our customers' changing needs. The company's development functions grew in particular. These functions aim to offer new financing solutions and e-services to our customers, as well as improve our internal systems and processes. The goal is to enhance our organisation's agility in reacting to changing opportunities and challenges.

Responsibility has always been the core principle steering MuniFin's operations. With the organisation growing rapidly and many external changes taking place around us, our aim has been to ensure the sustainability of our operations. That is why we put our efforts into ensuring responsible business conduct throughout the organisation. In 2017 we defined our first-ever corporate responsibility strategy.

Operating Environment in 2017

2017 was a year of favourable trends in the Finnish and global economies. Despite the uncertainty and tension in world politics, the markets remained calm due to broad-based economic growth. Market interest rates remained at a record-low level. The extensive asset purchase programmes of the European Central Bank (ECB) strongly increased the liquidity of the markets.

In Finland, the health, social services and regional government reform, which has long been in the preparation phase and did not progress according to plan during 2017, has now been postponed by a year and is due to come into force in early 2020. Unanswered

questions regarding the implementation of the reform will have a major impact on MuniFin's customer base, which is why they may be postponing to some extent their investments in the social and healthcare service sector.

The credit ratings of Moody's and Standard & Poor's and their outlooks for MuniFin did not change in 2017. The credit rating of MuniFin is the same as Finland's credit rating: Standard & Poor's rating is AA+ and Moody's rating is Aa1. The ratings' outlooks are stable.

RATING AGENCY	LONG-TERM FUNDING	OUTLOOK	SHORT-TERM FUNDING
Moody's Investors Service	Aa1	Stable	P-1
Standard & Poor's	AA+	Stable	A-1+

Income Statement and Statement of Financial Position

MUNICIPALITY FINANCE GROUP

The Group's business operations remained strong during 2017. The Group's net operating profit for the financial year amounted to EUR 198.4 million (2016: EUR 174.2 million). The profit includes EUR 11.0 million of unrealised changes in the fair value of financial items (2016: EUR 2.7 million). Of this amount, EUR 8.3 million (2016: EUR 0.1 million) was unrealised net income from securities and foreign exchange transactions. The unrealised net income from securities and foreign exchange transactions includes EUR -0.7 million of CVA and DVA adjustments (2016: EUR -1.9 million). The net income from hedge accounting amounted to EUR 2.7 million (2016: EUR 2.6 million). These value changes are related to fluctuations in interest rates, the credit risk arising from counterparties in derivative transactions (CVA), and the fluctuations of market prices of the company's own derivative liabilities (DVA).

The Group's operating profit excluding unrealised fair value changes amounted to EUR 187.4 million (2016: EUR 171.5 million), with a year-on-year improvement of 9.3%.

Net interest income continued developing well, with a growth of 10.9%. Total net interest income at the end of the financial year was EUR 228.5 million (2016: EUR 206.1 million). The growth of net interest income was positively influenced by successful funding operations and a favourable interest rate environment for MuniFin's business operations. Net interest income includes EUR 2.4 million in commissions from the repurchase of own bonds (2016: EUR 1.2 million). In the consolidated accounts, the AT1 capital loan included in Tier 1 funds is treated as an equity instrument. The related interest expenses are not recognised through profit or loss in the consolidated accounts, but they are treated similarly to a dividend distribution, i.e. as a decrease in retained earnings under shareholders' equity upon realisation of a payment on an annual basis.

The Group's commission expenses totalled EUR 4.1 million at the end of the year (2016: EUR 4.0 million). Operating expenses increased by 24.8% to EUR 38.8 million during 2017 (2016: EUR 31.1 million). The increase was mainly due to financial supervision expenses paid to the ECB and to the Financial Supervi-

sory Authority, the contributions paid to EU-level crisis resolution funds, as well as ongoing information system projects. Administrative expenses came to EUR 22.3 million (2016: EUR 18.8 million), of which personnel expenses comprised EUR 13.6 million (2016: EUR 11.9 million). The administrative expenses increased in line with the rise in the number of staff. Depreciation of tangible and intangible assets amounted to EUR 2.0 million (2016: EUR 1.8 million). Other operating expenses were EUR 14.5 million (2016: EUR 10.5 million).

The Group's balance sheet total stood at EUR 34,738 million at the end of 2017, compared to EUR 34,052 million at the end of the previous year. During the financial year, EUR 12.6 million of interest on the AT1 equity instrument was deducted from the Group's equity, while taking account of the tax effect.

At the end of financial year 2017, MuniFin treated its subsidiary Inspira on the basis of 100% ownership of the company, as defined in the terms and conditions of the shareholder agreement. The redemption procedure for Inspira's shares owned by minority shareholders was completed in early 2018. The redemption obligation was taken into account at the time of closing the accounts, and the transaction had no fundamental effect on the financial position of MuniFin or on Inspira's business operations.

MUNICIPALITY FINANCE PLC

At the end of 2017, MuniFin's net interest income was EUR 212.3 million (2016: EUR 189.9 million), while its net operating profit amounted to EUR 181.9 million (2016: EUR 158.0 million). The interest expenses of EUR 16.2 million for 2017 on the AT1 capital loan, which forms part of the Additional Tier 1 capital in capital adequacy calculation, have been deducted in full from the Parent Company's net interest income (2016: EUR 16.3 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 MuniFin's subsidiary Inspira was EUR 2.7 million for 2017 (2016: EUR 2.2 million), while its net operating profit amounted to EUR 0.2 million (2016: EUR 0.1 million).

Business

CUSTOMER FINANCE

MuniFin is the only credit institution in Finland which specialises in the provision of financing for the local government sector and central government-subsidised housing production, and is by far the largest financier for its customer base. MuniFin's customers consist of municipalities, municipal federations and municipality-controlled entities, as well as non-profit corporations and other non-profit organisations nominated by the Housing Finance and Development Centre of Finland (ARA). The company offers its customers versatile financing services, as well as comprehensive support for investment planning and financial management. It is by far the largest single operator in its customer segment.

The financial situation of municipalities was stronger during 2017, reducing the need for loans among municipalities. However, overall demand for financing grew from the previous year, due to the strong growth of housing construction in particular. The total volume of loan quotation requests received by MuniFin increased during 2017, totalling EUR 4,451 million (2016: EUR 4,168 million). For the most part, demand increased due to the strong growth in central government-subsidised housing production.

The total of new loans withdrawn, EUR 2,439 million, was lower than the year before (2016: EUR 2,924 million). This was particularly due to the stronger financial situation of municipalities, which kept demand for financing at a moderate level. Another factor was the tighter competition among financial institutions operating in the local government sector. Demand for financing within the local government sector may also have been influenced by the uncertainty about the effects of the health, social services and regional government reform.

At the end of the year, the long-term lending portfolio stood at EUR 21,219 million (2016: EUR 20,910 million). The year-on-year change to the lending portfolio was 1.5%.

The green financing concept intended for investments earmarked for environmental projects, which was launched on the markets in 2016, is still raising a great deal of interest and, by the end of 2017, more than one billion euros worth of financing had been granted for environmental projects. As a product, MuniFin's green financing is in many ways a pioneering

concept in the Finnish financing markets. MuniFin believes that it will increase investment in environmental projects in the local government sector, improve awareness of environmental matters, and promote the achievement of Finland's climate targets. Whether or not a project fits in with the green financing framework is determined by an evaluation team comprising external experts.

MuniFin has been offering leasing financing to municipalities, municipal federations and municipally owned or controlled companies since 2010. Long-term work has been carried out to maximise clarity in the service model and its pricing. Demand for leasing solutions continued to grow in 2017. Customers are particularly interested in leasing-based solutions for real estate financing. The leasing portfolio grew by 51% during the year and stood at EUR 432 million at year-end (2016: EUR 286 million).

There was also continued demand for MuniFin's short-term financing. At the end of 2017, the total value of municipal commercial paper and municipal company commercial paper programmes concluded with MuniFin was EUR 4,582 million (2016: EUR 4,368 million). The company's year-end balance sheet included EUR 749 million in such papers issued by municipalities and municipal companies (2016: EUR 973 million).

The Apollo service developed for use by MuniFin's customers in portfolio management was expanded in 2017 to cover new activities such as the management of guarantees. Additionally, use of the service for investment management is being piloted by a group of customers. More and more customers began using the Apollo service during 2017; its customer base covers all major cities in Finland.

Demand for MuniFin's subsidiary's Inspira's services was high in 2017, and the company concluded a total of 117 commission agreements (2016: 123). Inspira's turnover in 2017 was EUR 2.7 million (2016: EUR 2.2 million). Its net operating profit for the financial year was EUR 0.2 million (2016: EUR 0.1 million). Inspira's commissions were particularly characterised by preparations for the effects of the health, social services and regional government reform and the preparation of public-private partnership (PPP) projects.

FUNDING AND LIQUIDITY MANAGEMENT

Liquidity remained high in the international capital markets during 2017, and MuniFin's funding operations were very successful. Extensive diversification

has also made funding efficient, which makes the funding terms for MuniFin's customers competitive. MuniFin's name is widely known in the international capital markets, where investors regard it as one of the most flexible, reliable and fast-reacting partners.

MuniFin's public issues in 2017 were very successful. In 2017, MuniFin issued three benchmark bonds in total: two US dollar-denominated benchmark bonds of 1 billion each, and one EUR 1 billion benchmark bond. The timing of the benchmark bonds was excellent and they were all oversubscribed. The second-ever green bond in the history of MuniFin, set at EUR 500 million and issued in September, was oversubscribed six times within an hour. It was the most sought after bond in the history of MuniFin and, from the issuer's perspective, it was priced very low. The issue enabled MuniFin to expand its investor base even further. Long-term funding in 2017 totalled EUR 9,557 million (2016: EUR 6,702 million). The company played an active role as an issuer in the money and capital markets during 2017. Stock and currency market trends increased the amount of early repayments of MuniFin's own bonds. The amount of CSA collaterals relating to derivative transactions changed considerably during 2017, which led to a greater need for funding.

A total of EUR 9,989 million was issued in short-term debt instruments under the Euro Commercial Paper (ECP) programme during the year (2016: EUR 7,045 million), and total funding under the programme amounted to EUR 3,833 million at the end of the year (2016: EUR 1,139 million).

Total funding at the end of 2017 was EUR 30,153 million (2016: EUR 28,662 million). Of this amount, 23% was denominated in euros (2016: 21%) and 77% in foreign currencies (2016: 79%). In total, the company issued bonds denominated in 14 different currencies in 2017 (2016: 13 currencies).

MuniFin currently acquires all of its funding from the international capital markets, where the Group is a well-known, valued and active operator. In total, 318 long-term funding arrangements were made in 2017 (2016: 204).

MuniFin'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. MuniFin 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 MuniFin's visibility in various markets, and investor relations are increasingly progressing towards the maintenance of key accounts.

The company's liquidity remained excellent during 2017. MuniFin'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 business continuity under 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 in short-term money market investments. These investments are not taken into account when calculating the company's liquidity adequacy.

At the end of 2017, total liquidity was EUR 9,325 million (2016: EUR 7,505 million). Investments in securities totalled EUR 5,755 million (2016: EUR 6,506 million), and their average credit rating was AA (2016: AA). The average maturity of the securities portfolio was 2.5 years (2016: 2.3 years) at the end of 2017.

In addition, the company had EUR 3,570 million in other investments (2016: EUR 999 million), of which EUR 3,554 million was in central bank deposits (2016: EUR 989 million) and EUR 16 million in money market deposits in credit institutions (2016: EUR 10 million).

As of 2015, MuniFin has also monitored the ESG performance (Environmental, Social and Governance) of its investments. At the end of 2017, MuniFin's liquidity investments had an ESG average of 49.1 on a scale of 1–100 (2016: 49.9). The benchmark index is 49.2 (2016: 51.4).

Capital Adequacy

The Group's capital adequacy has remained strong and clearly above the statutory requirements and the minimum capital adequacy requirements set by the authorities.

The Group's own funds totalled EUR 1,293 million at the end of 2017 (2016: EUR 1,124 million). Common Equity Tier 1 capital (CET1) totalled EUR 946 million (2016: EUR 777 million). Tier 1 capital amounted to EUR 1,293 million (2016: EUR 1,124 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). Common Equity Tier 1 capital includes the profit for the financial year, as the result for the financial year has been subject to a financial review by the auditors and can, therefore, be included in CET1 capital based on the permission granted by the ECB in accordance with the Capital Requirements Regulation. Adjustments due to filters applied to CET1 capital consist of MuniFin's own debt valuation adjustment (DVA) and additional value adjustments (PVA, AVA). Additionally, the planned distribution of profits has been taken into account in CET1 capital. There was no Tier 2 Capital (T2) at the end of the period under review or during the comparison year.

The Parent Company's own funds totalled EUR 1,293 million at the end of 2017 (2016: EUR 1,123 million). Common Equity Tier 1 capital (CET1) totalled EUR 945 million (2016: EUR 776 million), and Tier 1 capital (T1) amounted to EUR 1,293 million (2016: EUR 1,123 million). There was no Tier 2 Capital (T2) at the end of the period under review or during the comparison year.

The ratio of the Group's total own funds to risk-weighted assets was 75.51% (2016: 66.89%). At the end of the year, CET1 capital adequacy was 55.22% (2016: 46.21%). The Parent Company's capital adequacy was 76.22% (2016: 67.11 %) and its CET1 capital adequacy was 55.71% (2016: 46.35%).

The leverage ratio of MuniFin at the end of 2017 was 3.84% (2016: 3.54%), calculated using currently valid calculation principles. The liquidity coverage ratio (LCR) was 173% (2016: 149%). This clearly exceeds the regulatory requirement of 80% at the time of closing the accounts.

Risk Management

There were no material changes in the company's risk exposure in 2017. Risks remained within the set limits during the financial year and, according to the company's assessment, risk management met the requirements set for it.

Outlook for 2018

The positive trend in the global economy and capital markets is expected to continue and interest rates to remain low. The gradual reduction of the ECB's asset purchase programmes may begin in late 2018, but its controlled implementation is unlikely to have any major effects on the markets. The effects of Brexit have so far been minor, but it may have significant effects on Europe's economic development in 2018.

From the perspective of Finnish local government finances, the outlook for 2018 is still good. Many growth centres, in particular, have a solid financial position, and housing construction is expected to remain solid.

In a good economic situation, MuniFin's customers have varying financing needs. A good overall economic situation may keep demand for financing at a moderate level, but it may also encourage customers to make new investments.

The health, social services and regional government reform is still under preparation; evaluating its overall effects on MuniFin's customer base or the company's own operations is challenging. The Finnish Government's proposal for the health, social services and regional government reform is still pending after being returned for further preparation in 2017. The proposal is expected to be submitted to Parliament for consideration in the spring of 2018. The reform is not currently expected to have a fundamental impact on MuniFin's operating volumes in 2018. MuniFin is actively monitoring the plans for the reform.

MuniFin aims to offer its customers solutions that generate more added value, and utilise in-depth information on the customer's own situation and development trends within the sector. For this reason, in 2018, the company will put major effort into improving customer service, the service offering and systems in order to further enhance its efficiency and operations, as well as to digitalize its services. The company will also continue its long-term and systematic efforts to ensure

that all of its operations comply with the principles of corporate responsibility.

MuniFin anticipates that costs will be higher than in 2017 due to an increase in the amount of personnel, investments in information systems and increases in fees and contributions to the authorities. Considering the previously described changes in the operating environment and assuming that there will be no significant change in interest rates compared to market

expectations, the profitability of MuniFin's operations is expected to remain at a good level in 2018. The performance of the financial markets and the IFRS 9 standard introduced in the beginning of 2018 might increase PnL volatility through unrealized gains and losses of financial instruments.

The estimates presented in this financial statements bulletin are based on the current outlook of the operating environment and business.

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

Municipality Finance Plc has distributable funds of EUR 95,456,652.15, of which the profit for the financial year totalled EUR 33,960,382.87.

The Board of Directors proposes to the Annual General Meeting that

- EUR 0.16 per share be paid in dividends, totalling EUR 6,250,207.68, and that
- the distributable funds of EUR 89,206,444.47 be retained in equity.

The result for the financial year is good, and the Board of Directors considers the payment of a moderate dividend to be a well-reasoned decision. In recent years, the company has been preparing for the anticipated tightening – within banking regulations – of the minimum leverage ratios of capital requirements in particular. Own funds have been strengthened with retained earnings and the issue of an AT1 loan. At the end of 2017, the company's leverage ratio was 3.84%. The effective date for the leverage ratio requirement has not yet been finalised, but the company currently fulfils the anticipated leverage ratio requirement of 3%. The Board of Directors estimates that the moderate distribution of

dividends will not place the fulfilment of the capital requirements or the company's liquidity in jeopardy. MuniFin clearly fulfils all the prudential requirements set for it.

Dividends will be paid to shareholders who are recorded in the company's list of shareholders on 4 April 2018. The Board of Directors proposes that the dividends be paid on 9 April 2018.

No events have taken place since the end of the financial year that would have a material effect on the company's financial position. The company's liquidity is solid and, in the Board's opinion, the proposed distribution of profits does not put the company's liquidity in jeopardy.

The financial statements for 2017 will be available on the company's website (www.munifin.fi) on 7 March 2018.

MUNICIPALITY FINANCE PLC

Further information:

Esa Kallio, Interim President and 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 2017	31 DEC 2016
ASSETS		
Cash and cash equivalents	3,554,182	988,949
Loans and advances to credit institutions	1,251,391	438,811
Loans and advances to the public and public sector entities	21,650,847	21,195,739
Debt securities	6,494,234	7,469,437
Shares and participations	9,662	9,695
Derivative contracts	1,433,318	3,634,302
Intangible assets	10,196	6,776
Tangible assets	2,594	2,462
Other assets	157,862	62,946
Accrued income and prepayments	173,853	243,068
TOTAL ASSETS	34,738,139	34,052,186
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	3,902,480	5,362,317
Liabilities to the public and public sector entities	646,558	872,919
Debt securities issued	26,303,961	24,584,169
Derivative contracts	2,216,034	1,676,859
Other liabilities	2,587	4,444
Accrued expenses and deferred income	124,574	194,860
Deferred tax liabilities	202,522	172,185
TOTAL LIABILITIES	33,398,716	32,867,753
EQUITY AND NON-CONTROLLING INTEREST		
Share capital	42,583	42,583
Reserve fund	277	277
Fair value reserve	28,944	19,519
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	879,799	734,107
Total equity attributable to parent company equity holders	991,969	836,852
Non-controlling interest	-	127
Equity instruments issued	347,454	347,454
TOTAL EQUITY	1,339,422	1,184,433
TOTAL LIABILITIES AND EQUITY	34,738,139	34,052,186

Consolidated income statement

(EUR 1,000)	1 JAN – 31 DEC 2017	1 JAN – 31 DEC 2016
Interest income	191,360	180,503
Interest expense	37,186	25,625
NET INTEREST INCOME	228,546	206,128
Commission income	3,245	2,738
Commission expense	-4,071	-4,026
Net income from securities and foreign exchange transactions	6,196	-1,759
Net income from available-for-sale financial assets	494	-468
Net income from hedge accounting	2,655	2,587
Other operating income	134	139
Administrative expenses	-22,343	-18,820
Depreciation and impairment on tangible and intangible assets	-1,974	-1,818
Other operating expenses	-14,495	-10,451
Impairments on loans and other receivables	0	-
NET OPERATING PROFIT	198,386	174,250
Income tax expense	-39,721	-34,882
PROFIT FOR THE PERIOD	158,665	139,367
Profit attributable to:		
Equity holders of the parent company	158,665	139,342
Non-controlling interest	-	26

Statement of comprehensive income

(EUR 1,000)	1 JAN – 31 DEC 2017	1 JAN – 31 DEC 2016
Profit for the period	158,665	139,367
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	11,644	10,281
Net amount transferred to profit or loss	137	-98
IAS 39 reclassification adjustment	-	24
Taxes related to components of other comprehensive income	-2,356	-2,041
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	168,090	147,533
Total comprehensive income attributable to:		
Equity holders of the parent company	168,090	147,507
Non-controlling interest	-	26

Capital Adequacy

OWN FUNDS, GROUP AND PARENT COMPANY

(EUR 1,000)	GROUP		PARENT COMPANY	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Common Equity Tier 1 before adjustments	976,260	827,393	975,532	826,865
Adjustments to Common Equity Tier 1	-30,741	-50,760	-30,875	-50,865
COMMON EQUITY TIER 1 (CET1)	945,519	776,633	944,658	776,000
Additional Tier 1 capital before adjustments	347,454	347,454	347,916	347,426
Adjustments to Additional Tier 1 capital	-	-	-	-
ADDITIONAL TIER 1 CAPITAL (AT1)	347,454	347,454	347,916	347,426
TIER 1 CAPITAL (T1)	1,292,973	1,124,086	1,292,574	1,123,426
Tier 2 capital before adjustments	-	-	-	-
Adjustments to Tier 2 capital	-	-	-	-
TIER 2 CAPITAL (T2)	-	-	-	-
TOTAL OWN FUNDS	1,292,973	1,124,086	1,292,574	1,123,426

KEY FIGURES FOR CAPITAL ADEQUACY, GROUP AND PARENT COMPANY

	GROUP		PARENT COMPANY	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, %	55.22	46.21	55.71	46.35
Ratio of Tier 1 capital (T1) to risk-weighted assets, %	75.51	66.89	76.22	67.11
Ratio of total own funds to risk-weighted assets, %	75.51	66.89	76.22	67.11

MINIMUM REQUIREMENT FOR OWN FUNDS, GROUP

(EUR 1,000)	31 DEC 2017		31 DEC 2016	
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets
Credit and counterparty risk, standard method	108,144	1,351,799	107,756	1,346,956
Exposures to central governments or central banks	302	3,780	778	9,725
Exposures to regional governments or local authorities	332	4,153	379	4,735
Exposures to public sector entities and institutions governed by public law	4,742	59,271	4,275	53,435
Exposures to international development banks	953	11,914	965	12,068
Exposures to institutions	81,835	1,022,934	79,937	999,213
Exposures in the form of covered bonds	19,063	238,284	20,303	253,793
Items representing securitisation positions	104	1,296	423	5,284
Exposures in the form of shares in CIUs	103	1,286	107	1,331
Other items	710	8,881	590	7,372
Market risk	1,075	13,436	794	9,930
CVA VaR, standard method	979	12,233	1,304	16,299
Operational risk, basic indicator approach	26,783	334,786	24,589	307,364
TOTAL	136,980	1,712,254	134,444	1,680,550

MINIMUM REQUIREMENT FOR OWN FUNDS, PARENT COMPANY

(EUR 1,000)	31 DEC 2017		31 DEC 2016	
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets
Credit and counterparty risk, standard method	108,170	1,352,121	107,749	1,346,863
Exposures to central governments or central banks	302	3,780	778	9,725
Exposures to regional governments or local authorities	332	4,153	379	4,735
Exposures to public sector entities and institutions governed by public law	4,742	59,271	4,275	53,435
Exposures to international development banks	953	11,914	965	12,068
Exposures to institutions	81,824	1,022,805	79,933	999,157
Exposures in the form of covered bonds	19,063	238,284	20,303	253,793
Items representing securitisation positions	104	1,296	423	5,284
Exposures in the form of shares in CIUs	103	1,286	107	1,331
Other items	747	9,333	587	7,334
Market risk	1,075	13,436	794	9,930
CVA VaR, standard method	979	12,233	1,304	16,299
Operational risk, basic indicator approach	25,441	318,019	24,083	301,035
TOTAL	135,665	1,695,809	133,930	1,674,128

Measured by the balance sheet, **MuniFin** (Municipality Finance Plc) is Finland's second largest credit institution: the company's balance sheet totals nearly EUR 35 billion. The company is owned by Finnish municipalities, the public sector pension fund Keva and the Republic of Finland.

MuniFin's mission is to build a better future in line with the principles of responsibility and in cooperation with its customers. MuniFin's customers are Finnish municipalities, municipal federations, municipally controlled companies and non-profit housing corporations. Lending is used for environmentally and socially responsible investment targets such as public transportation, sustainable buildings, hospitals and healthcare centers, schools and day care centers, and homes for people with special needs.

MuniFin's customers are domestic but the company operates in a completely global business environment. It is the most active Finnish bond issuer in international capital markets. The funding is exclusively guaranteed by the Municipal Guarantee Board.

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