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MuniFin Group's Half Year Report

1 January–30 June 2024

MuniFin

Municipality Finance Plc • Half Year Report 1 January–30 June 2024

In brief: MuniFin Group in the first half of 2024

- The Group's net operating profit excluding unrealised fair value changes* increased by 9.6% (9.3%) in January–June and amounted to EUR 89 million (EUR 81 million). Net interest income* grew by 3.4% (2.2%) propelled mostly by rising short-term market rates and totalled EUR 129 million (EUR 124 million). Net operating profit excluding unrealised fair value changes was also boosted by lower expenses than in comparison period.

- Net operating profit* amounted to EUR 105 million (EUR 77 million). Unrealised fair value changes* amounted to EUR 16 million (EUR -5 million) in the reporting period. Unrealised fair value changes were influenced in particular by changes in interest rate expectations and credit risk spreads in the Group's main funding markets.

- Costs* in the reporting period amounted to EUR 41 million (EUR 43 million). The decrease in costs was driven by the fact that there is no contribution fee to the Single Resolution Fund in 2024.

- The Group's leverage ratio remained at strong level, standing at 12.0% (12.0%) at the end of June.

- At the end of June, the Group's CET1 capital ratio was very strong at 102.4% (103.4%). CET1 capital ratio was well over the total requirement of 15.0%, with capital buffers accounted for. Because MuniFin Group only has CET1 capital, the Group's Tier 1 and total capital ratios are the same as the CET1 capital ratio.

- Long-term customer financing (long-term loans and leased assets) excluding unrealised fair value changes* totalled EUR 34,276 million (EUR 32,948 million) at the end of June and saw an increase of 4.0% (2.8%) in the reporting period. New long-term customer financing* increased in January–June and amounted to EUR 2,416 million (EUR 1,909 million). Short-term customer financing* totalled EUR 1,292 million (EUR 1,575 million).

- Of all long-term customer financing, the amount of green finance* aimed at environmentally sustainable investments totalled EUR 5,688 million (EUR 4,795 million) and the amount of social finance* aimed at investments promoting equality and communality totalled EUR 2,443 million (EUR 2,234 million) at the end of June. The total amount of this financing increased by 15.7% (14.1%) during the reporting period. The ratio of green and social finance to long-term customer financing excluding unrealised fair value changes* grew by 2.4 percentage points to 23.7%.

- In January–June, new long-term funding* reached EUR 4,942 million (EUR 7,118 million). At the end of June, the total funding* was EUR 44,478 million (EUR 43,320 million), of which long-term funding* made up EUR 41,353 million (EUR 39,332 million).
- The Group's total liquidity* is very strong, standing at EUR 11,931 million (EUR 11,633 million) at the end of June. The liquidity coverage ratio *(LCR)* stood at 423% (409%) and the net stable funding ratio *(NSFR)* at 126% (124%) at the end of June.
- In early 2024, MuniFin reviewed the future and development potential of the consulting services offered by its subsidiary company Financial Advisory Services Inspira Plc (Inspira) and decided to discontinue Inspira's consulting services during the review period.
- Revised outlook for the second half of 2024: The Group expects its net operating profit excluding unrealised fair value changes to be at the same level in 2024 (Financial Statements Bulletin 2023: at the same level or higher) than in 2023. The Group expects its capital adequacy ratio and leverage ratio to remain strong. The valuation principles set in the IFRS framework 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. A more detailed outlook is presented in the section *Outlook for the second half of 2024*.

Comparison figures deriving from the income statement and figures describing the change during the reporting period are based on figures reported for the corresponding period in 2023. Comparison figures deriving from the balance sheet and other cross-sectional items are based on the figures of 31 December 2023 unless otherwise stated.

** Alternative performance measure.*

The calculation formulas for all key figures can be found on pages 39–47. All figures presented in this Half Year Report are those of MuniFin Group, unless otherwise stated.

Key figures (Group)

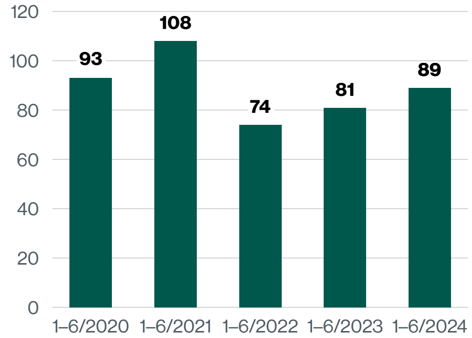
	Jan–Jun 2024	Jan–Jun 2023	Change, %	Jan–Dec 2023
Net operating profit excluding unrealised fair value changes (EUR million)*	89	81	9.6	176
Net operating profit (EUR million)*	105	77	37.2	139
Net interest income (EUR million)*	129	124	3.4	259
New long-term customer financing (EUR million)*	2,416	1,909	26.6	4,319
New long-term funding (EUR million)*	4,942	7,118	-30.6	10,087
Cost-to-income ratio, %*	23.7	31.8	-25.2**	32.2
Return on equity (*ROE*), %*	9.5	7.5	26.1**	6.6

	30 Jun 2024	30 Jun 2023	Change, %	31 Dec 2023	Change, %
Long-term customer financing (EUR million)*	33,300	30,129	10.5	32,022	4.0
Green and social finance (EUR million)*	8,130	5,689	42.9	7,029	15.7
Balance sheet total (EUR million)	50,954	48,377	5.3	49,736	2.4
CET1 capital (EUR million)	1,586	1,500	5.7	1,550	2.3
Tier 1 capital (EUR million)	1,586	1,500	5.7	1,550	2.3
Total own funds (EUR million)	1,586	1,500	5.7	1,550	2.3
CET1 capital ratio, %	102.4	101.3	1.0**	103.4	-1.0**
Tier 1 capital ratio, %	102.4	101.3	1.0**	103.4	-1.0**
Total capital ratio, %	102.4	101.3	1.0**	103.4	-1.0**
Leverage ratio, %	12.0	11.9	1.3**	12.0	-0.2**
Personnel	196	186	5.4	185	5.9

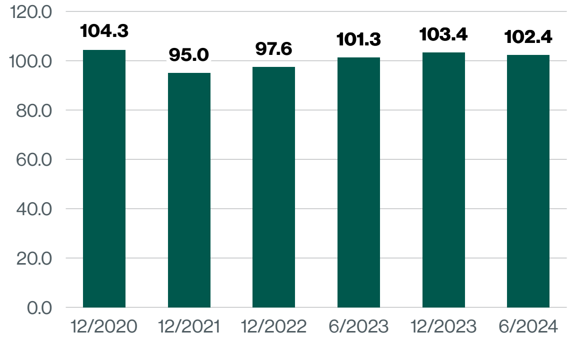
** Alternative performance measure.*
*** Change in ratio.*

The calculation formulas for all key figures can be found on pages 39–47. All figures presented in this Half Year Report are those of MuniFin Group, unless otherwise stated.

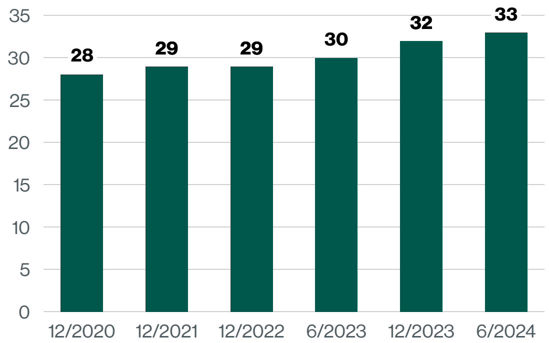
Net operating profit excluding unrealised fair value changes, EUR million*



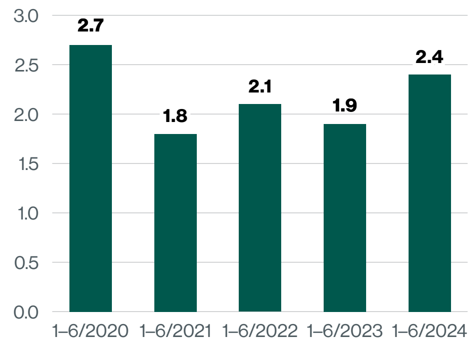
CET1 capital ratio, %



Long-term customer financing, EUR billion*



New long-term customer financing, EUR billion*



** Alternative performance measure.*

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CEO's review

The first half of 2024 was marked by continued economic uncertainty and inflation concerns. The challenges in the operating environment did not affect MuniFin's performance, and we were able to successfully carry out our core mandate of ensuring the availability of affordable financing for our customers.

Municipal finances are expected to deteriorate in 2024 as temporary non-recurring benefits that strengthened the municipal finances fade out. With tax income growing more slowly than expected and operating margins decreasing markedly, municipalities are not short of financial challenges. In the largest growth centres, municipal investment levels have remained high, which has helped soften the blow from the sharp fall in private investments. In the first half of the year, the demand for financing in municipalities was slightly lower than expected.

> In the affordable social housing sector, financing needs were high. Projects started in the first half of the year helped breathe some new life into the struggling construction sector.

We finance wellbeing services counties within the yearly EUR 400 million limit set for us by the Municipal Guarantee Board. In a survey conducted by us, wellbeing services counties' CFOs expressed their concern over the limit's negative effects on the price and availability of financing. After the first 18 months of operations, the wellbeing services counties are in a difficult financial position.

In the affordable social housing sector, financing needs were high. Projects started in the first half of the year helped breathe some new life into the struggling construction sector. The past few years' rise in construction costs and interest expenses has caused problems with some housing organisations, especially small organisations operating in areas with declining population. The demand for financing in the affordable housing sector was boosted by construction costs levelling out, the Housing Finance and Development Centre of Finland (*Ara*) being able to grant more government subsidies and speed up application processing, and the Finnish Government deciding to remove subsidies given to new right-of-occupancy homes by the end of 2025.

In the capital markets, the situation remained stable in the first half of the year despite the prevailing geopolitical tensions. Predicted interest rate cuts boosted investor demand. Our new funding amounted to about EUR 5 billion, which constitutes more than half of our target amount for 2024.

As the main financing partner to municipalities, affordable social housing organisations and wellbeing services counties, our role is to safeguard the development of Finnish society. It is a pleasure to see more and more construction developers take sustainability factors into account when planning their investments – and to see our customers tap into sustainable finance to make them reality. The demand for sustainable finance remained strong in the first half of the year and developed in the desired direction overall. In construction, the emphasis should be placed increasingly on the lifecycle costs of projects: even if sustainable solutions cost more at the construction stage, they will pay themselves back through lower operating costs. Finland's regulation on state-subsidised housing production and the affordable social housing production system currently do not adequately account for this.

One of our strategic development areas is skills development: we want to ensure that our employees have good opportunities for development, which will benefit the entire Company and enable us to serve our customers' needs long into the future. In the first half of the year, we have identified our key areas of expertise and organised training on topics such as leadership, project management and artificial intelligence. Our employees have embraced our flexible hybrid work model and new working practices.

In line with our revised strategy from 2023, we continue to focus even more decidedly on our core mandate: ensuring the availability of affordable financing. In 2024, we have adjusted our pricing to reflect this. And yet again, even in these uncertain times, we have been able to ensure that our customers have access to affordable financing despite the changing market conditions. I wish to thank our customers and partners for their confidence and collaboration and all our employees for their commitment to our shared work in enabling sustainable welfare in society.

Esa Kallio
President and CEO
Municipality Finance Plc

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Macroeconomic operating environment in the first half of 2024

In the first half of the year, the global economy experienced stronger growth than predicted. The euro area also seemed to have weathered the worst of the downturn. In Finland, the GDP unexpectedly stopped contracting in the first quarter although broad-based political strikes closed ports and factories, causing lost production and weighing down especially the export of goods. With domestic demand reviving more than expected, the GDP nevertheless turned to a slight rise. The primary economic concern continues to be the construction sector's recession, which only deepened over the winter.

Inflation cooled further in the first half of the year, both in Finland and in the rest of the euro area. But with consumer prices nevertheless increasing faster than the European Central Bank's (*ECB*) target of 2% and wages growing steeply, concerns were raised of inflationary pressures remaining elevated also in the future. Despite the inflation risks, the ECB decided to lower its three key interest rates by 25 basis points in June. At the end of June, the ECB's deposit facility rate stood at 3.75%.

The surprisingly rapid improvement of the euro area outlook levelled out market expectations of the pace of monetary policy easing. At the end of the first half of the year, money markets priced the ECB's upcoming interest rate cuts much more modestly than at the beginning of the year. The 12month Euribor rate rose slightly from the 3.51% at the end of 2023 to 3.58%, but the 3month Euribor fell from 3.91% to 3.71% after the ECB's rate cut in June. Propelled by positive growth forecasts, long-term interest rates rose markedly in the first half of the year. Finland's 10-year bond yield stood at 3.06% at the end of June, up from 2.57% at the end of 2023.

After the European elections, French President Emmanuel Macron decided to dissolve the French parliament and called a snap election to be held at the turn of June and July. Due to the uncertainties associated with France's EU relations, monetary policy direction and debt sustainability, the risk premiums of euro area sovereigns widened at the end of the first half of the year.

Information on the Group results

Consolidated income statement (EUR million)	Jan–Jun 2024	Jan–Jun 2023	Change, %	Jan–Dec 2023
Net interest income	129	124	3.4	259
Other income	1	1	56.3	0
Income excluding unrealised fair value changes	**130**	**125**	**3.7**	**259**
Commission expenses	-8	-8	5.1	-16
HR expenses	-11	-10	8.2	-20
Other items in administrative expenses	-11	-10	12.8	-20
Depreciation and impairment on tangible and intangible assets	-3	-3	-0.8	-7
Other operating expenses	-7	-13	-41.1	-19
Costs	**-41**	**-43**	**-6.2**	**-82**
Credit loss and impairments on financial assets	0	0	>100	-1
Net operating profit excluding unrealised fair value changes	**89**	**81**	**9.6**	**176**
Unrealised fair value changes	16	-5	>100	-37
Net operating profit	**105**	**77**	**37.2**	**139**
Income tax expense	-21	-16	32.8	-28
Profit for the period	**84**	**61**	**38.4**	**111**

The sum of individual results may differ from the displayed total due to rounding.
Changes of more than 100% are shown as >100.

The Group's net operating profit excluding unrealised fair value changes

MuniFin Group's core business operations remained strong in the first half of 2024. The Group's net operating profit excluding unrealised fair value changes increased by 9.6% (9.3%) and amounted to EUR 89 million (EUR 81 million). The growth was influenced both by a decrease in costs and an increase in net interest income.

The Group's income excluding unrealised fair value changes was EUR 130 million (EUR 125 million) and grew by 3.7% (1.7%). Net interest income grew by 3.4% (2.2%) to EUR 129 million (EUR 124 million). Net interest income was positively affected by growing business volumes and the positive effect that higher market interest rates compared to the comparison period have had on interest income through equity.

Other income totalled EUR 1 million (EUR 1 million). It consisted mainly of invoicing for MuniFin's digital services and turnover of the subsidiary company, Inspira. At 0.9% (0.6%), other income relative to income excluding unrealised fair value changes forms only a minor part of the Group's income.

The Group's costs were EUR 41 million (EUR 43 million), down by 6.2% from the comparison period (-9.1%). The reduction in expenses was due to the fact that no contribution fee is collected for the Single Resolution Fund this year.

Commission expenses totalled EUR 8 million (EUR 8 million), of which EUR 7 million (EUR 7 million) was for guarantee commission of MuniFin's funding paid to the Municipal Guarantee Board.

HR and administrative expenses grew by 10.4% (7.8%) and reached EUR 22 million (EUR 20 million). HR expenses comprised EUR 11 million (EUR 10 million) and other administrative expenses EUR 11 million (EUR 10 million). The average number of employees in the Group was 190 (180) in the reporting period. Other items in administrative expenses grew by 12.8% (3.8%), mainly due to the increased costs of maintaining and developing information systems.

During the reporting period, depreciation and impairment of tangible and intangible assets totalled EUR 3 million (EUR 3 million).

Other operating expenses were EUR 7 million (EUR 13 million). The main reason for this decrease is that there will be no contribution fee to the Single Resolution Fund in 2024. Other operating expenses excluding fees collected by authorities grew by 50.0% to EUR 6 million (EUR 4 million).

Credit loss and impairments on financial assets were EUR 0.3 million positive (EUR 0.2 million) in PnL. The item consists of expected credit losses *(ECL)*. The Group updated the probability of defaults in accordance with the update cycle during the first half of 2024 and made other smaller model changes. In addition, macro scenarios were updated at the end of the reporting period, but the effect of these updates is minor. The Group has assessed the impact of the rapidly increasing interest rate environment on its receivables from customer financing and on its credit risk. Based on the Group's assessment, some customers may face cash flow challenges during the second half of 2024. At the end of 2023, the Group's additional discretionary provision was EUR 0.6 million, based on a group-specific assessment. At the end of June, the Group considered it justified to reduce the additional discretionary provision by EUR 0.4 million, bringing it to EUR 0.3 million.

The Group's overall credit risk position has remained low. The amount of forborne loans was EUR 508 million (EUR 491 million), while non-performing exposures amounted to EUR 144 million (EUR 140 million) at the end of June. These non-performing exposures represented 0.4% (0.4%) of total customer exposures. At the end of June 2024, MuniFin Group had EUR 13 million in receivables due to the insolvency of customers, for which the collateral realisation process is ongoing or where the credit receivable is due for payment by the guarantor (at the end of 2023 there were no such receivables). All the Group's customer financing receivables are from Finnish municipalities, joint municipal authorities, wellbeing services counties or joint county authorities, or accompanied by a securing municipal, joint municipal authority, wellbeing services county or joint county authority guarantee or a state deficiency guarantee supplementing real estate collateral, and therefore no final credit losses will arise. According to the management's assessment, all receivables from customers will be fully recovered. During the Group's history of 35 years, it has never recognised any final credit losses in its customer financing.

The credit risk of the Group's liquidity portfolio has likewise remained at a low level, and the average credit rating of debt securities in the portfolio is AA+ (AA+). More information on the credit risks of financial assets and other commitments is available in Note *11* to this Half Year Report.

The Group's profit and unrealised fair value changes

The Group's net operating profit for the first half of 2024 was EUR 105 million (EUR 77 million). Unrealised fair value changes increased the Group's net operating profit by EUR 16 million (in the comparison period: decreased by EUR 5 million). In January–June 2024, unrealised fair value changes in hedge accounting amounted to EUR 6 million (EUR -5 million) and unrealised net result from financial assets and liabilities through profit or loss to EUR 10 million (EUR 0.6 million).

Taxes in the consolidated income statement amounted to EUR 21 million (EUR 16 million). After taxes, the Group's profit for January–June was EUR 84 million (EUR 61 million).

The Group's return on equity (*ROE*) in the reporting period was 9.5% (7.5%). Excluding unrealised fair value changes, the ROE was 8.1% (8.0%).

The Group's other comprehensive income includes unrealised fair value changes of EUR 56 million (EUR 20 million). During the reporting period, the most significant item affecting the other comprehensive income was net change in fair value due to changes in own credit risk of financial liabilities designated at fair value through profit or loss totalling EUR 61 million (EUR 31 million). The cost-of-hedging amounted to EUR -1 million (EUR -10 million). Net change in fair value of financial assets at fair value through other comprehensive income was EUR -3 million (EUR -1 million).

On the whole, unrealised fair value changes net of deferred tax affected the Group's equity by EUR 58 million (EUR 13 million) and CET1 capital net of deferred tax in capital adequacy by EUR 10 million (EUR -11 million). The cumulative effect of unrealised fair value changes on the Group's own funds in capital adequacy calculations was EUR 54 million (at the end of 2023: EUR 45 million).

Unrealised fair value changes reflect the temporary impact of market conditions on the valuation levels of financial instruments at the time of reporting. The value changes may vary significantly from one reporting period to another, causing volatility in profit, equity and own funds in capital adequacy calculations. The effect on individual contracts will be removed by the end of the contract period. In the reporting period, unrealised fair value changes were influenced in particular by changes in interest rate expectations and credit risk spreads in the Group's main funding markets.

In accordance with its risk management principles, the Group uses derivatives to hedge against interest rate, exchange rate and other market and price risks. Cash flows under agreements are hedged, but due to the generally used valuation methods, changes in fair value differ between the financial instrument and the respective hedging derivative. Changes in the shape of the interest rate curve and credit risk spreads in different currencies affect the valuations, which cause the fair values of hedged assets and liabilities and hedging instruments to behave in different ways.

In practice, the changes in valuations are not realised on a cash basis because the Group holds financial instruments and their hedging derivatives almost always until the maturity date. The counterparty credit risk related to derivatives is comprehensively covered by collateral management. Changes in credit risk spreads are not expected to be materialised as credit losses for the Group, because the Group's liquidity reserve has been invested in instruments with low credit risk.

The Parent Company and Subsidiary Company Inspira's results

In January–June, MuniFin's net interest income amounted to EUR 129 million (EUR 124 million) and net operating profit to EUR 106 million (EUR 77 million).

The turnover of MuniFin's subsidiary company, Financial Advisory Services Inspira Ltd, was EUR 0.4 million (EUR 1 million) in January–June, and its net operating result amounted to EUR -0.5 million (EUR 0.0 million).

Information on the consolidated statement of financial position

Consolidated statement of financial position (EUR million)	30 Jun 2024	31 Dec 2023	Change, %
Cash and balances with central banks	0	0	-3.1
Loans and advances to credit institutions	9,157	9,187	-0.3
Loans and advances to the public and public sector entities	33,300	32,022	4.0
Debt securities	4,984	5,145	-3.1
Derivative contracts	1,863	1,857	0.3
Other items included in the assets	1,649	1,526	8.1
Total assets	**50,954**	**49,736**	**2.4**
Liabilities to credit institutions	326	214	52.4
Liabilities to the public and public sector entities	2,453	2,588	-5.2
Debt securities issued	41,883	40,602	3.2
Derivative contracts	3,173	3,373	-5.9
Other items included in the liabilities	1,312	1,216	7.8
Total equity	1,807	1,744	3.6
Total liabilities and equity	**50,954**	**49,736**	**2.4**

The sum of individual results may differ from the displayed total due to rounding.

The Group's consolidated statement of financial position exceeded EUR 50 billion in the reporting period and totalled EUR 50,954 million (EUR 49,736 million) at the end of June 2024. MuniFin Group's consolidated statement of financial position saw 2.4% (4.2%) of growth in the first half of 2024. The growth in assets was mainly due to the increase in the long-term loan portfolio in loans and advances to the public and public sector entities. In liabilities, the largest change was in new issuances in debt securities issued.

At the end of the reporting period, the Group's equity stood at EUR 1,807 million (EUR 1,744 million). The Group's equity was increased by the reporting period's profit of EUR 84 million (EUR 111 million) and the changes in own credit revaluation reserve, fair value reserve of investments and cost-of-hedging reserve totalling EUR 45 million (EUR 87 million). In the consolidated accounts, dividends of EUR 66 million (EUR 68 million) for the financial year 2023, paid to MuniFin's shareholders in May 2024, were deducted from the equity.

The Parent Company's balance sheet at the end of the reporting period was EUR 50,954 million (EUR 49,735 million).

Financing and other services for customers

MuniFin Group's customers include municipalities, joint municipal authorities, wellbeing services counties, corporate entities under their control, and non-profit organisations and projects nominated by the Housing Finance and Development Centre of Finland (*Ara*). The Group is by far the largest single provider of financing for these customer segments. MuniFin offers to its customers loan and financial leasing products for long-term financing needs as well as short-term financing. In the recent years, significant amount of new long-term customer financing has been carried out through green and social financing products when financing is targeted to projects that are particularly sustainable in terms of the climate, the environment or society. All customer financing granted by MuniFin have the risk level associated with Finnish public sector entities and a risk weight of 0% in capital adequacy calculations.

The Group maintained steady operations in the first half of 2024. Most customer groups experienced cost pressures due to the prevailing economic cycle and interest rate levels. The Group responded to its customers' declining financial situation in accordance with its core mandate to take care that pricing of financing remained at a competitive level.

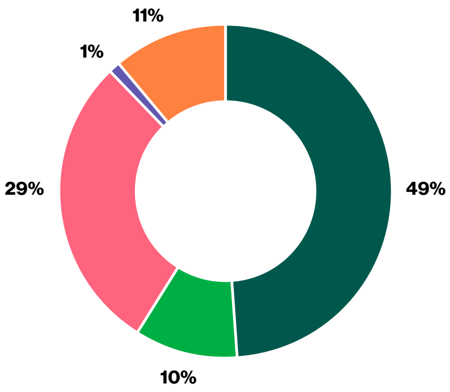
The affordable social housing sector continued to have high demand for financing in the first half of the year, driven especially by increased interest subsidy loan authorisations and accelerating construction of right-of-occupancy homes, the subsidies for which will be discontinued by the end of 2025. Persistently high interest rates continued to create cost pressures for many housing sector customers, especially those outside growth centres. The housing sector's strong demand for financing has put a spotlight on the sustainability impact of state-subsidised housing production, because its timing has helped level out the social and economic impact of the construction sector's general downturn. Many housing projects financed by MuniFin have received green finance, which promotes sustainable construction.

In the reporting period, financial challenges returned to municipal finances. Investment programmes sustained a high level of municipal borrowing and the temporary boosts of COVID support and tax benefits stemming from the health and social services reform were no longer present. While municipalities continued to show a strong interest in sustainable finance in the first half of 2024, the actual demand for it fell short of the comparison period's relatively high levels. The demand for lease financing increased from the comparison period.

Finland's wellbeing services counties began their second year of operation facing economic challenges and the need for cost reductions. Wellbeing services counties have substantial investment needs, which means they also have substantial financing needs. Because their demand for financing was modest in the first half of the year, it seems likely that demand will pick up in the second half. MuniFin is bound by an annual upper limit on new long-term financing granted to the wellbeing services counties for investment purposes. The limit is set annually by the Municipal Guarantee Board and is EUR 400 million in 2024. However, MuniFin estimates the actual funding need for the wellbeing services counties to be significantly higher, approximately EUR 1–1.2 billion for the year 2024.

In the first half of 2024, MuniFin Group developed its business steadily and the Group's market position remained strong among its customer groups. New long-term customer financing increased by 26.6% (-10.1%) compared to the previous period. In January–June, new long-term customer financing totalled EUR 2,416 million (EUR 1,909 million), of which EUR 2,308 million (EUR 1,818 million) consisted of loans and EUR 108 million (EUR 91 million) of leased assets.

Loan portfolio by customer type, 30 June 2024



In total, long-term customer financing amounted to EUR 33,300 million (EUR 32,022 million) at the end of June, of which loans totalled EUR 31,797 million (EUR 30,580 million) and leased assets EUR 1,503 million (EUR 1,442 million). Of the long-term loan portfolio, 49% (48%) is held by housing corporations, 41% (42%) by municipalities, joint municipal authorities and corporate entities under their control, and 10% (10%) by wellbeing services counties. Long-term customer financing (loans and leased assets) excluding unrealised fair value changes amounted to EUR 34,276 million (EUR 32,948 million) at the end of June, growing by 4.0% (2.8%).

Short-term customer financing in commercial papers totalled EUR 1,292 million (EUR 1,575 million) at the end of June.

MuniFin Group's sustainable finance products – especially green finance – enjoyed strong demand in the first half of 2024. Green and social finance are instruments through which the Group encourages its customers to make sustainable investments. At the end of June, the Group was financing 475 (411) green projects with a total of EUR 5,688 million (EUR 4,795 million), and 138 (123) social projects with a total of EUR 2,443 million (EUR 2,234 million). As a public sector lender, MuniFin aims to promote environmentally sustainable goals in its customer finance. This work is guided by MuniFin's sustainability agenda, published in October 2023. It includes a goal for green finance to account for at least 25% and social finance for at least 8% of the Group's long-term customer financing by 2030. At the end of June 2024, green finance accounted for 16.6% (14.6%) and social finance for 7.1% (6.8%) of long-term customer financing excluding unrealised fair value changes.

During the reporting period, MuniFin decided to divest the business operations of its subsidiary company, Financial Advisory Services Inspira Ltd. When a negotiated asset deal fell through in the spring, MuniFin decided to discontinue the provision of Inspira's advisory services.

In 2023, the Group introduced an option to apply for long-term finance through its online service. Significant portion of all applications were submitted through the digital channel already in the first half of 2024. MuniFin's loan portfolio application also witnessed high demand, particularly for the purposes of calculating, understanding and analysing financing costs.

Funding and liquidity management

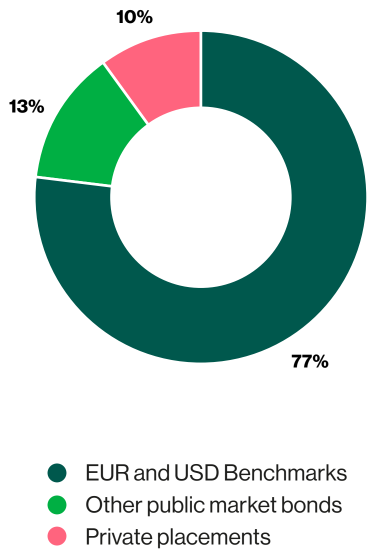
MuniFin Group acquires its funding from the international capital markets as standardised issuances under debt programmes. The funding strategy relies on wide diversification into multiple currencies, maturities, geographical areas and investor groups to secure access to funding under all market conditions. In the first half of 2024, the Group retained a strong position and excellent access to funding in the capital markets.

The capital markets remained stable in the first half of 2024, but higher than expected credit risk premiums increased funding costs. Especially early in the year, the supply in the market was abundant. However, aggressive interest rate cut expectations spurred strong investor demand, particularly in the EUR and USD markets.

MuniFin Group also capitalised on the favourable market conditions at the beginning of the year, conducting funding operations particularly actively in January and February. In January, the Group issued a ten-year benchmark bond of EUR 1 billion and a five-year benchmark bond of USD 1.5 billion, the latter of which attracted record-breaking subscriptions of USD 4.4 billion. A three-year benchmark bond of USD 1 billion issued in April was also well received. In February, the Group issued its inaugural NOK social bond of NOK 2 billion.

MuniFin Group plans to acquire EUR 9–10 billion in funding in 2024. In the first half of the year, the Group's new long-term funding totalled EUR 4,942 million (EUR 7,118 million). In total, the Group made 34 (54) long-term funding arrangements in 7 (10) different currencies. The Group uses derivatives to hedge against market risks in its funding.

New long-term funding Jan–Jun 2024 by funding class



At the end of June, MuniFin Group's total funding amounted to EUR 44,478 million (EUR 43,320 million), of which the Euro Commercial Papers *(ECP)* totalled EUR 3,125 million (EUR 3,987 million). Of total funding, 53.2% (54.0%) was denominated in euros and 46.8% (46.0%) in foreign currencies.

Debt programmes used by MuniFin

Medium Term Note (*MTN)* programme	EUR 50,000 million
Euro Commercial paper *(ECP)* programme	EUR 10,000 million
AUD debt programme *(Kangaroo)*	AUD 2,000 million

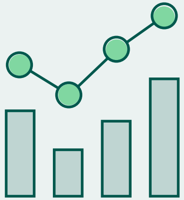
The Group's liquidity has remained strong. At the end of June 2024, the Group's total liquidity amounted to EUR 11,931 million (EUR 11,633 million). Of this, central bank deposits totalled EUR 8,171 million (EUR 7,989 million) and investments in liquid securities EUR 3,693 million (EUR 3,570 million), with the average credit rating of AA+ (AA+) and average maturity of 3.4 years (2.9 years). In addition to this, the Group's money market deposits in credit institutions totalled EUR 68 million (EUR 74 million). The Group's liquidity investments are mainly hedged with interest rate swaps. Changes in interest rates therefore do not have a direct impact on profit and loss.

MuniFin's Sustainable Investment Framework summarises the sustainability principles, processes and responsibilities of the Group's investment operations. The Group monitors the sustainability of its investments through their ESG *(Environmental, Social and Governance)* score. The Group excludes all unethical and controversial investments using predefined criteria. The Group also aims to increase direct investments that have positive environmental or social impact.

At the end of June 2024, the Group's liquidity investments had an average ESG score of 7.59 (7.59) on a scale of 0–10, above the benchmark index of 7.51 (7.41). The Group held a total of EUR 768 million (EUR 635 million) in direct socially responsible investments *(SRIs)*, which is 20.4% (17.4%) of all the Group's investments bonds in nominal values. The amount of SRIs increased by 20.9% from the end of 2023 and the increase in SRIs has been partly boosted by the increasing supply of sustainable bonds. The ratio of SRIs to the Group's own green and social funding was 16.3% (14.0%).

MuniFin's credit ratings

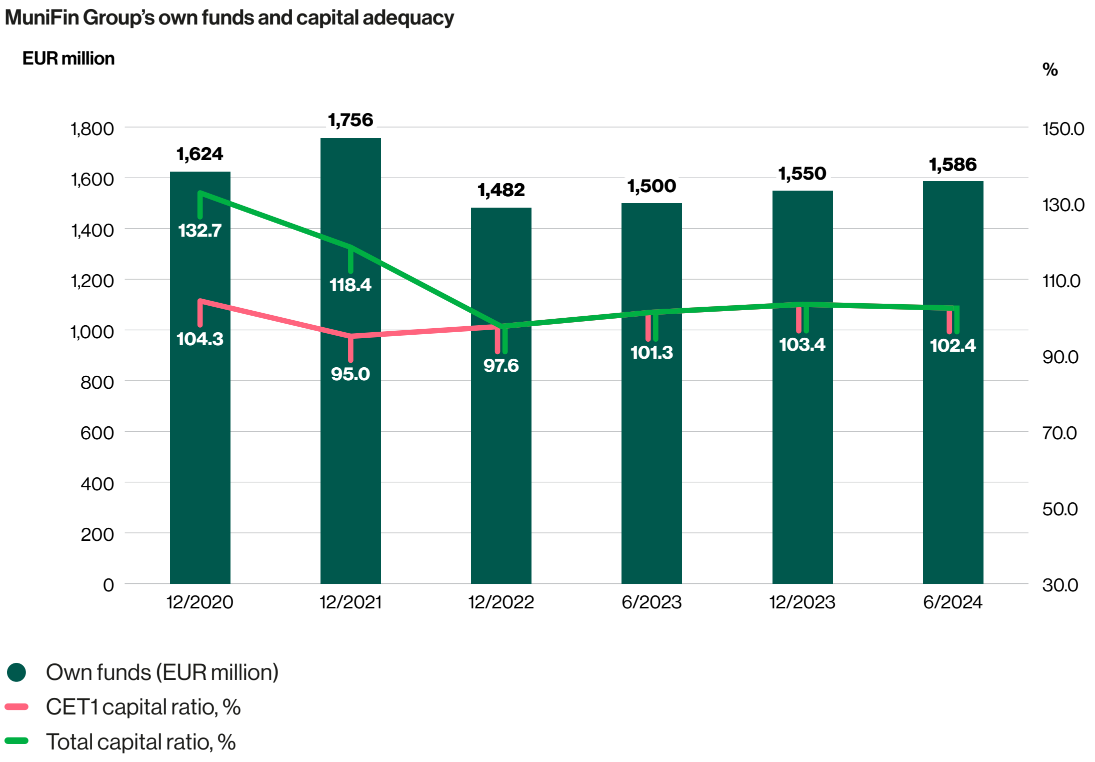




Rating agency	Long-term funding	Outlook	Short-term funding
Moody's Investors Service	Aa1	Stable	P-1
Standard & Poor's	AA+	Stable	A-1+

MuniFin's credit ratings correspond to those of the Government of Finland. The credit ratings did not change during the reporting period. The Municipal Guarantee Board, which guarantees MuniFin Group's funding, also has the corresponding ratings.

Capital adequacy



MuniFin Group's own funds and capital adequacy
MuniFin Group's capital adequacy is very strong. The Group's CET1 capital ratio was 102.4% (103.4%), which corresponds to its Tier 1 capital ratio and total capital ratio at the end of June 2024 (103.4%) because the Group only had CET1 capital at the time. The Group's CET1 capital ratio is almost seven times the required minimum of 15.0%, taking capital buffers into account.

Consolidated own funds (EUR million)	**30 Jun 2024**	**31 Dec 2023**
Common Equity Tier 1 before regulatory adjustments	1,757	1,678
Regulatory adjustments to Common Equity Tier 1	-171	-128
Common Equity Tier 1 (*CET1*)	**1,586**	**1,550**
Additional Tier 1 capital before regulatory adjustments	-	-
Regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital (*AT1*)	**-**	**-**
Tier 1 capital (*T1*)	**1,586**	**1,550**
Tier 2 capital before regulatory adjustments	-	-
Regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital (*T2*)	**-**	**-**
Total own funds	**1,586**	**1,550**

At the end of the reporting period, the Group's CET1 capital totalled EUR 1,586 million (EUR 1,550 million). The Group had no Additional Tier 1 instruments or Tier 2 capital at the end of June, so its CET1 capital was therefore equal to its Tier 1 capital and total own funds, EUR 1,586 million (EUR 1,550 million).

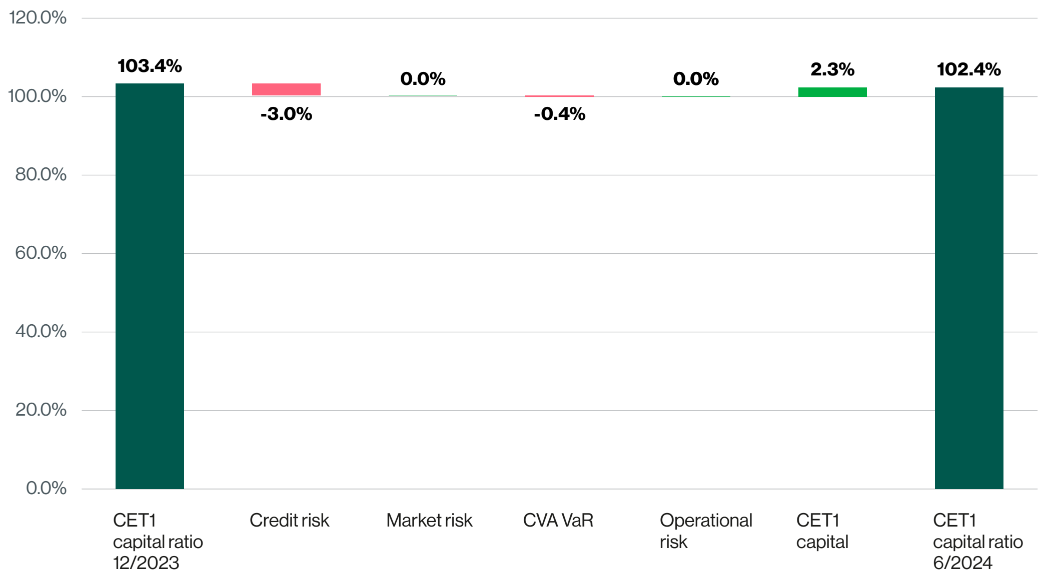
The CET1 capital includes profit for the period of 1 January–30 June 2024. This profit has been subject to a review by auditors and can therefore be included in CET1 capital based on the permission granted by the ECB in accordance with the Capital Requirements Regulation (*CRR*).

Consolidated minimum requirement for own funds EUR million	30 Jun 2024 Capital requirement	30 Jun 2024 Risk exposure amount	31 Dec 2023 Capital requirement	31 Dec 2023 Risk exposure amount
Credit and counterparty credit risk, standardised approach	**49**	**617**	**46**	**573**
Exposures to central governments or central banks	-	0	-	0
Exposures to regional governments or local authorities	0.7	9	0.4	5
Exposures to public sector entities	0.4	5	0.4	6
Exposures to multilateral development banks	-	0	-	0
Exposures to institutions	32	399	30	369
Exposures to corporates	2	27	2	23
Exposures in the form of covered bonds	11	141	11	133
Other items	3	36	3	37
Market risk	**-**	**-**	**-**	**-**
Credit valuation adjustment risk (*CVA VaR*), standard method	**35**	**432**	**34**	**427**
Operational risk, basic indicator approach	**40**	**500**	**40**	**500**
Total	**124**	**1,550**	**120**	**1,500**

The capital requirement for counterparty risk is EUR 4.0 million (EUR 3.0 million).

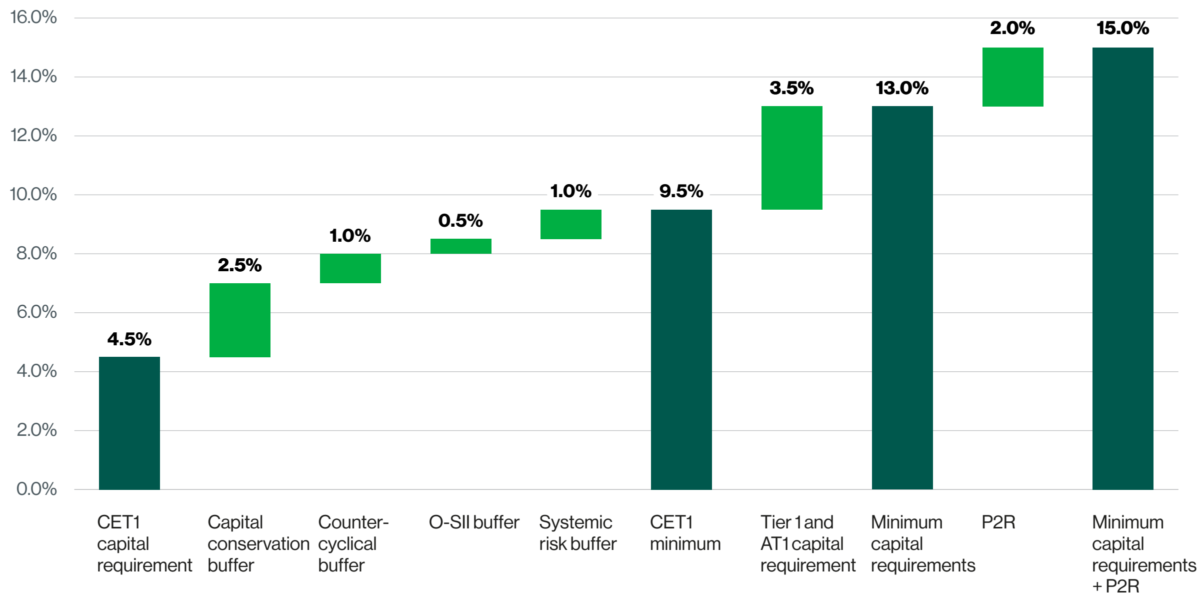
The Group's total risk exposure amount increased by 3.3% from the end of 2023, totalling EUR 1,550 million (EUR 1,500 million) at the end of the reporting period.

CET1 capital ratio changes, %



The risk exposure amount for credit and counterparty credit risk increased by EUR 45 million from the end of 2023. There was no capital requirement for market risk at the end of the reporting period or in the comparison year, because the currency position was less than 2% of the Group's own funds, and, based on Article 351 of the CRR, the own funds requirement for market risk has therefore not been calculated. The credit valuation adjustment (*CVA VaR*) increased to EUR 432 million (EUR 427 million). The risk exposure amount of operational risk was EUR 500 million (EUR 500 million).

The Group's minimum capital requirements and capital buffers, %



The Group's minimum capital requirements and capital buffers

The Group's minimum capital requirement is 8% for total capital adequacy and 4.5% for CET1 capital adequacy. Under the Act on Credit Institutions, the capital conservation buffer is 2.5%. An additional capital requirement for other systemically important credit institutions (*O-SII buffer*) is 0.5% for MuniFin Group. At the end of June 2024, the Finnish Financial Supervisory Authority (*FIN-FSA*) gave its yearly decision on O-SII buffers and kept MuniFin Group's buffer unchanged at 0.5%.

Starting from 1 April 2024, the FIN-FSA imposed a requirement to maintain a systemic risk buffer (*SyRB*) covered by Common Equity Tier 1 (*CET1*) capital and amounting to 1.0% on MuniFin. This requirement also applies to other Finnish credit institutions at the same level.

In June 2024, the FIN-FSA decided to keep the countercyclical capital buffer requirement unchanged at the baseline level of 0%. For MuniFin Group, the credit institution-specific countercyclical capital buffer requirement that is imposed based on the geographical distribution of exposures is 1.0% (0.9%). The Group therefore has a minimum requirement of 9.5% (8.4%) for its CET1 capital ratio and 13.0% (11.9%) for its total capital ratio.

In addition to the abovementioned requirements, the ECB has imposed a bank-specific Pillar 2 requirement (*P2R*) of 2.0% on MuniFin Group as part of the annual Supervisory Review and Evaluation Process (*SREP*). The total SREP capital requirement ratio (*TSCR*) was 10.0% (10.0%) at the end of June 2024.

The minimum level of total capital ratio was 15.0% (13.9%) including P2R and other additional capital buffers.

Leverage ratio, liquidity coverage ratio and net stable funding ratio

At the end of June, MuniFin Group's leverage ratio was 12.0% (12.0%). MuniFin fulfils the CRR II definition of a public development credit institution and may therefore deduct all credit receivables from municipalities, wellbeing services counties and the central government in the calculation of its leverage ratio. The amount of credit receivables from municipalities, wellbeing services counties and the central government was EUR 36,179 million (EUR 35,251 million) at the end of the reporting period. After the deduction, the Group's leverage ratio exposures totalled EUR 13,210 million (EUR 12,877 million). The minimum required leverage ratio is 3%.

At the end of June, MuniFin Group's liquidity coverage ratio (*LCR*) was 423.0% (409.1%) and its net stable funding ratio (*NSFR*) was 125.6% (124.1%). Both have a minimum requirement of 100%.

Liabilities under the Act on the Resolution of Credit Institutions and Investment Firms

MuniFin's crisis resolution authority is the EU's Single Resolution Board (*SRB*). The SRB has imposed on MuniFin a binding minimum requirement for own funds and eligible liabilities (*MREL*). The size of the MREL requirement is 10% of the total risk exposure amount and 3% of the leverage ratio exposure. The MREL requirement takes into account the SRB's decision on the simplified resolution strategy being applied to MuniFin.

The MREL requirement took effect on 1 January 2024. MuniFin's own funds and eligible liabilities currently exceed the MREL requirement multiple times, and there is no present need for MuniFin to issue Tier 3 instruments.

Changes in banking regulation

At the end of October 2021, the European Commission published its proposal for the implementation of the final Basel III banking regulatory standards in the EU (*CRR III/ CRD IV*). This reform will affect banks' solvency calculation, especially in the context of credit, market and operational risks, credit valuation adjustment (*CVA VaR*) and leverage ratio. It also introduces a new output floor. MuniFin Group's business model is based on zero-risk-weighted customer financing, which will not change with the implementation of the Basel III package. The reform will, however, affect MuniFin's capital adequacy calculations and reporting methods.

In the first half of 2024, the Group launched a CRR III implementation project. According to the Group's current estimate, the changes in regulation will result in increased capital requirements related to derivatives, and the increase in derivatives risk exposure amount is estimated to weaken the Group's capital ratios by 10 percentage points approximately. Otherwise the impact on capital adequacy is expected to be minor. The impact assessment entails some uncertainty because these regulatory changes are not yet interpreted in an established way. The Group nevertheless expects to exceed the minimum regulatory capital requirements many times over due to its strong capital position, also in the future. The regulatory changes are not expected to impact MuniFin's leverage ratio.

Sustainability-related reporting requirements are growing in the financial sector, increasingly obliging MuniFin Group and its customers to document the impacts of their operations in more detail. In response, the Group has started preparations in connection with the Corporate Sustainability Reporting Directive (*CSRD*), approved by the European Parliament in November 2022, and conducted a double materiality assessment and an assessment of regulatory changes during the reporting period. The implementation of CSRD into national legislation was approved at the end of 2023. The reporting requirement applies to the Group from 2025, so that the first reporting will be published in the first half of 2026.

MuniFin Group has also continued to incorporate its ESG risk reporting into its Pillar III Disclosure Report in accordance with CRR Article 449. In the first half of 2024, the Group disclosed the phase 2 information on the Green Asset Ratio (*GAR*) as part of its 2023 Pillar III Disclosure Report and started preparing for the disclosure of the phase 3 information on scope 3 financed emissions starting from June 2024. The Group has also started to prepare for the disclosure of the phase 3 information on the Banking Book Taxonomy Alignment Ratio (*BTAR*) as of the end of 2024.

The Group has also launched a project to implement the changes arising from the financial sector's Digital Operational Resilience Act (*DORA*) into its ICT agreements and the processes of maintaining information systems both internally and with its IT vendors. The regulation entered into force in January 2023 and will apply from January 2025. The regulation contains requirements aimed at improving the ability of the financial sector to withstand errors and disturbances in information systems.

MuniFin Group's financial objectives

MuniFin's core mandate is to ensure that its limited customer base, which is assigned to carry out public duties, has access to affordable financing under all market conditions. This core mandate necessitates keeping MuniFin's capital quantity, capital quality and liquidity at levels that exceed even the strictest regulatory requirements at all times, thus enabling the continuation of normal business operations even during financially difficult times. MuniFin has conservative risk management policies and maintains a strong risk-bearing capacity in both quantity and quality.

Due to its specialised business model, the Group's strictest regulatory capital requirement is the leverage ratio, unlike in most credit institutions. The leverage ratio requirement is a prudential tool under the Capital Requirements Regulation (*CRR*) that complements capital adequacy requirements. Its purpose is to prevent credit institutions from building up excessive leverage. The leverage ratio is calculated as a ratio between the institution's Tier 1 capital and total exposure calculated based on the assets and off-balance sheet items as described in the regulatory framework. MuniFin fulfils the CRR II (Regulation (EU) 2019/876) definition of a public development credit institution and may therefore deduct all credit receivables from municipalities, wellbeing services counties and the central government in the calculation of its leverage ratio. After the deduction, the most significant factor affecting MuniFin's leverage ratio is the size of its liquidity portfolio, which safeguards the Group's liquidity.

MuniFin's aim is for the Group's Common Equity Tier 1 (*CET1*) capital to always surpass 7%, which is the sum of the minimum requirement set in regulation (3%) and the capital buffers set by the management (4%). The Group uses these capital buffers to prepare for events and changes that have an adverse effect on its capital position. These can include realised business risks or regulatory changes. The capital requirement for business risk is based on a strict stress test, and it mostly results from unrealised fair value changes, which are temporary in nature.

At the end of June 2024, the Group's leverage ratio calculated with CET1 capital was 12.0%. Capital exceeding the Group's minimum target covers fluctuation in capital requirements caused by changes in the total liquidity amount and safeguards the Group's continuity of operations and ability to pay dividends. The Group's long-term target is a leverage ratio of 7–10%, which in turn enables carrying out core mandate to ensuring sufficient liquidity in all market conditions.

Because MuniFin's objective as a public development credit institution under the CRR II is not to maximise profits, the Group aims at a result that will ensure the Group's ability to carry out its core mandate in the long term. The Group's objective is to achieve at least a result that is sufficient to cover any increases in capital requirements arising from increased business operations and satisfy the shareholders' expected yield in the long term. MuniFin uses long-term pricing strategies and other measures to maximise its customer benefits while also ensuring the continuity of its operations and the yield expectation of its shareholders.

The net operating profit generated from MuniFin's core business has remained relatively stable in recent years, totalling about EUR 170–210 million excluding unrealised fair value changes. However, relative to the volume of core business, i.e. customer financing, the net operating profit excluding unrealised fair value changes has dropped significantly. Between 2018 and 2023, profitability relative to the volume of customer financing decreased from 0.83% to 0.53%. In the reporting period, the comparable ratio continued to decrease and was 0.51%. In the coming years, MuniFin's goal is to maintain the current level of total profit. This level continues to secure the minimum level required to ensure the continuity of the Group's operations.

MuniFin aims to constantly improve the efficiency of its operations, generating growing added value to its customers and shareholders. MuniFin's long-term goal is to gradually increase the ratio of its customer business to the costs and development investments over which the Group has influence.

In March 2023, the Annual General Meeting (*AGM*) ratified MuniFin's dividend policy. According to this policy, MuniFin's strong capital position allows it to aim to pay 30–60% of the Group's financial year's profit in dividends, as long as it does not jeopardise the Parent Company's solvency, liquidity or ability to meet its commitments. When drafting the annual dividend proposal and deciding on the distribution of profits, the following factors influencing the Group's capital position are taken into account on a broad spectrum:

- Uncertainties and changes in the operating environment and regulation
- Assessments of the Group's financial situation in the future
- The Group's funding position and liquidity
- Changes to the Group's risk position
- Unrealised fair value changes affecting the Group's own funds
- Assessments of the Group's liquidity development
- Views of supervisory authorities and credit rating agencies
- Accruals of possible AT1 capital instruments not recognised in profit and loss.

Risk management

MuniFin Group's operations require adequate risk management mechanisms to ensure that its risk position remains within the limits set by the Parent Company's Board of Directors. To preserve its strong credit rating, the Group applies conservative risk management principles and aims to keep the overall risk status low.

The relevant risk types associated with the Group's operations include credit and counterparty risk, market risk and liquidity risk. All business operations also involve strategic risks, ESG risks and operational risks, including compliance risk.

The Group's risk position

There were no material changes in MuniFin Group's risk position during the first half of 2024, and risks remained within the risk appetite limits set by the Board of Directors. The continued geopolitical tensions and market volatility did not affect the Group's performance during the reporting period. The capital markets remained stable in the first half of 2024, but higher than expected credit risk premiums increased funding costs. Despite this, the Group's funding continued in the usual manner in the first half of the year. Because of the uncertainties in the operating environment, the Group has nevertheless maintained strong liquidity buffers as a precaution. The geopolitical instability mainly affects the Group indirectly through market conditions.

Despite the changes in the operating environment, the Group's risk position remained stable and at a low level during the reporting period.

In the first half of 2024, MuniFin Group took part in the 'Fit-for-55' climate risk scenario analysis, a one-off exercise for EU banks launched in December 2023. Conducted by the European Banking Authority (*EBA*), the exercise aimed to assess the resilience of the financial sector in line with the Fit-for-55 package and to gain insights into the capacity of the financial system to support the transition to a lower carbon economy under conditions of stress. The Group also took part in the European Central Bank's (*ECB*) cyber resilience stress test, which assessed how banks under the ECB's direct supervision respond to and recover from cyberattacks.

The Group is exposed to credit risks as part of its business, but due to the nature of its customer base, these risks are low. The Group's credit risks emerge almost exclusively from its liquidity portfolio investments and the derivatives portfolio, but to a small degree also from its customer financing. The Group also offers derivative products for its customers for hedging their interest rate positions. These products are covered with offsetting contracts from the market. The Group only uses derivatives for hedging against market risks.

In view of its credit risk mitigation techniques (mortgage collateral and guarantees received) and the exemptions set out in CRR Article 400 related to the calculation of large exposures, MuniFin Group is not exposed to the customer risk referred to in the regulation in its customer financing, and thus the customer risk of any individual customer does not exceed 10% of the Group's own funds. Credit loss and impairments on financial assets were EUR 0.3 million positive (EUR 0.2 million) in PnL. The item consists of expected credit losses *(ECL)*. The amount of forborne loans was EUR 508 million (EUR 491 million), while non-performing exposures amounted to EUR 144 million (EUR 140 million) at the end of June. For these non-performing exposures, MuniFin has absolute guarantees by municipalities or by wellbeing services counties, or real estate collateral and state deficiency guarantee, and these exposures are therefore not expected to carry the risk of a final credit loss. Non-performing exposures represented 0.4% (0.4%) of total customer exposures.

MuniFin's credit risk position remained stable and at a low level during the first half of the year. It is expected to remain stable and in line with the Group's credit risk strategy also in the future.

Market risks include interest rate risk, exchange rate risk and other market and price risks. The Group uses derivatives to hedge against market risks. Derivatives can only be used for hedging purposes as the Group does not engage in trading activities. Interest rate risk mainly arises from the differences in reference rates applicable to the assets and liabilities in the balance sheet. In addition, The Group may create a strategic mismatch portfolio, i.e. leave fixed rate exposures unhedged, to achieve its earnings stabilisation. The strategic mismatch portfolio can include both fixed and revisable rate loans as well as fixed rate investments in the liquidity portfolio. Derivatives are not used in the creation of the strategic mismatch.

The Group actively monitors and hedges its interest rate risk. Ten scenarios are used in the calculation of the net interest income *(NII)* risk, of which the least favourable outcome is considered. At the end of June, one-year NII risk was EUR -45 million, and the least favourable scenario was a short rate shock up (at the end of 2023, the least favourable scenario was a short rate shock up, EUR -18 million). Several scenarios are also used in the calculation of the economic value of equity *(EVE)*, of which the least favourable outcome is considered. At the end of June, the least favourable scenario was a parallel shock up of 200 basis points, resulting in EVE of EUR -111 million (at the end of 2023, the least favourable scenario was a parallel shock up of 200 basis points, EUR -93 million).

The Group mitigates its foreign exchange *(FX)* risk by using derivative contracts to swap all funding and investments denominated in foreign currency into euros. The Group's customer financing is denominated in euros, and the Group has no significant open FX positions. In practice, a small temporary exchange rate risk may occasionally arise due to cash collateral management (USD) in the clearing of derivatives by central counterparties, but this risk is actively monitored and hedged. Derivatives are also used to hedge against other market and price risks.

The Group has also determined valuation risk as a significant risk for its business. During the reporting period, unrealised fair value changes of financial instruments increased the Group's earnings volatility slightly. Unrealised fair value changes were influenced in particular by changes in interest rate expectations and credit risk spreads in the Group's main funding markets and by challenges in the banking sector. The Group continuously monitors and analyses the volatility arising from valuations and prepares for any impacts this may have on its profit and capital adequacy.

The Group's market risk has remained stable despite the market changes.

MuniFin Group manages its refinancing risk by limiting the average maturity between financial assets and liabilities. In addition, the Group manages its liquidity risk by setting a limit for the minimum adequacy of the available short-term and long-term liquidity. The Group's survival horizon was almost 18 months (16 months) at the end of June. The Group's liquidity remained good.

The following tables shows high quality liquid assets under LCR regulation.

Liquid assets, HQLA (EUR 1,000)	30 Jun 2024	%	31 Dec 2023	%
Level 1	10,421	80	10,139	77
Level 2a	1,031	8	1,043	8
Level 2b	-	-	-	-
Level N*	1,635	12	1,909	15
Total	**13,087**	**100**	**13,090**	**100**

* Includes EUR 1,292 million (EUR 1,575 million) of short-term customer financing in money market instruments.

The liquidity coverage ratio *(LCR) was* 423.0% (409.1%) at the end of June. The availability of long-term funding is monitored via the net stable funding ratio *(NSFR)*, which stood at 125.6% (124.1%). The availability of funding remained good throughout the first half of the year. In January–June 2024, the Group issued EUR 4,942 million (EUR 7,118 million) in long-term funding.

MuniFin Group's operational risks are estimated to be at a moderate level, and there were no material losses from operational risks in the first half of 2024.

ESG risks include environmental, social and governance risks. There have been no material changes in ESG risks during the first half of the year.

According to the Group's assessment, its exposure to climate and environmental risks is low. As per the Group's business model, customer receivables originate from the Finnish municipal and wellbeing services counties sectors or are from the State of Finland after credit mitigation (*state deficiency guarantee*). MuniFin Group recognises that its customers may be exposed to both physical risk caused by climate change and transition risk related to climate change mitigation. The Group can also be exposed to these risks through its customers. Identified risks are related to real estate collateral, but given the existing guarantee arrangements, even the materialisation of a climate or environmental risk is not expected to cause final credit losses. The Group's investment counterparties are governments, central banks, SSA (*Sovereigns, Supranationals, Agencies*) sector entities and credit institutions. According to the Group's assessment, the impact of climate and environmental risks on these operators for the Group is minor. MuniFin Group only invests in counterparties whose risks it considers to be low. This also applies to the Group's derivative counterparties.

According to the Group's assessment, environmental and climate risks are unlikely to manifest substantially in the short term, but they may have an adverse economic effect on the Group's customers in the medium and long term. Although the Group assesses its climate and environmental risks to be low, it recognises that as climate change progresses, the risks and uncertainty associated with it will increase. For this reason, MuniFin Group assesses its exposure to climate and environmental risks at least once a year.

According to the Group's estimate, it is currently not exposed to any substantial social or governance risks. The perceived low exposure to social risks stems from the lack of identified material risks related to non-compliance with labour laws, human rights or other aspects of social justice. The Group monitors the governance of its customers and investment counterparties through an ESG scoring model, which it uses to evaluate their reported governance and other ESG factors. The Group also monitors that its service providers meet the minimum ESG requirements set for all partners.

In the first half of 2024, the Group continued to build its ESG risk management competence and prepared for the new disclosure requirements that will enter into force during the year.

Governance

In addition to corporate legislation, MuniFin complies with the governance requirements of the Finnish Act on Credit Institutions and supervisory guidelines. The governance policy is described in more detail on MuniFin's website. The website also includes MuniFin's Corporate Governance Statement for 2023, pursuant to chapter 7, section 7 of the Finnish Securities Market Act. The statement includes a description of the main features of the internal audit and risk management systems pertaining to the financial reporting process. The statement also includes the governance descriptions required by the Act on Credit Institutions as well as information on how MuniFin complies with the Finnish Corporate Governance Code for listed companies published by the Finnish Securities Market Association. This code applies to Finnish listed companies, i.e. companies whose shares are listed on Nasdaq Helsinki Ltd (*Helsinki Stock Exchange*). Since MuniFin is exclusively an issuer of listed bonds, and its shares are not subject to public trading, this code does not apply directly to MuniFin.

During the reporting period, MuniFin's shares were incorporated into Finland's book-entry system in accordance with the mandate granted by the 2023 Annual General Meeting. The book-entry system modernises the share register's maintenance and reduces the operational risks associated with it.

No material changes to MuniFin Group's governance took place during the reporting period.

Group structure

Municipality Finance Group (MuniFin Group or the Group) consists of Municipality Finance Plc (MuniFin or the Parent Company) and Financial Advisory Services Inspira Ltd (Inspira). In early 2024, MuniFin reviewed the future and development potential of the consulting services offered by its subsidiary company Inspira and decided to divest Inspira's business operations. When a negotiated asset deal fell through in the spring, MuniFin decided to discontinue the provision of Inspira's advisory services. Inspira is fully owned by MuniFin. No changes to the group or ownership structure took place in the reporting period.

MuniFin is planning to transfer other duties related to the production of value added services to its subsidiary company in the latter half of 2024. When the change takes place, the subsidiary company will be renamed to reflect this change.

General meeting

The Annual General Meeting (*AGM*) of MuniFin was held on 17 May 2024. The AGM confirmed the Financial Statements for 2023 and discharged the members of the Board of Directors, the CEO and the Deputy CEO from liability for the financial year 2023. In addition, in accordance with the proposal of the Board of Directors, the AGM authorised a dividend of EUR 1.69 per share to be paid, totalling EUR 66.0 million. The amount of distributable funds on the Group's balance sheet on 31 December 2023 was EUR 365.6 million.

Based on the proposal of the Shareholders' Nomination Committee, the AGM decided to appoint eight Board members for the 2024–2025 term, lasting from the 2024 AGM to the end of the subsequent AGM. The AGM also confirmed the Shareholders' Nomination Committee's proposal on the remuneration of Board members.

In accordance with the Board's proposal, the AGM elected PricewaterhouseCoopers Oy as MuniFin's auditor, with APA Jukka Paunonen as the principal auditor. Until the 2024 AGM, MuniFin's auditor was KPMG Oy Ab (KPMG), with APA Tiia Kataja as the principal auditor. KPMG could no longer be re-elected for the 2024–2025 term due to the mandatory audit firm rotation requirement.

The AGM's resolutions are published on MuniFin's website.

Board of Directors

The Shareholders' Nomination Committee made a proposal to the AGM held on 17 May 2024 regarding the members to be elected for the term that began at the end of the 2024 AGM and will conclude at the end of the subsequent AGM.

The AGM elected the following members to the Board of Directors: Maaria Eriksson, Markku Koponen, Kari Laukkanen, Tuomo Mäkinen, Denis Strandell, Elina Stråhlman, Leena Vainiomäki and Arto Vuojolainen. As per the Committee's proposal, the MuniFin Board nominated Kari Laukkanen as the Chair of the Board and Maaria Eriksson as the Vice Chair.

From the 2023 AGM to the 2024 AGM, the members of the Board of Directors were Kari Laukkanen (Chair), Maaria Eriksson (Vice Chair), Markku Koponen, Tuomo Mäkinen, Minna Smedsten, Denis Strandell, Leena Vainiomäki and Arto Vuojolainen. Minna Smedsten was not available for the Board's 2024–2025 term.

MuniFin has statutory audit, risk and remuneration committees established by the Board of Directors. The committees act as assisting and preparatory bodies to the Board of Directors. The MuniFin Board selected Markku Koponen (Chair), Tuomo Mäkinen, Denis Strandell and Elina Stråhlman as the members of the Audit Committee. In the Risk Committee, the Board selected Leena Vainiomäki (Chair), Maaria Eriksson, Kari Laukkanen and Arto Vuojolainen. In the Remuneration Committee, the Board selected Kari Laukkanen (Chair), Leena Vainiomäki and Maaria Eriksson.

The operations of the MuniFin Board of Directors and its committees are described in more detail on MuniFin's website.

Personnel, salaries and remuneration

At the end of June 2024, MuniFin Group had 196 (185) employees, of which 185 (174) worked for the Parent Company and in run down subsidiary 11 (11) employees. The President and CEO of MuniFin is Esa Kallio, with Mari Tyster, Executive Vice President, acting as deputy to the CEO. In addition, the MuniFin Executive Management Team includes Executive Vice Presidents Aku Dunderfelt, Toni Heikkilä, Joakim Holmström, Harri Luhtala, Minna Piitulainen and Juha Volotinen.

The remuneration paid to MuniFin Group's management and employees consists of fixed remuneration (base salary and fringe benefits) and a variable element based on the conditions of the remuneration scheme. The principles of the remuneration scheme are confirmed by the Parent Company's Board of Directors, and they are reviewed on an annual basis. The Remuneration Committee advises the Board of Directors on remuneration-related matters. Salaries and remuneration paid across the Group amounted to EUR 9.4 million (EUR 8.5 million) in the reporting period.

Internal audit

The purpose of MuniFin Group's internal audit is to monitor the reliability and accuracy of the Group's information on finances and other management. It also ensures that MuniFin Group has sufficient and appropriately organised manual operations and IT systems and that the risks associated with the operations are adequately managed.

Events after the reporting period

The MuniFin Board of Directors is not aware of any events having taken place after the end of the reporting period that would have a material effect on the Group's financial standing.

Outlook for the second half of 2024

Due to the strengthening growth outlook and the price pressures in the economy, the ECB is expected to ease its monetary policy at a slower pace than previously projected. However, several factors still stand in favour of a continued cycle of moderate interest rate cuts. Euro area real interest rates are already high compared to economic growth potential, the contractive fiscal policy is cooling down the economy, and in the US, the days of rapid growth seem to be over. Political unrest within the EU is also increasing stability risks in the financial markets.

In Finland, private consumption is predicted to be the main driver in turning the economic cycle as consumer purchasing power increases gradually. However, the household sector's outlook remains highly uncertain. Consumer confidence remains exceptionally low, and the interest burden of debtors seems to be easing off more slowly than hoped. To add to this, Finland's general VAT rate will increase in September, which will inevitably slow down the recovery of purchasing power.

Despite these challenges, the turn for the better is on the horizon. Global recovery boosts Finland's exports and green investments will strengthen economic growth potential in the coming years. The construction sector's recession will also start to gradually ease off next year.

Although the low point of the downturn has been passed, Finland's GDP growth will remain negative in 2024. In 2025, the recovery of demand drivers will stimulate economic activity on a broader front, likely bringing GDP growth to around 2%.

Despite the downturn of the past few years, Finland's employment has remained at a relatively good level. Even so, the construction sector's difficulties and the general rise in the number of bankruptcies will keep unemployment rising for some time still. This year, the unemployment rate is expected to rise to about 8.0%. Next year, economic recovery will bring unemployment down significantly.

Inflationary pressures have softened faster in Finland than in the rest of the euro area, but Finland's upcoming VAT hike will have an elevating effect on prices in the second half of the year. Finland's inflation rate will also take a technical leap in August as Statistics Finland will make an adjustment to remove the impact of a calculation error in the price index of electricity from the comparison period's figures. In 2025, inflation is projected to fall below 2% measured by the national consumer price index.

In late June, Finland's Ministerial Committee on Economic Policy decided that the Housing Finance and Development Centre of Finland (*Ara*) will cease to operate as an independent government agency and that its operations will instead be integrated under the Ministry of the Environment in 2025. This decision does not mean that state-subsidised housing production will be discontinued; the purpose is to improve the administration of affordable social housing production. According to MuniFin's analysis, the change will not have a direct effect on the Company's business. Interest subsidy loans will continue to be granted to state-subsidised housing production, but the related processes will be administered at the Ministry of the Environment in the future. MuniFin will monitor the practical implications closely. With the managing authority changing, the Company may need to make changes to some of its processes in response.

Considering the above-mentioned circumstances and the earnings development in January–June 2024, the Group revises its estimate on net operating profit excluding unrealised fair value changes to be at the same level in 2024 (Financial Statements Bulletin 2023: at the same level of higher) than in 2023. The Group expects its capital adequacy ratio and leverage ratio to remain strong. The valuation principles set in the IFRS framework 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 MuniFin Group's operations and the operating environment.

Helsinki, 13 August 2024
Municipality Finance Plc
Board of Directors

Further information:
Esa Kallio, President and CEO, tel. +358 50 337 7953
Harri Luhtala, CFO, tel. +358 50 592 9454

Development of the Group's key figures in 2020–2024

	Jan–Jun 2024	Jan–Dec 2023	Jan–Jun 2023	Jan–Jun 2022	Jan–Jun 2021	Jan–Jun 2020
Turnover (EUR million)	1,532	2,680	1,054	258	280	257
Net interest income (EUR million)*	129	259	124	122	138	123
% of turnover	8.4	9.7	11.8	47.1	49.4	48.1
Net operating profit (EUR million)*	105	139	77	91	127	62
% of turnover	6.9	5.2	7.3	35.0	45.6	24.3
Unrealised fair value changes (EUR million)*	16	-37	-5	16	20	-31
Net operating profit excluding unrealised fair value changes (EUR million)*	89	176	81	74	108	93
Cost-to-income ratio, %*	23.7	32.2	31.8	33.1	19.7	31.9
Cost-to-income ratio excluding unrealised fair value changes, %*	26.9	27.3	30.5	37.5	22.4	23.8
Return on equity *(ROE)*, %*	9.5	6.6	7.5	8.5	11.7	6.2
Return on equity *(ROE)* excluding unrealised fair value changes, %*	8.1	8.4	8.0	7.1	9.9	9.3
Return on assets *(ROA)*, %*	0.3	0.2	0.3	0.3	0.5	0.2
Return on assets *(ROA)* excluding unrealised fair value changes, %*	0.3	0.3	0.3	0.3	0.4	0.4
New long-term customer financing (EUR million)*	2,416	4,319	1,909	2,124	1,770	2,678
New long-term funding (EUR million)*	4,942	10,087	7,118	5,962	6,025	5,504

	30 Jun 2024	31 Dec 2023	30 Jun 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020
Long-term customer financing (EUR million)*	33,300	32,022	30,129	29,144	29,214	28,022
Green finance (EUR million)*	5,688	4,795	3,814	3,251	2,328	1,786
Social finance (EUR million)*	2,443	2,234	1,875	1,734	1,161	589
Total funding (EUR million)*	44,478	43,320	41,018	40,210	40,712	38,139
Equity (EUR million)	1,807	1,744	1,623	1,614	1,862	1,705
Total balance sheet (EUR million)	50,954	49,736	48,377	47,736	46,360	44,042
Total liquidity (EUR million)*	11,931	11,633	11,323	11,506	12,222	10,089
Liquidity Coverage Ratio *(LCR)*, %	423.0	409.1	253.5	256.7	334.9	264.4
Net Stable Funding Ratio *(NSFR)*, %	125.6	124.1	127.1	120.3	123.6	116.4
Equity ratio, %*	3.5	3.5	3.4	3.4	4.0	3.9
CET1 capital (EUR million)	1,586	1,550	1,500	1,482	1,408	1,277
Tier 1 capital (EUR million)	1,586	1,550	1,500	1,482	1,756	1,624
Total own funds (EUR million)	1,586	1,550	1,500	1,482	1,756	1,624
CET1 capital ratio, %	102.4	103.4	101.3	97.6	95.0	104.3
Tier 1 capital ratio, %	102.4	103.4	101.3	97.6	118.4	132.7
Total capital ratio, %	102.4	103.4	101.3	97.6	118.4	132.7
Leverage ratio, %**	12.0	12.0	11.9	11.6	12.8	3.9
Personnel	196	185	186	175	164	165

* *Alternative performance measure.*

** *MuniFin fulfils the CRR II definition of a public development credit institution and may therefore deduct all the credit receivables from municipalities, wellbeing services counties and the central government in the calculation of its leverage ratio. CRR II Regulation entered into force in June 2021.*

The calculation formulas for all key figures can be found on pages 39–47. All figures presented in this Half Year Report are those of MuniFin Group, unless otherwise stated.

Key figures

MuniFin Group defines the Alternative Performance Measures (*APMs*) to be financial measures that have not been defined in the IFRS standards or the capital requirements regulation (*CRD/CRR*). The APMs improve comparability between companies in the same sector and between reporting periods and provide valuable information to the readers of the financial reports. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing MuniFin Group's performance. They are also an important aspect of the way in which the Group's management defines operating targets and monitors performance.

The APMs are presented in MuniFin Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (*ESMA*).

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Jun 2024	Jan–Jun 2023
Net interest income	Interest income and expense from financial assets and liabilities are recognised in net interest income. A significant part of the Group's revenues consists of net interest income.	Interest income at effective interest method	753	493
		Other interest income	763	566
		Interest expense at effective interest method	-371	-243
		Other interest expense	-1,016	-691
		Net interest income	**129**	**124**
Unrealised fair value changes	According to IFRS 9 standard, part of financial instruments are measured at fair value through profit and loss which increases PnL volatility. To enhance comparability of business performance between periods and companies, it is often necessary to exclude the PnL effect of the unrealised fair value changes. Items in the calculation formula are from consolidated income statement's line item *Net result on financial instruments at fair value through profit or loss.*	Net result from financial assets and liabilities through profit or loss, unrealised fair value changes	10	1
		Net result from hedge accounting	6	-5
		Unrealised fair value changes	**16**	**-5**
Net operating profit	Net operating profit describes the Group's operating profit before taxes.	**Net operating profit**	**105**	**77**
Net operating profit excluding unrealised fair value changes	Net operating profit excluding unrealised fair value changes as an APM is of interest for showing MuniFin Group's underlying earnings capacity.	Net operating profit	105	77
		- Unrealised fair value changes	16	-5
		Net operating profit excluding unrealised fair value changes	**89**	**81**
Income	Income, which describes the Group's total income including net interest income, is used e.g. as a denominator (excl. Commission expenses) in Cost-to-income ratio.	Net interest income	129	124
		Commission income	1	1
		Net result on financial instruments at fair value through profit or loss	16	-5
		Net result on financial assets at fair value through other comprehensive income	0	0
		Other operating income	0	0
		Income	**146**	**120**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Jun 2024	Jan–Jun 2023
Income excluding unrealised fair value changes	Income excluding unrealised fair value changes reflects the Group's operating income, of which the most significant is net interest income.	Income	146	120
		- Unrealised fair value changes	16	-5
		Income excluding unrealised fair value changes	**130**	**125**
Other income	Other income includes all other income of the Group except net interest income and unrealised fair value changes.	Commission income	1	1
		Net result from financial assets and liabilities through profit or loss, realised	0	0
		Net result from FX differences	0	0
		Net result on financial assets at fair value through other comprehensive income	0	0
		Other operating income	0	0
		Other income	**1**	**1**
Costs	Costs, which describe the Group's total costs, is used e.g. as a numerator (excl. Commission expenses) in Cost-to-income ratio.	Commission expenses	8	8
		HR and administrative expenses	22	20
		Depreciation and impairment on tangible and intangible assets	3	3
		Other operating expenses	7	13
		Costs	**41**	**43**
Cost-to-income ratio, %	Cost-to-income ratio is an established key ratio in the banking sector for assessing the relationship between expenses and income. The ratio gives investors a comparative view of MuniFin Group's cost-effectiveness.	Costs (excl. Commission expenses)	33	36
		÷ Income (incl. Net commission income)	137	113
		Cost-to-income ratio, %	**23.7%**	**31.8%**
Cost-to-income ratio excluding unrealised fair value changes, %	Cost-to income ratio excluding unrealised fair value changes gives a more precise picture of MuniFin Group's operative effectiveness as it excludes the income volatility of unrealised fair value changes. It improves comparability of operative effectiveness between companies and reporting periods.	Costs (excl. Commission expenses)	33	36
		÷ (Income (incl. Net commission income)	137	113
		- Unrealised fair value changes)	16	-5
		Cost-to-income ratio excluding unrealised fair value changes, %	**26.9%**	**30.5%**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Jun 2024	Jan–Jun 2023
The effect of unrealised fair value changes on other comprehensive income and equity, net of tax	Key indicator used in management reporting to describe the effect of unrealised fair value changes during the reporting period on the Group's comprehensive income and equity, net of tax.	Unrealised fair value changes through PnL	16	-5
		Taxes related to the unrealised fair value changes through PnL	-3	1
		Net change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss, net of tax	49	25
		Net change in Cost-of-Hedging, net of tax	-1	-8
		Net change in fair value of financial assets at fair value through other comprehensive income, net of tax	-2	-1
		Net change in expected credit loss of financial assets at fair value through other comprehensive income, net of tax	0	0
		The effect of unrealised fair value changes on other comprehensive income and equity, net of tax	**58**	**13**
New long-term customer financing	Key indicator used in management reporting to describe MuniFin Group's business volume during the reporting period. The indicator includes the amount of new loans excluding unrealised fair value changes and new leased assets excluding unrealised fair value changes.	New lending	2,308	1,818
		New leased assets	108	91
		New long-term customer financing	**2,416**	**1,909**
Ratio of net operating profit excluding unrealised fair value changes to volume of long-term and short-term customer financing, %	Key indicator used in management reporting to describe MuniFin Group's profit earnings. The key figure is reported annualised.	(Net operating profit excluding unrealised fair value changes	89	81
		÷ Long-term customer financing excluding unrealised fair value changes and short-term customer financing (average of values at the beginning and end of the period)) x100	35,045	32,423
		Ratio of net operating profit excluding unrealised fair value changes to volume of long-term and short-term customer financing, %	**0.51%**	**0.50%**
New long-term funding	Key indicator used in management reporting to describe MuniFin Group's funding activity during the reporting period. The indicator includes the amount of new funding (over 1 year) issued excluding unrealised fair values changes.	**New long-term funding**	**4,942**	**7,118**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Jun 2024	Jan–Jun 2023
Return on Equity *(ROE)*, %	ROE measures the efficiency of MuniFin Group's capital usage. It is a commonly used performance measure and as an APM improves comparability between companies. The key figure in reported annualised.	((Net operating profit	105	77
		- Taxes)	-21	-16
		÷ Equity and non-controlling interest (average of values at the beginning and end of the period)) x100	1,776	1,619
		Return on Equity (*ROE*), %	**9.5%**	**7.5%**
Return on Equity *(ROE)* excluding unrealised fair value changes, %	MuniFin Group's strategy indicator. Excluding the unrealised changes in fair values increases comparability between reporting periods. The key figure in reported annualised.	((Net operating profit excluding unrealised fair value changes	89	81
		- Taxes)	-18	-17
		÷ Equity and non-controlling interest (average of values at the beginning and end of the period)) x100	1,776	1,619
		Return on Equity (*ROE*) excluding unrealised fair value changes, %	**8.1%**	**8.0%**
Return on Assets *(ROA)*, %	ROA measures the efficiency of MuniFin Group's investments. It is a commonly used performance measure and as an APM improves comparability between companies. The key figure in reported annualised.	((Net operating profit	105	77
		- Taxes)	-21	-16
		÷ Average balance sheet total (average of values at the beginning and end of the period)) x100	50,345	48,057
		Return on Assets (*ROA*), %	**0.3%**	**0.3%**
Return on Assets *(ROA)* excluding unrealised fair value changes, %	Excluding the unrealised changes in fair values increases comparability of ROA between reporting periods. The key figure in reported annualised.	((Net operating profit excluding unrealised fair value changes	89	81
		- Taxes)	-18	-17
		÷ Average balance sheet total (average of values at the beginning and end of the period)) x100	50,345	48,057
		Return on Assets (*ROA*) excluding unrealised fair value changes, %	**0.3%**	**0.3%**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	30 Jun 2024	31 Dec 2023
Equity ratio, %	Equity ratio is an investment leverage and solvency ratio that measures the amount of assets that are financed by equity. It is a commonly used performance measure and as an APM improves comparability between companies.	(Equity and non-controlling interest	1,807	1,744
		÷ Balance sheet total) x100	50,954	49,736
		Equity ratio, %	**3.5%**	**3.5%**
Long-term loan portfolio	Key indicator used in management reporting to describe MuniFin Group's business volume.	Loans and advances to the public and public sector entities	33,300	32,022
		- Leasing	1,503	1,442
		Long-term loan portfolio	**31,797**	**30,580**
Long-term customer financing	Key indicator used in management reporting to describe MuniFin Group's business volume.	Loans and advances to the public and public sector entities	33,300	32,022
		Long-term customer financing	**33,300**	**32,022**
Long-term customer financing excluding unrealised fair value changes	Key indicator used in management reporting to describe MuniFin Group's business volume. In this indicator the unrealised fair value changes have been excluded to enhance comparability of business performance between periods.	Loans and advances to the public and public sector entities	33,300	32,022
		- Unrealised fair value changes	976	926
		Long-term customer financing excluding unrealised fair value changes	**34,276**	**32,948**
Ratio of green finance and social finance to long-term customer financing excluding unrealised fair value changes, %	Key indicator used in management reporting to describe MuniFin Group's business volume.	Green finance	5,688	4,795
		Social finance	2,443	2,234
		(Total of green and social finance	**8,130**	**7,029**
		÷ Long-term customer financing excluding unrealised fair value changes) x100	34,276	32,948
		Ratio of green finance and social finance to long-term customer financing excluding unrealised fair value changes, %	**23.7%**	**21.3 %**
Short-term customer financing	Key indicator used in management reporting to describe MuniFin Group's business volume. Short-term customer financing consists of money market papers bought from customers, which have original maturity of 1 year or less.	Debt securities, commercial papers from customers	1,292	1,575
		Short-term customer financing	**1,292**	**1,575**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	30 Jun 2024	31 Dec 2023
Total funding	Key indicator used in management reporting to describe MuniFin Group's funding volume. Total funding consists of long-term and short-term funding.	Liabilities to credit institutions	326	214
		Liabilities to the public and public sector entities	2,453	2,588
		Debt securities issued	41,883	40,602
		Total	**44,662**	**43,404**
		- CSA collateral (received)	-184	-82
		- Liabilities to credit institutions, payable on demand	-	-2
		Total funding	**44,478**	**43,320**
Long-term funding	Key indicator used in management reporting to describe MuniFin Group's funding volume.	Total funding	44,478	43,320
		- Short-term issued funding (*ECP*)	-3,125	-3,987
		Long-term funding	**41,353**	**39,332**
Total liquidity	Key indicator used in management reporting to describe MuniFin Group's liquidity position.	Debt securities	4,984	5,145
		- Short-term customer financing	-1,292	-1,575
		Investments in securities total	**3,693**	**3,570**
		Cash and balances with central banks	0	0
		Deposits	8,238	8,063
		Other investments total	**8,238**	**8,063**
		Total liquidity	**11,931**	**11,633**
Ratio of SRI securities to all investment bonds, %	Key indicator used in management reporting for social responsibility area. The ratio is calculated based on the nominal values of securities investments.	(SRI investments, nominal	768	635
		÷ Investment bonds, nominal) x100	3,771	3,653
		Ratio of SRI securities to all investment bonds, %	**20.4%**	**17.4%**
Ratio of socially responsible investments to MuniFin Group's own green and social funding, %	Key indicator used in management reporting for social responsibility area.	(Socially responsible investments	768	635
		÷ Green and social funding) x100	4,700	4,523
		Ratio of socially responsible investments to MuniFin Group's own green and social funding, %	**16.3%**	**14.0%**

Other measures EUR million	Definition	Reconciliation	Jan–Jun 2024	Jan–Jun 2023
Turnover	Defined in IFRS (IAS *1*). Turnover is not disclosed in MuniFin Group's income statement so the formula for turnover should be given even though it is not considered to be an APM.	Interest income at effective interest method	753	493
		Other interest income	763	566
		Commission income	1	1
		Net result on financial instruments at fair value through profit or loss	16	-5
		Net result on financial assets at fair value through other comprehensive income	0	0
		Other operating income	0	0
		Turnover	**1,532**	**1,054**

			30 Jun 2024	31 Dec 2023
Liquidity Coverage Ratio *(LCR)*, %	Defined in CRR.	(Liquid assets	11,157	10,909
		÷ (Liquidity outflows - liquidity inflows in a stress situation)) x100	2,638	2,667
		Liquidity Coverage Ratio (*LCR*), %	**423.0%**	**409.1%**
Net Stable Funding Ratio *(NSFR)*, %	Defined in CRR.	(Available Stable Funding (*ASF*)	37,756	36,279
		÷ Required Stable Funding (*RSF*)) x100	30,070	29,244
		Net Stable Funding Ratio (*NSFR*), %	**125.6%**	**124.1%**
CET1 capital ratio, %	Defined in CRR.	(Common Equity Tier 1 (*CET1*) capital	1,586	1,550
		÷ Risk exposure amount) x100	1,550	1,500
		CET1 capital ratio, %	**102.4%**	**103.4%**

Other measures EUR million	Definition	Reconciliation	30 Jun 2024	31 Dec 2023
Tier 1 capital ratio, %	Defined in CRR.	(Tier 1 capital	1,586	1,550
		÷ Risk exposure amount) x100	1,550	1,500
		Tier 1 capital ratio, %	**102.4%**	**103.4%**
Total capital ratio, %	Defined in CRR.	(Total own funds	1,586	1,550
		÷ Risk exposure amount) x100	1,550	1,500
		Total capital ratio, %	**102.4%**	**103.4%**
Leverage ratio, %	Defined in CRR.	(Tier 1 capital	1,586	1,550
		÷ Total exposure) x100	13,210	12,877
		Leverage ratio, %	**12.0%**	**12.0%**

MuniFin Group's Half Year Report tables

MuniFin

Consolidated income statement

(EUR 1,000)	Note	Jan–Jun 2024	Jan–Jun 2023
Interest income at effective interest method	(2)	752,584	492,816
Other interest income	(2)	762,629	565,679
Interest expense at effective interest method	(2)	-370,849	-242,859
Other interest expense	(2)	-1,015,805	-691,269
Net interest income*		**128,559**	**124,368**
Commission income		932	1,102
Commission expense		-8,127	-7,730
Net result on financial instruments at fair value through profit and loss	(3)	16,071	-5,039
Net result on financial assets at fair value through other comprehensive income		3	-257
Other operating income		25	102
HR and administrative expenses		-22,139	-20,046
Depreciation and impairment on tangible and intangible assets	(10)	-3,112	-3,138
Other operating expenses		-7,395	-12,562
Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income	(11)	278	-218
Net operating profit		**105,093**	**76,581**
Income tax expense		-20,810	-15,665
Profit for the period		**84,284**	**60,917**

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

* The presentation of net interest income has been amended to differentiate line items *Interest income/expense at effective interest method* from line items *Other interest income/expense*. The change of presentation has not had an impact on published financial figures.

Consolidated statement of comprehensive income

(EUR 1,000)	Note	Jan–Jun 2024	Jan–Jun 2023
Profit for the period		84,284	60,917
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)	60,788	31,333
Net change in Cost-of-Hedging	(4)	-1,407	-10,339
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		-2,883	-771
Net amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income		-124	287
Net change in expected credit loss of financial assets at fair value through other comprehensive income	(11)	2	-4
Taxes related to components of other comprehensive income		-11,275	-4,101
Total components of other comprehensive income		45,101	16,405
Total comprehensive income for the period		**129,384**	**77,321**

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

Consolidated statement of financial position

(EUR 1,000)	Note	30 Jun 2024	31 Dec 2023
Assets			
Cash and balances with central banks	(8)	2	2
Loans and advances to credit institutions		9,156,644	9,187,071
Loans and advances to the public and public sector entities		33,300,221	32,021,717
Debt securities		4,984,493	5,144,963
Derivative contracts	(9)	1,863,029	1,856,769
Intangible assets	(10)	4,682	6,311
Tangible assets	(10)	8,474	9,648
Other assets		1,183,790	1,073,885
Accrued income and prepayments		452,508	435,982
Deferred tax assets		6	9
Total assets	**(5, 6, 7)**	**50,953,850**	**49,736,359**

(EUR 1,000)	Note	30 Jun 2024	31 Dec 2023
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	(12)	325,726	213,695
Liabilities to the public and public sector entities		2,453,269	2,588,275
Debt securities issued	(13)	41,882,991	40,601,646
Derivative contracts	(9)	3,173,083	3,372,514
Provisions and other liabilities	(14)	399,876	418,275
Accrued expenses and deferred income		576,929	474,620
Deferred tax liabilities		334,792	323,517
Total liabilities	**(5, 6, 7)**	**49,146,666**	**47,992,542**
Equity			
Share capital		42,583	42,583
Reserve fund		277	277
Fair value reserve of investments		-352	2,052
Own credit revaluation reserve		108,869	60,238
Cost-of-Hedging reserve	(4)	20,696	21,821
Reserve for invested non-restricted equity		40,366	40,366
Retained earnings		1,594,746	1,576,480
Total equity attributable to Parent Company equity holders		**1,807,184**	**1,743,817**
Total equity		**1,807,184**	**1,743,817**
Total liabilities and equity		**50,953,850**	**49,736,359**

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

Consolidated statement of changes in equity

	Total equity attributable to Parent Company equity holders								
(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	Total equity
Equity at 31 Dec 2023	**42,583**	**277**	**2,052**	**60,238**	**21,821**	**40,366**	**1,576,480**	**1,743,817**	**1,743,817**
Dividends paid for 2023	-	-	-	-	-	-	-66,018	-66,018	-66,018
Profit for the period	-	-	-	-	-	-	84,284	84,284	84,284
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	-	-	-	48,631	-	-	-	48,631	48,631
Net change in Cost-of-Hedging	-	-	-	-	-1,126	-	-	-1,126	-1,126
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	-	-	-2,307	-	-	-	-	-2,307	-2,307
Net amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income	-	-	-100	-	-	-	-	-100	-100
Net change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	2	-	-	-	-	2	2
Equity at 30 Jun 2024	**42,583**	**277**	**-352**	**108,869**	**20,696**	**40,366**	**1,594,746**	**1,807,184**	**1,807,184**

	Total equity attributable to Parent Company equity holders								
(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	Total equity
Equity at 31 Dec 2022	**42,583**	**277**	**-4,457**	**-83**	**1,488**	**40,366**	**1,533,535**	**1,613,709**	**1,613,709**
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 amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
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**

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

Consolidated statement of cash flows

(EUR 1,000)	Note	Jan–Jun 2024	Jan–Jun 2023
Cash flow from operating activities		**58,329**	**67,250**
Net change in long-term funding		2,063,405	2,647,844
Net change in short-term funding		-943,947	-1,672,863
Net change in long-term loans		-1,350,683	-900,667
Net change in short-term loans		281,235	263,280
Net change in investments		-301,652	197,218
Net change in collaterals		166,980	-607,458
Interest on assets		1,088,440	568,270
Interest on liabilities		-930,544	-401,960
Other income		24,578	33,283
Payments of operating expenses		-40,095	-42,348
Taxes paid		612	-17,348
Cash flow from investing activities		**-204**	**-356**
Acquisition of tangible assets		-	-7
Proceeds from sale of tangible assets		19	112
Acquisition of intangible assets		-223	-461
Cash flow from financing activities		**-66,934**	**-68,641**
Dividend paid		-66,018	-67,580
Total cash flow from leases		-916	-1,060
Change in cash and cash equivalents		**-8,809**	**-1,747**
Cash and cash equivalents at 1 Jan	**(8)**	**63,214**	**48,624**
Cash and cash equivalents at 30 Jun	**(8)**	**54,405**	**46,877**

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

Notes to the Half Year Report

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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 2023 (Note *1*). The report includes condensed consolidated interim financial information for the half year period ended 30 June 2024 and is to be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2023. Operations of the Group are not subject to seasonal variations and thus the financial information of the condensed consolidated interim report does not include information from the 12-month period ended as of the interim date.

The accounting policies have remained unchanged during the reporting period, except for those that are presented below in the section *Changes in accounting policies, presentation and application of new standards*. The figures in the Notes to the Half Year Report are presented in thousand euro. All figures in the Half Year Report have been rounded, so the total of individual figures may differ from the total figure presented. The Half Year Report has been subject to a review by the auditors.

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

Changes in accounting policies, presentation and application of new standards

The presentation of line items *Interest and similar income* and *Interest and similar expense* in the consolidated income statement has been updated. Starting from the beginning of 2024, these line items are presented as following:

- Interest and similar income are divided in two line items: *Interest income at effective interest method* and *Other interest income*
- Interest and similar expense are divided in two line items: *Interest expense at effective interest method* and *Other interest expense*.

In addition, minor changes have been made to the labelling of other line items of the income statement, but the content has remained same.

The Group has applied the following new standards, interpretations and amendments to existing standards starting from 1 January 2024:

Lease Liability in a Sale and Leaseback* – Amendments to IFRS 16 *Leases (effective for financial years beginning on or after 1 January 2024, early application is permitted). The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019. The amendment has not had a significant impact on MuniFin Group's financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*: *Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants* (effective for financial years beginning on or after 1 January 2024, early application is permitted). The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements. The amendments also clarify that transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognised as equity under IAS 32. The amendment has not had an impact on MuniFin Group's financial statements.

New and amended standards and interpretations not yet applied

In April 2024, the IASB published the new standard **IFRS 18 *Presentation and Disclosure in Financial Statements*** which will replace IAS 1 Presentation of Financial statements. IFRS 18 introduces a defined structure for the statement of profit or loss and related disclosures. The standard requires entities to present specified totals and subtotals for the statement of profit or loss and to present management-defined performance measures. The new standard will be effective for annual reporting periods beginning on or after 1 January 2027, including for interim financial statements. Retrospective application is required. Impact of implementation of IFRS 18 to the presentation of MuniFin Group's financial statements has not been evaluated yet.

Amendments to IFRS 9 *Financial instruments* and **IFRS 7 *Financial instruments: Disclosures.*** On May 2024, the IASB published amendmends that will clarify and add further guidance whether a financial asset meets the solely payments of principal and interest criteria. Amendments will also clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. New disclosure requirements are published for financial instruments with features linked to the achievement of environmental, social and governance targets. The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. Impact of amendments to IFRS 9 and IFRS 7 to the presentation of MuniFin Group's financial statements has not been evaluated yet.

Management judgement and estimates

The 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.

Determination of fair value

Management judgement

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 judgement, the degree of which will depend on the observability of the input parameters and the instrument's complexity. The management judgements relate to the following areas:

- the choice of valuation parameters and modelling techniques
- the application of the input data, assumptions and modelling techniques in particular, where data is obtained from infrequent market transactions
- judgement on which market parameters are observable
- the fair value adjustments incorporating relevant risk factors
- the determination of the hierarchy level to which a financial instrument should be classified, when the valuation is determined by a number of inputs, of which some are observable and others are unobservable.

Estimates

The section *Sensitivity analysis of unobservable inputs* in Note *6 Fair value of financial assets and liabilities* of this Half Year Report contains the sensitivity analysis of significant unobservable inputs by instrument type in addition to the effect that changing one or more assumptions in the unobservable input could have on the valuation by products at the reporting date.

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 *11 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 calculation of expected credit losses under IFRS 9 requires management judgement and estimates. The most significant are:

Management judgement	Estimates
• The Group's criteria for assessing if there has been a significant increase in credit risk.	• Estimates on macroeconomic variables and the results on sensitivity analysis are disclosed on Note *11 Credit risks of financial assets and other commitments*, in the section *Forward-looking information.*
• The Group's internal credit scoring model, which assigns probabilities of default (*PD*) to the individual grades.	
• 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.	

Note 2. Interest income and expense

(EUR 1,000)	Jan–Jun 2024 Interest income	Jan–Jun 2024 Interest expense	Jan–Jun 2024 Net	Jan–Jun 2023 Interest income	Jan–Jun 2023 Interest expense	Jan–Jun 2023 Net
Assets						
Amortised cost						
Loans and advances to credit institutions	179,975	-45	179,929	133,117	-77	133,040
Loans and advances to the public and public sector entities	515,671	-	515,671	320,110	-	320,110
Debt securities	27,271	-	27,271	18,449	-23	18,426
Other assets	24,043	-	24,043	19,038	-	19,038
Fair value through other comprehensive income						
Debt securities	5,625	-	5,625	2,102	-	2,102
Designated at fair value through profit or loss						
Loans and advances to the public and public sector entities	174	-	174	174	-	174
Debt securities	23,459	-	23,459	11,708	-	11,708
Mandatorily at fair value through profit or loss						
Loans and advances to the public and public sector entities	624	-	624	460	-	460
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	271,708	-224,873	46,835	176,031	-133,187	42,844
Derivative contracts in hedge accounting	210,893	-	210,893	143,751	-	143,751
Leased assets	24,085	-	24,085	15,355	-	15,355
Interest on non-financial other assets	2	-	2	1	-	1
Interest on assets	**1,283,530**	**-224,918**	**1,058,612**	**840,296**	**-133,287**	**707,009**
, of which interest income/expense according to the effective interest method	*752,584*	*-45*		*492,816*	*-100*	
, of which other interest income/expense	*530,946*	*-224,873*		*347,480*	*-133,187*	

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(EUR 1,000)	Jan–Jun 2024 Interest income	Jan–Jun 2024 Interest expense	Jan–Jun 2024 Net	Jan–Jun 2023 Interest income	Jan–Jun 2023 Interest expense	Jan–Jun 2023 Net
Liabilities						
Amortised cost						
Liabilities to credit institutions	-	-4,189	-4,189	-	-20,552	-20,552
Liabilities to the public and public sector entities	-	-17,955	-17,955	-	-19,262	-19,262
Debt securities issued	-	-340,757	-340,757	-	-195,636	-195,636
Provisions and other liabilities	-	-7,904	-7,904	-	-7,309	-7,309
Designated at fair value through profit or loss						
Liabilities to credit institutions	-	-574	-574	-	-301	-301
Liabilities to the public and public sector entities	-	-18,978	-18,978	-	-18,058	-18,058
Debt securities issued	-	-193,259	-193,259	-	-184,510	-184,510
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	231,683	-222,699	8,984	218,200	-163,072	55,128
Derivative contracts in hedge accounting	-	-355,422	-355,422	-	-192,139	-192,139
Interest on liabilities	**231,683**	**-1,161,737**	**-930,054**	**218,200**	**-800,840**	**-582,641**
, of which interest income/expense according to the effective interest method	*-*	*-370,804*		*-*	*-242,759*	
, of which other interest income/expense	*231,683*	*-790,932*		*218,200*	*-558,082*	
Total interest income and expense	**1,515,213**	**-1,386,655**	**128,559**	**1,058,495**	**-934,127**	**124,368**

Interest income on stage 3 financial assets in the expected credit loss (*ECL*) calculations totalled EUR 1,687 thousand (EUR 30 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 17 thousand (EUR 26 thousand) of interest on lease liabilities recognised in accordance with *IFRS 16 Leases* standard.

Interest expenses on loans and advances at amortised cost are related to negative bank account balances. In the comparison period, interest expenses on debt securities consist of short-term customer financing in money market instruments. 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 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 result on financial instruments at fair value through profit or loss

Jan–Jun 2024 (EUR 1,000)	Capital gains and losses (net)	Unrealised fair value changes	Total
Financial assets			
Designated at fair value through profit or loss	40	-8,394	-8,354
Mandatorily at fair value through profit or loss	-	271	271
Financial liabilities			
Designated at fair value through profit or loss	-	99,910	99,910
Derivative contracts at fair value through profit or loss	-19	-81,725	-81,744
Day 1 gain or loss	-	20	20
Net result on financial assets and liabilities through profit or loss	**21**	**10,083**	**10,104**
Net result from FX differences	**4,972**	**-4,833**	**139**
Net result from hedge accounting	**-**	**5,828**	**5,828**
Total	**4,993**	**11,078**	**16,071**

Line item *Net result on 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 result from FX differences* includes unrealised and realised translation differences for all items denominated in foreign currencies. The breakdown of line item *Net result 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 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 result on financial assets and liabilities through profit or loss	**-88**	**596**	**508**
Net result from FX differences	**9,642**	**-9,785**	**-143**
Net result from hedge accounting	**-**	**-5,404**	**-5,404**
Total	**9,554**	**-14,593**	**-5,039**

The following tables present the 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 result 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 2024	Carrying amount 30 Jun 2024	Nominal value 31 Dec 2023	Carrying amount 31 Dec 2023
Financial assets				
Loans and advances to the public and public sector entities	30,000	29,519	30,000	30,326
Debt securities	3,435,500	3,338,075	3,284,881	3,200,340
Total financial assets*	**3,465,500**	**3,367,593**	**3,314,881**	**3,230,667**
Financial liabilities				
Liabilities to credit institutions	64,000	36,948	44,000	42,989
Liabilities to the public and public sector entities	1,465,482	1,282,151	1,449,753	1,311,174
Debt securities issued	8,625,868	8,139,412	9,870,880	9,472,387
Total financial liabilities	**10,155,350**	**9,458,511**	**11,364,633**	**10,826,551**

* 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 2024 and 31 Dec 2023.

Change in fair value of financial assets designated at fair value through profit or loss (EUR 1,000)	30 Jun 2024	1 Jan 2024	Fair value change recognised in the income statement Jan–Jun 2024	, of which due to credit risk	, of which due to market risk
Financial assets					
Loans and advances to the public and public sector entities	-8,447	-7,988	-459	46	-505
Debt securities	-102,724	-94,789	-7,935	2,500	-10,435
Total financial assets	**-111,171**	**-102,777**	**-8,394**	**2,546**	**-10,940**

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 2024	1 Jan 2024	Fair value change recognised in the income statement Jan–Jun 2024	Change in own credit risk recognised in the other comprehensive income Jan–Jun 2024	Total fair value change in Jan–Jun 2024
Financial liabilities					
Liabilities to credit institutions	1,364	495	869	173	1,042
Liabilities to the public and public sector entities	197,146	169,099	28,047	25,862	53,909
Debt securities issued	496,583	425,589	70,994	34,754	105,748
Total financial liabilities	**695,093**	**595,183**	**99,910**	**60,788**	**160,699**

Net change in fair value in line item Net result on financial assets and liabilities through profit or loss (EUR 1,000)	Cumulative change in fair value 30 Jun 2024	Fair value change recognised in the income statement Jan–Jun 2024
Financial liabilities designated at fair value through profit or loss	695,093	99,910
Derivative contracts at fair value through profit or loss hedging financial liabilities	-689,043	-96,918
Net change in fair value	**6,050**	**2,992**

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 the 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 result 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 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**

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 result on 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**

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 2023 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 2023 (Note *1*) in Section *10. Hedge Accounting*.

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 2024 (EUR 1,000)	Nominal value	Fair value hedge accounting total	IAS 39 portfolio hedge accounting	IFRS 9 fair value hedge accounting	IFRS 9 fair value hedge accounting incl. Cost-of-Hedging
Assets					
Loans and advances to the public and public sector entities – Loans	11,482,139	10,529,566	10,471,436	58,130	-
Loans and advances to the public and public sector entities – Leased assets	382,664	366,810	-	366,810	-
Total assets	**11,864,803**	**10,896,376**	**10,471,436**	**424,940**	**-**
Liabilities					
Liabilities to credit institutions	115,000	104,809	-	104,809	-
Liabilities to the public and public sector entities	1,207,710	1,171,117	-	1,171,117	-
Debt securities issued	35,038,949	32,858,736	-	17,645,269	15,213,467
Total liabilities	**36,361,659**	**34,134,662**	**-**	**18,921,195**	**15,213,467**

Hedge accounting 31 Dec 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	11,843,871	10,937,466	10,877,199	60,267	-
Loans and advances to the public and public sector entities – Leased assets	395,417	383,163	-	383,163	-
Total assets	**12,239,288**	**11,320,629**	**10,877,199**	**443,430**	**-**
Liabilities					
Liabilities to credit institutions	95,000	86,889	-	86,889	-
Liabilities to the public and public sector entities	1,287,710	1,277,101	-	1,277,101	-
Debt securities issued	32,537,103	30,841,465	-	17,950,427	12,891,038
Total liabilities	**33,919,813**	**32,205,454**	**-**	**19,314,416**	**12,891,038**

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 *9 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 result 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 result 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 2024	1 Jan 2024	Recognised in the income statement Jan–Jun 2024
Assets			
IAS 39 portfolio hedge accounting			
Loans and advances to the public and public sector entities	-951,988	-907,319	-44,668
Derivative contracts in hedge accounting	1,012,431	969,754	42,677
Accumulated fair value accrual from the termination of hedge accounting	-1,531	-1,652	121
IAS 39 portfolio hedge accounting, net	**58,913**	**60,783**	**-1,870**
IFRS 9 fair value hedge accounting			
Loans and advances to the public and public sector entities	-15,585	-10,422	-5,163
Derivative contracts in hedge accounting	14,020	9,060	4,960
IFRS 9 fair value hedge accounting, net	**-1,565**	**-1,362**	**-203**
Liabilities			
IFRS 9 fair value hedge accounting			
Liabilities to credit institutions	10,191	8,111	2,080
Liabilities to the public and public sector entities	30,938	4,425	26,512
Debt securities issued	1,589,060	1,407,537	181,523
Derivative contracts in hedge accounting	-1,644,871	-1,442,656	-202,215
IFRS 9 fair value hedge accounting, net	**-14,682**	**-22,583**	**7,901**
Total hedge accounting	**42,666**	**36,838**	**5,828**

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**

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 in 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 2024	1 Jan 2024	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	20,696	21,821	-1,126
Total	**20,696**	**21,821**	**-1,126**

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 2024 (EUR 1,000)

Hedged item	Hedging instruments	Gains/losses attributable to the hedged risk: Hedged items	Gains/losses attributable to the hedged risk: Hedging instruments	Hedge ineffectiveness
Assets				
IAS 39 portfolio hedge accounting				
Fixed rate and revisable rate loans	Interest rate derivatives	-951,988	1,012,431	60,444
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	267	-26	241
Fixed rate and revisable rate leased assets	Interest rate derivatives	-15,852	14,046	-1,806
Assets total		**-967,573**	**1,026,452**	**58,879**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	1,257,910	-1,280,515	-22,606
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	372,279	-364,356	7,924
Liabilities total		**1,630,189**	**-1,644,871**	**-14,682**

Effectiveness of hedge accounting
30 Jun 2023 (EUR 1,000)

Hedged item	Hedging instruments	Gains/losses attributable to the hedged risk: Hedged items	Gains/losses attributable to the hedged risk: Hedging instruments	Hedge ineffectiveness
Assets				
IAS 39 portfolio hedge accounting				
Fixed rate and revisable rate loans	Interest rate derivatives	-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**

Note 5. Financial assets and liabilities

Financial assets 30 Jun 2024 (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	9,156,644	-	-	-	-	9,156,644	9,156,644
Loans and advances to the public and public sector entities*	32,108,222	-	29,519	26,362	-	32,164,102	33,939,959
Debt securities	1,291,704	354,714	3,338,075	-	-	4,984,493	4,984,902
Derivative contracts at fair value through profit or loss	-	-	-	-	334,844	334,844	334,844
Derivative contracts in hedge accounting	-	-	-	-	1,528,185	1,528,185	1,528,185
Other assets**	1,162,128	-	-	-	-	1,162,128	1,162,128
Total	**43,718,701**	**354,714**	**3,367,593**	**26,362**	**1,863,029**	**49,330,399**	**51,106,664**

* Line item includes EUR 366,810 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 2024 (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	288,779	36,948	-	325,726	325,679
Liabilities to the public and public sector entities	1,171,117	1,282,151	-	2,453,269	2,465,135
Debt securities issued	33,743,578	8,139,412	-	41,882,991	41,834,453
Derivative contracts at fair value through profit or loss	-	-	1,133,220	1,133,220	1,133,220
Derivative contracts in hedge accounting	-	-	2,039,863	2,039,863	2,039,863
Provisions and other liabilities*	381,759	-	-	381,759	381,759
Total	**35,585,233**	**9,458,511**	**3,173,083**	**48,216,827**	**48,180,108**

* Line item includes EUR 373,743 thousand of cash collateral received from central counterparties and EUR 8,016 thousand of lease liabilities in accordance with IFRS 16 standard.

Financial assets 31 Dec 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	9,187,071	-	-	-	-	9,187,071	9,187,071
Loans and advances to the public and public sector entities*	30,905,386	-	30,326	27,482	-	30,963,194	32,746,762
Debt securities	1,574,954	369,669	3,200,340	-	-	5,144,963	5,145,075
Derivative contracts at fair value through profit or loss	-	-	-	-	312,957	312,957	312,957
Derivative contracts in hedge accounting	-	-	-	-	1,543,813	1,543,813	1,543,813
Other assets**	1,048,412	-	-	-	-	1,048,412	1,048,412
Total	**42,715,826**	**369,669**	**3,230,667**	**27,482**	**1,856,769**	**48,200,413**	**49,984,092**

* Line item includes EUR 383,163 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 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	170,706	42,989	-	213,695	213,654
Liabilities to the public and public sector entities	1,277,101	1,311,174	-	2,588,275	2,601,224
Debt securities issued	31,129,259	9,472,387	-	40,601,646	40,566,379
Derivative contracts at fair value through profit or loss	-	-	1,157,142	1,157,142	1,157,142
Derivative contracts in hedge accounting	-	-	2,215,373	2,215,373	2,215,373
Provisions and other liabilities*	401,010	-	-	401,010	401,010
Total	**32,978,076**	**10,826,551**	**3,372,514**	**47,177,141**	**47,154,781**

* Line item includes EUR 392,173 thousand of cash collateral received from central counterparties and EUR 8,837 thousand of lease liabilities in accordance with IFRS 16 standard.

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 2024 (EUR 1,000)		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
At fair value					
Fair value through other comprehensive income					
Debt securities	354,714	315,063	39,652	-	354,714
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	29,519	-	29,519	-	29,519
Debt securities	3,338,075	3,328,083	9,992	-	3,338,075
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	26,362	-	-	26,362	26,362
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	334,844	-	330,423	4,421	334,844
Derivative contracts in hedge accounting	1,528,185	-	1,528,416	-231	1,528,185
Total at fair value	**5,611,699**	**3,643,146**	**1,938,001**	**30,552**	**5,611,699**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	10,896,376	-	11,415,240	-	11,415,240
Total in fair value hedge accounting	**10,896,376**	**-**	**11,415,240**	**-**	**11,415,240**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	9,156,644	8,292,805	863,839	-	9,156,644
Loans and advances to the public and public sector entities	21,211,846	-	22,468,838	-	22,468,838
Debt securities	1,291,704	-	1,291,704	-	1,292,113
Other assets	1,162,128	-	1,162,128	-	1,162,128
Total at amortised cost	**32,822,325**	**8,292,807**	**25,786,509**	**-**	**34,079,726**
Total financial assets	**49,330,399**	**11,935,953**	**39,139,750**	**30,552**	**51,106,664**

Financial liabilities 30 Jun 2024 (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	36,948	-	36,948	-	36,948
Liabilities to the public and public sector entities	1,282,151	-	1,243,994	38,157	1,282,151
Debt securities issued	8,139,412	-	7,943,126	196,286	8,139,412
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,133,220	-	1,030,174	103,046	1,133,220
Derivative contracts in hedge accounting	2,039,863	-	2,029,453	10,409	2,039,863
Total at fair value	**12,631,594**	**-**	**12,283,696**	**347,898**	**12,631,594**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	104,809	-	104,762	-	104,762
Liabilities to the public and public sector entities	1,171,117	-	1,182,983	-	1,182,983
Debt securities issued*	32,858,736	-	32,573,633	236,565	32,810,198
Total in fair value hedge accounting	**34,134,662**	**-**	**33,861,378**	**236,565**	**34,097,943**
At amortised cost					
Liabilities to credit institutions	183,970	-	183,970	-	183,970
Debt securities issued	884,842	-	884,842	-	884,842
Provisions and other liabilities	381,759	-	381,759	-	381,759
Total at amortised cost	**1,450,571**	**-**	**1,450,571**	**-**	**1,450,571**
Total financial liabilities	**48,216,827**	**-**	**47,595,645**	**584,463**	**48,180,108**

* MuniFin Group's fixed-rate benchmark bond issuances are presented on level 2 as 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 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	369,669	369,669	-	-	369,669
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	30,326	-	30,326	-	30,326
Debt securities	3,200,340	3,153,086	47,254	-	3,200,340
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	27,482	-	-	27,482	27,482
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	312,957	-	304,492	8,464	312,957
Derivative contracts in hedge accounting	1,543,813	-	1,543,813	-	1,543,813
Total at fair value	**5,484,587**	**3,522,755**	**1,925,886**	**35,946**	**5,484,587**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	11,320,629	-	11,872,370	-	11,872,370
Total in fair value hedge accounting	**11,320,629**	**-**	**11,872,370**	**-**	**11,872,370**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	9,187,071	8,126,158	1,060,913	-	9,187,071
Loans and advances to the public and public sector entities	19,584,757	-	20,816,584	-	20,816,584
Debt securities	1,574,954	-	1,575,066	-	1,575,066
Other assets	1,048,412	-	1,048,412	-	1,048,412
Total at amortised cost	**31,395,197**	**8,126,160**	**24,500,975**	**-**	**32,627,136**
Total financial assets	**48,200,413**	**11,648,915**	**38,299,231**	**35,946**	**49,984,093**

Financial liabilities 31 Dec 2023 (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	42,989	-	42,989	-	42,989
Liabilities to the public and public sector entities	1,311,174	-	1,212,590	98,584	1,311,174
Debt securities issued	9,472,387	-	9,178,791	293,596	9,472,387
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,157,142	-	1,039,248	117,893	1,157,142
Derivative contracts in hedge accounting	2,215,373	-	2,201,980	13,393	2,215,373
Total at fair value	**14,199,065**	**-**	**13,675,599**	**523,466**	**14,199,065**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	86,889	-	86,847	-	86,847
Liabilities to the public and public sector entities	1,277,101	-	1,290,050	-	1,290,050
Debt securities issued	30,841,465	-	30,621,730	184,468	30,806,198
Total in fair value hedge accounting	**32,205,454**	**-**	**31,998,627**	**184,468**	**32,183,095**
At amortised cost					
Liabilities to credit institutions	83,817	-	83,817	-	83,817
Debt securities issued	287,794	-	287,794	-	287,794
Provisions and other liabilities	401,010	-	401,010	-	401,010
Total at amortised cost	**772,622**	**-**	**772,622**	**-**	**772,622**
Total financial liabilities	**47,177,141**	**-**	**46,446,847**	**707,935**	**47,154,781**

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 Risk Management and Compliance Management Team.

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 Executive Management Team (*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 2024 transfers totalling EUR 37,172 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 2024	Change in fair value in the income statement	New contracts	Matured contracts	Transfers into level 3	Transfers out of level 3	30 Jun 2024
Financial assets							
At fair value							
Mandatorily at fair value through profit or loss							
Loans and advances to the public and public sector entities	27,482	-1,120	-	-	-	-	26,362
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	8,464	-3,880	-	-163	-	-	4,421
Derivative contracts in hedge accounting	-	-231	-	-	-	-	-231
Financial assets in total	**35,946**	**-5,231**	**-**	**-163**	**-**	**-**	**30,552**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	98,584	-2,492	-	-	-	-57,935	38,157
Debt securities issued	293,596	-15,034	-	-82,276	-	-	196,286
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	117,893	6,822	-	-14,112	-	-7,558	103,046
Derivative contracts in hedge accounting	13,393	-4,955	2,309	-	-	-338	10,409
In fair value hedge accounting							
Amortised cost							
Debt securities issued	184,468	9,799	45,330	-	-	-3,033	236,565
Financial liabilities in total	**707,935**	**-5,859**	**47,640**	**-96,388**	**-**	**-68,864**	**584,463**
Level 3 financial assets and liabilities in total*	**743,881**	**-11,091**	**47,640**	**-96,551**	**-**	**-68,864**	**615,015**

* The Group recognises these gains and losses within the line item *Net result 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 2023, transfers totaling EUR 71,534 thousand have been made between level 1 and level 2. During 2023, total of EUR 2,426 thousand were transferred from level 2 to level 3 financial instruments.

Level 3 transfers (EUR 1,000)	1 Jan 2023	Change in fair value in the income statement	New contracts	Matured contracts	Transfers into level 3	Transfers out of level 3	31 Dec 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	-3,609	-	-	-	-	27,482
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	14,880	-3,418	-	-2,998	-	-	8,464
Derivative contracts in hedge accounting	671	-	-	-	-	-671	-
Financial assets in total	**46,641**	**-7,026**	**-**	**-2,998**	**-**	**-671**	**35,946**
Financial liabilities							
At fair value							
Designated at fair value through profit or loss							
Liabilities to the public and public sector entities	152,227	3,983	-	-57,626	-	-	98,584
Debt securities issued	976,820	-6,020	-	-677,204	-	-	293,596
Fair value through profit or loss							
Derivative contracts at fair value through profit or loss	340,512	-11,412	-	-211,206	-	-	117,893
Derivative contracts in hedge accounting	6,001	808	8,738	-	654	-2,808	13,393
In fair value hedge accounting							
Amortised cost							
Debt securities issued	56,749	2,718	153,022	-	1,772	-29,792	184,468
Financial liabilities in total	**1,532,308**	**-9,923**	**161,760**	**-946,036**	**2,426**	**-32,601**	**707,935**
Level 3 financial assets and liabilities in total	**1,578,949**	**-16,949**	**161,760**	**-949,034**	**2,426**	**-33,272**	**743,881**

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 alternatives used in the sensitivity analysis. Hence, the impact of the sensitivity analysis disclosed in this Note is likely to be greater than the true uncertainty in the fair values at the reporting date. Furthermore, the disclosure is neither predictive nor indicative of future movements in the fair value of financial instruments.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements on level 3, changing one or more of the assumptions to the reasonably possible alternative assumptions would have the following effects: as of 30 June 2024, these assumptions could have increased fair values by EUR 13.9 million (EUR 21.2 million) or decreased fair values by EUR 14.0 million (EUR 21.1 million).

Sensitivity analysis of significant unobservable inputs by instrument type (EUR 1,000)	Positive range of fair value 30 Jun 2024	Negative range of fair value 30 Jun 2024	Positive range of fair value 31 Dec 2023	Negative range of fair value 31 Dec 2023
Loans and advances to the public and public sector entities				
Loans	25	-21	-26	-81
Derivative contracts				
Equity-linked derivatives	400	-390	668	-641
FX-linked cross currency and interest rate derivatives	877	-1,006	860	-970
Other interest rate derivatives	6,718	-6,822	9,975	-10,115
Debt securities issued and Liabilities to the public and public sector entities				
Equity-linked liabilities	315	-461	726	-590
FX-linked liabilities	742	-712	737	-650
Other liabilities	4,847	-4,597	8,310	-8,093
Total	**13,924**	**-14,010**	**21,250**	**-21,141**

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 values 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 2024 (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	26,362	Stochastic model	Volatility – Extrapolated or Illiquid	25	-21
Derivative contracts					
			Correlation parameters	-10	-14
Equity-linked derivatives	-10,001	Stochastic model	Volatility – Extrapolated or Illiquid	398	-363
			Dividend yield	12	-13
			Correlation parameters	86	-81
FX-linked cross currency and interest rate derivatives	-3,740	Stochastic model	Volatility – Extrapolated or Illiquid	791	-925
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	1	-1
Other interest rate derivatives	-95,524	Stochastic model	Volatility – Extrapolated or Illiquid	5,808	-5,913
			Interest rates – Extrapolated or Illiquid	908	-908
Debt securities issued and Liabilities to the public and public sector entities					
			Correlation parameters	-11	-16
Equity-linked liabilities	12,138	Stochastic model	Volatility – Extrapolated or Illiquid	312	-433
			Dividend yield	14	-12
			Correlation parameters	51	-37
FX-linked liabilities	84,681	Stochastic model	Volatility – Extrapolated or Illiquid	692	-676
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	0	-1
Other liabilities	374,189	Stochastic model	Volatility – Extrapolated or Illiquid	4,823	-4,572
			Interest rates – Extrapolated or Illiquid	24	-24
Total				**13,924**	**-14,010**

Sensitivity analysis of unobservable inputs 31 Dec 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	27,482	Stochastic model	Volatility – Extrapolated or Illiquid	-26	-81
Derivative contracts					
			Correlation parameters	7	-20
Equity-linked derivatives	-21,211	Stochastic model	Volatility – Extrapolated or Illiquid	627	-607
			Dividend yield	34	-14
			Correlation parameters	125	-111
FX-linked cross currency and interest rate derivatives	-244	Stochastic model	Volatility – Extrapolated or Illiquid	735	-859
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	0	0
Other interest rate derivatives	-101,367	Stochastic model	Volatility – Extrapolated or Illiquid	9,267	-9,408
			Interest rates – Extrapolated or Illiquid	708	-708
Debt securities issued and Liabilities to the public and public sector entities					
			Correlation parameters	24	8
Equity-linked liabilities	79,794	Stochastic model	Volatility – Extrapolated or Illiquid	658	-562
			Dividend yield	44	-36
			Correlation parameters	80	-73
FX-linked liabilities	107,163	Stochastic model	Volatility – Extrapolated or Illiquid	657	-577
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	2	-2
Other liabilities	389,692	Stochastic model	Volatility – Extrapolated or Illiquid	8,277	-8,060
			Interest rates – Extrapolated or Illiquid	31	-31
Total				**21,250**	**-21,141**

Day 1 gain or loss (EUR 1,000)	Jan–Jun 2024	Jan–Dec 2023
Opening balance in the beginning of the reporting period	-350	-392
Recognised gain in the income statement	-	-
Recognised loss in the income statement	-452	-470
Deferred gain or loss on new transactions	473	512
Total at the end of the reporting period	**-329**	**-350**

The definition and amortisation method for the Day 1 gain or loss are presented in the accounting policies of the Consolidated Financial Statements 2023 (Note *1*) in Section *13. Determination of fair value*.

Note 7. Breakdown of financial assets and liabilities at carrying amount by maturity

Financial assets 30 Jun 2024 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	2	-	-	-	-	2
Loans and advances to credit institutions	9,104,092	39,471	13,082	-	-	9,156,644
Loans and advances to the public and public sector entities	410,858	1,643,115	9,623,801	6,405,219	14,081,110	32,164,102
*, of which leased assets**	*12,327*	*23,029*	*85,198*	*61,204*	*185,052*	*366,810*
Debt securities	1,023,493	871,031	2,345,898	689,786	54,284	4,984,493
Derivative contracts	55,920	24,987	622,168	696,388	463,566	1,863,029
Other assets**	1,162,128	-	-	-	-	1,162,128
Total	**11,756,494**	**2,578,604**	**12,604,949**	**7,791,393**	**14,598,960**	**49,330,399**

* Line item includes leased assets for which the Group applies fair value hedge accounting. Unhedged leased assets are not presented in this Note of the financial assets and liabilities by maturity, 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 2024 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions	203,972	3,305	61,543	39,537	17,370	325,726
Liabilities to the public and public sector entities	-	326,279	797,438	645,730	683,822	2,453,269
Debt securities issued	3,629,945	7,335,108	22,727,499	6,656,396	1,534,042	41,882,991
Derivative contracts	47,427	420,498	1,138,948	918,009	648,201	3,173,083
Provisions and other liabilities*	374,154	935	5,345	1,325	-	381,759
, of which lease liabilities	*412*	*935*	*5,345*	*1,325*	-	*8,016*
Total	**4,255,498**	**8,086,125**	**24,730,773**	**8,260,997**	**2,883,435**	**48,216,827**

* Line item includes cash collateral received from central counterparties and lease liabilities in accordance with IFRS 16 standard.

Liabilities and hedging derivative contracts that may be called before maturity have been classified in the maturity class corresponding to the first possible call date.

Financial assets 31 Dec 2023 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Cash and balances with central banks	2	-	-	-	-	2
Loans and advances to credit institutions	9,132,917	25,000	29,155	-	-	9,187,071
Loans and advances to the public and public sector entities	419,905	1,522,408	7,641,310	7,016,007	14,363,565	30,963,194
, of which leased assets	*8,056*	*25,793*	*78,191*	*64,743*	*206,381*	*383,163*
Debt securities	1,710,671	521,613	2,418,010	494,669	-	5,144,963
Derivative contracts	-5,159	60,275	591,362	774,062	436,229	1,856,769
Other assets	1,048,412	-	-	-	-	1,048,412
Total	**12,306,749**	**2,129,297**	**10,679,836**	**8,284,737**	**14,799,794**	**48,200,413**

Financial liabilities 31 Dec 2023 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions	83,817	-	56,101	55,819	17,959	213,695
Liabilities to the public and public sector entities	84,957	138,723	972,626	549,697	842,273	2,588,275
Debt securities issued	6,167,913	4,401,266	22,518,036	6,056,018	1,458,415	40,601,646
Derivative contracts	205,672	265,043	1,459,565	865,120	577,115	3,372,514
Provisions and other liabilities	392,619	1,142	5,374	1,876	-	401,010
, of which lease liabilities	*446*	*1,142*	*5,374*	*1,876*	-	*8,837*
Total	**6,934,977**	**4,806,173**	**25,011,701**	**7,528,528**	**2,895,761**	**47,177,141**

Note 8. Cash and cash equivalents

30 Jun 2024 (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	54,403	54,403	0
Total cash and cash equivalents	**54,405**	**54,405**	**0**

31 Dec 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	63,211	63,212	0
Total cash and cash equivalents	**63,214**	**63,214**	**0**

Note 9. Derivative contracts

	Nominal value of underlying instrument					
	Remaining maturity				Fair value	
30 Jun 2024 (EUR 1,000)	Less than 1 year	1–5 years	Over 5 years	Total	Positive	Negative
Derivative contracts in hedge accounting						
Interest rate derivatives						
Interest rate swaps	4,374,204	12,907,011	19,012,587	36,293,803	1,092,619	-1,630,987
, of which cleared by the central counterparty	*4,314,927*	*12,787,783*	*18,315,392*	*35,418,102*	*1,056,411*	*-1,606,632*
Currency derivatives						
Cross currency interest rate swaps	2,101,760	13,413,320	450,541	15,965,622	435,566	-408,876
Total derivative contracts in hedge accounting	**6,475,964**	**26,320,332**	**19,463,128**	**52,259,424**	**1,528,185**	**-2,039,863**
Derivative contracts at fair value through profit or loss						
Interest rate derivatives						
Interest rate swaps	5,086,452	9,756,599	4,708,992	19,552,044	259,155	-895,214
, of which cleared by the central counterparty	*3,485,400*	*7,165,835*	*1,801,141*	*12,452,376*	*186,623*	*-11,553*
Currency derivatives						
Cross currency interest rate swaps	927,980	2,327,886	64,012	3,319,878	62,901	-225,949
Forward exchange contracts	2,410,769	-	-	2,410,769	12,789	-2,056
Equity derivatives	16,576	-	-	16,576	-	-10,001
Total derivative contracts at fair value through profit or loss	**8,441,777**	**12,084,485**	**4,773,004**	**25,299,266**	**334,844**	**-1,133,220**
Total derivative contracts	**14,917,741**	**38,404,817**	**24,236,132**	**77,558,690**	**1,863,029**	**-3,173,083**

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

Interest accruals from derivative contracts are included in the statement of financial position line items *Accrued income and prepayments* and *Accrued expenses and deferred income*.

	Nominal value of underlying instrument					
	Remaining maturity				Fair value	
31 Dec 2023 (EUR 1,000)	Less than 1 year	1–5 years	Over 5 years	Total	Positive	Negative
Derivative contracts in hedge accounting						
Interest rate derivatives						
Interest rate swaps	4,082,331	11,468,301	18,991,507	34,542,139	1,148,245	-1,581,581
, of which cleared by the central counterparty	*3,967,376*	*11,288,451*	*18,280,451*	*33,536,278*	*1,114,996*	*-1,563,069*
Currency derivatives						
Cross currency interest rate swaps	1,838,537	10,963,203	479,835	13,281,574	395,568	-633,792
Total derivative contracts in hedge accounting	**5,920,868**	**22,431,503**	**19,471,342**	**47,823,713**	**1,543,813**	**-2,215,373**
Derivative contracts at fair value through profit or loss						
Interest rate derivatives						
Interest rate swaps	4,387,178	11,024,261	4,300,134	19,711,573	257,271	-831,692
, of which cleared by the central counterparty	*3,211,225*	*8,099,203*	*1,540,172*	*12,850,600*	*173,241*	*-32,697*
Currency derivatives						
Cross currency interest rate swaps	335,671	2,845,363	69,179	3,250,213	52,741	-203,865
Forward exchange contracts	3,890,874	-	-	3,890,874	2,919	-100,348
Equity derivatives	85,340	-	-	85,340	26	-21,237
Total derivative contracts at fair value through profit or loss	**8,699,063**	**13,869,624**	**4,369,313**	**26,938,000**	**312,957**	**-1,157,142**
Total derivative contracts	**14,619,930**	**36,301,128**	**23,840,655**	**74,761,713**	**1,856,769**	**-3,372,514**

Note 10. Changes in intangible and tangible assets

	Intangible assets	Tangible assets			
Jan–Jun 2024 (EUR 1,000)	**Total**	**Other real estate**	**Other tangible assets**	**Right-of-use assets**	**Total**
Acquisition cost 1 Jan	29,014	299	6,478	15,406	22,183
+ Additions	239	-	-	269	269
- Disposals	-	-	-29	-742	-771
Acquisition cost 30 Jun	29,253	299	6,448	14,934	21,681
Accumulated depreciation and impairment charges 1 Jan	22,703	-	5,920	6,614	12,535
- Accumulated depreciation on disposals	-	-	-29	-542	-572
+ Depreciation for the period	1,869	-	369	874	1,244
Accumulated depreciation and impairment charges 30 Jun	24,571	-	6,260	6,946	13,207
Carrying amount 30 Jun	**4,682**	**299**	**188**	**7,988**	**8,474**

	Intangible assets	Tangible assets			
Jan–Dec 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	940	-	7	8,013	8,020
- Disposals	-	-	-759	-2,425	-3,184
Acquisition cost 31 Dec	29,014	299	6,478	15,406	22,183
Accumulated depreciation and impairment charges 1 Jan	19,243	-	5,665	6,620	12,285
- Accumulated depreciation on disposals	-	-	-739	-2,090	-2,829
+ Depreciation for the period	3,460	-	995	2,084	3,079
Accumulated depreciation and impairment charges 31 Dec	22,703	-	5,920	6,614	12,535
Carrying amount 31 Dec	**6,311**	**299**	**557**	**8,792**	**9,648**

Note 11. Credit risks of financial assets and other commitments

MuniFin Group's credit risks are described in the Consolidated Financial Statements 2023 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 2023 (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 2024 (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	9,156,715	-70	-	-	-	-	9,156,715	-70
Loans and advances to the public and public sector entities at amortised cost	30,346,356	-128	1,252,647	-1,561	144,345	-248	31,743,348	-1,937
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,499,626	-8	3,322	-11	-	-	1,502,948	-19
Debt securities at amortised cost	1,290,723	-2	984	0	-	-	1,291,706	-2
Debt securities at fair value through other comprehensive income	354,759	-45	-	-	-	-	354,759	-45
Cash collateral to CCPs in Other assets at amortised cost	1,162,135	-7	-	-	-	-	1,162,135	-7
Total balance sheet items	**43,810,315**	**-260**	**1,256,953**	**-1,572**	**144,345**	**-248**	**45,211,613**	**-2,080**
Credit commitments (off-balance sheet)	2,883,375	-14	122,804	-3	-	-	3,006,180	-17
Total	**46,693,690**	**-273**	**1,379,758**	**-1,575**	**144,345**	**-248**	**48,217,793**	**-2,097**

* The Group has collateral and guarantee arrangements that fully cover the stage 3 receivables as described in the Consolidated Financial Statements 2023 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 1,961 thousand (EUR 2,031 thousand) of originated credit impaired receivables (*Purchased or Originated Credit Impaired, POCI*). Expected credit losses for the POCI receivables amount to EUR 3 thousand (EUR 3 thousand).

Exposures by asset groups and impairment stages	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3			
31 Dec 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	9,187,144	-73	-	-	-	-	9,187,144	-73
Loans and advances to the public and public sector entities at amortised cost	28,859,183	-122	1,524,888	-1,872	140,359	-214	30,524,430	-2,207
Leased assets in Loans and advances to the public and public sector entities at amortised cost	1,420,170	-8	21,546	-21	-	-	1,441,715	-29
Debt securities at amortised cost	1,573,803	-1	1,152	0	-	-	1,574,955	-1
Debt securities at fair value through other comprehensive income	369,711	-42	-	-	-	-	369,711	-42
Cash collateral to CCPs in Other assets at amortised cost	1,048,419	-6	-	-	-	-	1,048,419	-6
Total balance sheet items	**42,458,432**	**-252**	**1,547,586**	**-1,893**	**140,359**	**-214**	**44,146,377**	**-2,359**
Credit commitments (off-balance sheet)	3,017,837	-15	53,406	0	-	-	3,071,243	-15
Total	**45,476,269**	**-267**	**1,600,992**	**-1,894**	**140,359**	**-214**	**47,217,620**	**-2,375**

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
Opening balance 1 Jan 2024	**-267**	**-1,894**	**-214**	**-2,375**
New assets originated or purchased	-40	-112	-72	-224
Assets derecognised or repaid (excluding write-offs)	33	103	48	184
Transfers to Stage 1	-2	126	-	124
Transfers to Stage 2	1	-278	-	-278
Transfers to Stage 3	0	0	-11	-11
Additional provision (*Management overlay*)	-	375	-	375
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models* and inputs** used for ECL calculations	1	105	0	107
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Total 30 Jun 2024	**-273**	**-1,575**	**-248**	**-2,097**

* The Group has updated in its expected credit loss calculations the model of probability of default with regards to the indicator of probability of default within one year in customer receivables. In the previous model, a 30-day delay in payments to MuniFin Group was used as the indicator of probability of default within one year. In the updated model, the solvency occurrence is used as an indicator for the probability of default within one year resulting to a transfer to stage 3 according to the ECL model.

** Changes in the model parameters consist of updates to the Group's macroeconomic variables to reflect current forward-looking information at the end of the period. In addition, probabilities of default have been updated according to the update cycle.

MuniFin Group has updated in the first half of 2024 the probabilities of default according to the update cycle, and updated the indicator of probability of default within one year for customer receivables to meet the market practices. In addition, macro scenarios were updated to take into account forward-looking information at the end of the reporting period. The expected credit losses decreased by EUR 107 thousand due to changes made in models and parameters during the reporting period.

The Group has assessed the impact of increased interest rate levels on its customer receivables and credit risk. In June 2023, the Group's management decided to record an additional discretionary provision of EUR 609 thousand. This was based on a group-specific assessment that some customers may face challenges in the sufficiency of cash flows during the second half of 2023. At the end of the financial year 2023 the Group's management further assessed the need of discretionary provision and decided to record an additional provision of EUR 16 thousand, increasing the total provision to EUR 625 thousand.

According to the Group's assessment, some customers may face challenges in the sufficiency of cash flows also in the first half of 2024, which could manifest in increased payment delays and forbearances for MuniFin Group. At the end of June 2024, the Group's management assessed that the increased interest rate levels have impacted customers especially within the housing sector, and a slightly larger than normal amount of payment delays and forbearances have been observed during the first half of the year. According to the management's judgement, a smaller number of customers may experience the effects of increased interest rate levels at a slight delay and these customers may continue to face challenges in the sufficiency of cash flows, which may cause further payment delays and forbearances for MuniFin Group. Part of the previous additional discretionary provision has been realised during the first half of 2024 as transfers to levels 2 and 3. Thus the Group's management reassessed the need for additional discretionary provision, and decided to decrease it by EUR 375 thousand, making the additional discretionary provision based on a group-specific assessment EUR 250 thousand at the end of June. The additional discretionary provision relates to the balance sheet item *Loans and advances to the public and public sector entities*. The additional discretionary provision has not been allocated to the contract level.

The total credit risk of the MuniFin Group has remained low, and the amount of expected credit losses (*ECL*) remains low. MuniFin Group's customer exposures have zero risk weight in the capital adequacy calculation as they are from Finnish municipalities, joint municipal authorities, wellbeing services counties, or involve a municipality, joint municipal authority, wellbeing services county's 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 2024, MuniFin Group had EUR 13 million in receivables due to the insolvency of customers, for which the collateral realisation process is ongoing or where the credit receivable is due for payment by the guarantor (at the end of 2023 there were no such receivables). Credit risk of the liquidity portfolio has remained on a good quality level and the average 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
Opening balance 1 Jan 2023	**-464**	**-686**	**-21**	**-1,171**
New assets originated or purchased	-60	-65	0	-126
Assets derecognised or repaid (excluding write-offs)	87	31	18	136
Transfers to Stage 1	-1	88	-	87
Transfers to Stage 2	2	-40	-	-38
Transfers to Stage 3	0	0	-65	-65
Additional provision *(Management overlay)*	-	-625	-	-625
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	168	-596	-145	-573
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Total 31 Dec 2023	**-267**	**-1,894**	**-214**	**-2,375**

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
Opening balance 1 Jan 2024	**-**	**-**	**-**	**-**
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	-	-	-	-
Total 30 Jun 2024	**-**	**-**	**-**	**-**

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
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	-	-	-	-
Total 31 Dec 2023	**-**	**-**	**-**	**-**

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
Opening balance 1 Jan 2024	**-73**	**-**	**-**	**-73**
New assets originated or purchased	-9	-	-	-9
Assets derecognised or repaid (excluding write-offs)	11	-	-	11
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	1	-	-	1
Total 30 Jun 2024	**-70**	**-**	**-**	**-70**

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
Opening balance 1 Jan 2023	**-109**	**-**	**-**	**-109**
New assets originated or purchased	-4	-	-	-4
Assets derecognised or repaid (excluding write-offs)	46	-	-	46
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-6	-	-	-6
Total 31 Dec 2023	**-73**	**-**	**-**	**-73**

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
Opening balance 1 Jan 2024	**-122**	**-1,872**	**-214**	**-2,207**
New assets originated or purchased	-11	-109	-72	-192
Assets derecognised or repaid (excluding write-offs)	6	102	48	157
Transfers to Stage 1	-2	120	-	118
Transfers to Stage 2	0	-267	-	-266
Transfers to Stage 3	0	0	-11	-11
Additional provision *(Management overlay)*	-	375	-	375
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	0	90	0	90
Write-offs	-	-	-	-
Total 30 Jun 2024	**-128**	**-1,561**	**-248**	**-1,937**

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
Opening balance 1 Jan 2023	**-89**	**-662**	**-21**	**-772**
New assets originated or purchased	-20	-65	0	-85
Assets derecognised or repaid (excluding write-offs)	3	12	18	34
Transfers to Stage 1	-1	87	-	86
Transfers to Stage 2	2	-38	-	-36
Transfers to Stage 3	0	0	-65	-65
Additional provision *(Management overlay)*	-	-625	-	-625
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-18	-582	-145	-745
Write-offs	-	-	-	-
Total 31 Dec 2023	**-122**	**-1,872**	**-214**	**-2,207**

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
Opening balance 1 Jan 2024	**-8**	**-21**	**-**	**-29**
New assets originated or purchased	-1	0	-	-1
Assets derecognised or repaid (excluding write-offs)	0	0	-	0
Transfers to Stage 1	-	5	-	5
Transfers to Stage 2	0	-11	-	-11
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	16	-	16
Total 30 Jun 2024	**-8**	**-11**	**-**	**-19**

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
Opening balance 1 Jan 2023	**-6**	**-22**	**0**	**-28**
New assets originated or purchased	-1	0	-	-1
Assets derecognised or repaid (excluding write-offs)	0	16	0	16
Transfers to Stage 1	-	1	-	1
Transfers to Stage 2	0	-2	-	-2
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-1	-14	0	-15
Total 31 Dec 2023	**-8**	**-21**	**0**	**-29**

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
Opening balance 1 Jan 2024	**-1**	**0**	**-**	**-1**
New assets originated or purchased	-2	0	-	-2
Assets derecognised or repaid (excluding write-offs)	1	0	-	1
Transfers to Stage 1	0	0	-	0
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	0	-	0
Total 30 Jun 2024	**-2**	**0**	**-**	**-2**

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
Opening balance 1 Jan 2023	**-1**	**-**	**-**	**-1**
New assets originated or purchased	-1	0	-	-1
Assets derecognised or repaid (excluding write-offs)	1	-	-	1
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	-	-	0
Total 31 Dec 2023	**-1**	**0**	**-**	**-1**

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
Opening balance 1 Jan 2024	**-42**	**-**	**-**	**-42**
New assets originated or purchased	-10	-	-	-10
Assets derecognised or repaid (excluding write-offs)	7	-	-	7
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	-	-	0
Total 30 Jun 2024	**-45**	**-**	**-**	**-45**

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 Consolidated Financial Statements 2023 accounting policies in Note *1* in Section *9.4 Presentation of allowance for ECL in the statement of financial position*.

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
Opening balance 1 Jan 2023	**-44**	**-**	**-**	**-44**
New assets originated or purchased	-22	-	-	-22
Assets derecognised or repaid (excluding write-offs)	27	-	-	27
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-3	-	-	-3
Total 31 Dec 2023	**-42**	**-**	**-**	**-42**

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
Opening balance 1 Jan 2024	**-6**	**-**	**-**	**-6**
New assets originated or purchased	-1	-	-	-1
Assets derecognised or repaid (excluding write-offs)	0	-	-	0
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	-	-	0
Total 30 Jun 2024	**-7**	**-**	**-**	**-7**

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
Opening balance 1 Jan 2023	**-203**	**-**	**-**	**-203**
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	197	-	-	197
Total 31 Dec 2023	**-6**	**-**	**-**	**-6**

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
Opening balance 1 Jan 2024	**-15**	**0**	**-**	**-15**
New assets originated or purchased	-7	-3	-	-10
Assets derecognised or repaid (excluding write-offs)	8	0	-	8
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 2024	**-14**	**-3**	**-**	**-17**

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 Consolidated Financial Statements 2023 accounting policies in Note *1* in Section *9.4 Presentation of allowance for ECL in the statement of financial position.*

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
Opening balance 1 Jan 2023	**-11**	**-2**	**-**	**-14**
New assets originated or purchased	-12	0	-	-12
Assets derecognised or repaid (excluding write-offs)	9	2	-	11
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 31 Dec 2023	**-15**	**0**	**-**	**-15**

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 presented in the adjacent table.

	30 Jun 2024			31 Dec 2023		
Scenario	2024	2025	2026	2024	2025	2026
Adverse	40%	40%	40%	40%	40%	40%
Base	50%	50%	50%	50%	50%	50%
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. The 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 ECB are employed in the model and scenario parameters. Each variable covers an estimate over a period of three years. The adjacent table presents the macroeconomic variables and their forecasts over the three-year forecast period.

		30 Jun 2024			31 Dec 2023		
Macroeconomic variables	**Scenario**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
10Y Fin Government rate, %	Adverse	3.8	3.7	3.6	3.8	3.7	3.7
	Base	3.0	3.0	2.9	3.5	3.5	3.4
	Optimistic	3.5	3.5	3.4	3.3	3.2	3.2
Residential Real Estate (selling price, YoY change), %	Adverse	-13.0	-2.0	3.0	-13.0	-2.0	3.0
	Base	-1.0	4.0	2.5	-1.0	4.0	2.5
	Optimistic	2.5	4.0	2.5	2.5	4.0	2.5
Unemployment rate, %	Adverse	10.2	9.9	8.5	9.9	9.6	8.5
	Base	8.0	7.5	7.0	7.7	7.4	7.0
	Optimistic	7.1	6.1	5.8	7.1	6.1	5.8

Despite the rapid tightening of monetary policy, the economic downturn in the euro area has remained quite mild, and economic expectations have started to strengthen. Global economic growth forecasts have also been revised upward. Inflation is slowing down but is still projected to average above the ECB's 2% target level in 2024. There remains a considerable amount of uncertainty related to inflation, including factors such as significant wage increases and prices of services. Monetary policy tightening has been felt more prominently in Finland, and the economic downturn has been deeper than in the Eurozone as a whole. Finland's gross domestic product declined by 1.0% in 2023, and the economy is expected to contract by an additional 0.5% in 2024. Cyclical recovery along with investments in the green transition are seen to accelerate GDP growth to 2% in 2025, after which the economy converges to its long-term growth trajectory. Significant increases in unemployment are not expected, as several sectors continue to face a shortage of labor. Average yearly unemployment rate is expected to peak at 8.0% in 2024 and remain elevated above 7% in 2025–2026. The prices of owner-occupied apartments in major cities, on average, are expected to decrease by 7% in 2023. The recovery of the real estate market begins in 2024, but the annual average prices continue to decline slightly. Given the high real interest rates relative to the economy's growth potential, there is already a case for easing monetary policy. However, due to uncertainties related to inflation, interest rates can only be lowered in small steps. The ECB is likely to reach a terminal deposit rate of 2.5% by the end of 2025.

In comparison to the baseline scenario, the Group's optimistic outlook envisions a less severe economic impact from tight financial conditions. In the optimistic scenario, the projected growth of the Finnish GDP is 1.0% in 2024 and 3.5% in 2025. The unemployment rate is expected to continue its gradual decline throughout the forecast period from 2024 to 2027. Consumer price inflation is forecasted to cool down to 2.0% in 2024 and remain just below 2% over the subsequent three years. Housing demand is projected to recover in 2024, with home prices expected to rise by 2.5% from the previous year. Home price inflation is anticipated to accelerate to 4.0% in 2025, followed by a moderation to a 2.5% level in annual price gains. Due to the faster-than-expected recovery in aggregate demand, the ECB is anticipated to lower interest rates more gradually than in the baseline scenario.

The Group's adverse scenario depicts an outcome wherein monetary tightening and geopolitical tensions ultimately instigate a synchronized downturn in the global economy. Both Finland and the entire eurozone endure a profound recession, persisting well into 2025. Unemployment experiences a substantial surge and maintains elevated levels throughout the forecast period. The contraction in aggregate demand exacerbates deflationary pressures in the economy, resulting in a more rapid cooling of inflation compared to the baseline scenario. Lower inflation, coupled with formidable economic headwinds, prompts an abrupt shift in monetary policy. The ECB initiates a series of multiple rate cuts in 2024 and continues to pursue monetary easing throughout 2025. The diminished demand in the housing market leads to a sharp decline in home prices. The prolonged global recession induces tensions in financial markets, causing wider risk premia in asset pricing. Poor economic performance and the mounting public debt significantly elevate the Finnish-German interest rate differential.

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).

Sensitivity analysis	30 Jun 2024			31 Dec 2023		
(EUR 1,000)	Weighted scenario	Adverse scenario (100%)	Excluding weighted scenario	Weighted scenario	Adverse scenario (100%)	Excluding weighted scenario
ECL	1,847	1,925	1,718	1,750	2,414	1,618
Proportion of the exposure in Stage 2 and 3	3.46%	3.91%	3.46%	3.94%	5.10%	3.78%

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 2024 (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	-	7,539	7,539	-78	7,460
Unlikely to be paid	-	18,038	18,038	-61	17,977
Forborne exposures	389,199	118,768	507,967	-482	507,486
Total	**389,199**	**144,345**	**533,544**	**-621**	**532,923**

Non-performing and forborne exposures 31 Dec 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	-	7,491	7,491	-36	7,454
Unlikely to be paid	-	19,037	19,037	-59	18,978
Forborne exposures	377,463	113,832	491,295	-570	490,725
Total	**377,463**	**140,359**	**517,823**	**-666**	**517,157**

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. Performing forborne exposures are classified in stage 2 in ECL calculations and non-performing forborne exposures in stage 3.

Geopolitical uncertainties have had no direct impact on MuniFin Group's customers or receivables. The inflation and rising interest rate levels appeared in the first half of 2024, and may continue to appear as increased forbearance measures, payment delays and as a deterioration of the customers' creditworthiness.

Realised credit losses

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

Note 12. Liabilities to credit institutions

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Bilateral loans to credit institutions	141,756	129,878
Liabilities to credit institutions, payable on demand	-	2,177
Received collateral on derivatives	183,970	81,640
Total	**325,726**	**213,695**

Note 13. Debt securities issued

(EUR 1,000)	30 Jun 2024 Carrying amount	30 Jun 2024 Nominal value	31 Dec 2023 Carrying amount	31 Dec 2023 Nominal value
Bonds	38,757,504	41,405,925	36,614,320	38,680,909
Other*	3,125,486	3,145,392	3,987,327	4,017,074
Total	**41,882,991**	**44,551,317**	**40,601,646**	**42,697,983**

* 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	17 Jan 2024	2 Feb 2034	2.750%	1,000,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	31 Jan 2024	31 Jan 2029	4.250%	1,500,000	USD
Fixed rate benchmark bond, issued under the MTN programme	23 Apr 2024	23 Apr 2027	4.875%	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.kuntarahoitus.fi/en/for-investors/funding.

MuniFin Group takes into account the guarantee given by the Municipal Guarantee Board in its issued debt securities in the fair value of those financial liabilities on a net basis.

Note 14. Provisions and other liabilities

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Provisions		
Restructuring provision	407	-
Other liabilities		
Lease liabilities	8,016	8,837
Cash collateral taken from CCPs	373,743	392,173
Other	17,710	17,265
Total	**399,876**	**418,275**

	Restructuring provision		Other provisions	
(EUR 1,000)	Jan–Jun 2024	Jan–Dec 2023	Jan–Jun 2024	Jan–Dec 2023
Carrying amount at the beginning of the period	-	-	-	446
Increase in provisions	407	-	-	-
Unused amounts reversed	-	-	-	-446
Carrying amount at the end of the period	**407**	**-**	**-**	**-**

The restructuring provision is related to the termination of subsidiary Inspira's business during the reporting period in 2024. Unused amounts reversed during financial year 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 the first half of 2023. The provision has been reversed on the basis of the received decision.

Note 15. Collateral given

Given collaterals on behalf of own liabilities and commitments (EUR 1,000)	30 Jun 2024	31 Dec 2023
Loans and advances to credit institutions to the counterparties of derivative contracts*	863,839	1,060,913
Loans and advances to credit institutions to the central bank**	26,098	35,152
Loans and advances to the public and public sector entities to the central bank***	4,688,702	4,598,718
Loans and advances to the public and public sector entities to the Municipal Guarantee Board****	12,975,707	12,701,070
Debt securities to the central counterparty	99,047	70,062
Other assets to the counterparties of derivative contracts*	1,162,128	1,048,412
Total	**19,815,521**	**19,514,327**

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

** Item consists of minimum reserve in the central bank.

*** MuniFin is a monetary policy counterparty approved by the central bank and for this purpose, loans have 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 MuniFin'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 16. Contingent assets and liabilities

The Group has no contingent assets or liabilities at 30 June 2024 or at the comparison date 31 December 2023.

Note 17. Off-balance-sheet commitments

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Credit commitments	3,006,180	3,071,228
Total	**3,006,180**	**3,071,228**

Expected credit loss on credit commitments is EUR 17 thousand (EUR 15 thousand). More information on credit risks of financial assets and other commitments can be found on Note *11*.

Note 18. Related-party transactions

MuniFin Group's related parties include:

- MuniFin's shareholders whose ownership and corresponding voting rights in the Company exceed 20%. The shareholder with more than 20% of the voting rights is Keva.
- 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 2023.

Note 19. Events after the reporting period

The MuniFin's Board of Directors is not aware of any events having taken place after the end of the reporting period that would have a material effect on the Group's financial standing.

Auditor's report on review of interim financial information of Municipality Finance Plc for the six-month-period ended 30 June 2024

To the Board of Directors of Municipality Finance Plc

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Municipality Finance Plc as of 30 June 2024 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flows for the six-month period then ended and notes. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 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 International Standards on Auditing and consequently does not enable us to obtain 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 accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting.

Helsinki 13 August 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

MuniFin (Municipality Finance Plc) is one of Finland's largest credit institutions. The Company is owned by Finnish municipalities, the public sector pension fund Keva and the Republic of Finland. The Group's balance sheet totals to over EUR 50 billion.

MuniFin's customers include municipalities, joint municipal authorities, wellbeing services counties, corporate entities under their control, and non-profit organisations nominated by the Housing Finance and Development Centre of Finland (Ara). Lending is used for environmentally and socially responsible investment targets such as public transportation, sustainable buildings, hospitals and healthcare centres, schools and day care centres, and homes for people with special needs.

MuniFin's customers are domestic, but the Company operates in a completely global business environment. The Company is an active Finnish bond issuer in international capital markets and the first Finnish green and social bond issuer. The funding is exclusively guaranteed by the Municipal Guarantee Board.

Read more: www.munifin.fi

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

MuniFin