Annual Report
2024

“ With the world around us undergoing radical changes, it is more important than ever to promote stability and welfare.

MuniFin

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We help secure Finland's operational reliability, development opportunities and security of supply. The results of our work can be seen in the everyday lives of Finns.

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Our financing was in high demand as municipalities continued to have significant investment needs. Affordable social housing production helped mitigate the downturn in the construction sector.

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MuniFin

CEO's review

Finnish society is a success story on several fronts

The operating environment in global economy and international politics went through a whirlwind of changes in 2024. Even in the turmoil, Finland stood steady and secure: our society is built on long-standing practices and institutions that have been developed together and tried and tested over time. This stability also helps safeguard MuniFin's strong performance through shifts in the operating environment. Finnish society must continue to operate in broad collaboration and develop the structures of society in the long term. Sometimes this requires difficult decisions in the short term.

In 2024, the demand for MuniFin's financing was especially high in the affordable social housing sector. In the future, however, the sector will be facing reductions on interest subsidy loan authorisations.

The Finnish system for affordable social housing is a success story that has served as a model across Europe – and will hopefully continue to do so, especially now that the rising cost of living has led to a surge in homelessness in many countries. Our state-subsidised housing production system has proven effective in reducing homelessness and regional segregation, increasing the supply of affordable social housing in growth centres, advancing municipalities' housing policy goals of ensuring a diverse housing structure, and providing high-quality housing also to students, senior citizens and people with disabilities. Especially in the past couple of years, affordable housing production has also significantly supported the vitality of the Finnish construction sector, helping offset the slump in housing construction.

> "The Finnish system for affordable social housing has served as a model across Europe – and will hopefully continue to do so.

When addressing homelessness at the EU level, resources should be targeted at countries whose existing structures do not support and promote sufficient housing production. Finland's well-functioning system should not be changed; rather, the current model and level of housing production subsidies should be kept as they are. Timely investments into affordable social housing production can also help level out construction cycles and support employment.

The tried and tested joint financing system formed by MuniFin and the Municipal Guarantee Board (MGB) could be put to wider use. In 2024, MuniFin's financing to wellbeing services counties was restricted by the MGB's EUR 400 million limit for MuniFin's long-term loans to wellbeing services counties. This limit narrows down wellbeing services counties' financing options and curbs competition, pushing up the financing costs for the counties, which are already showing a deficit. The limit would not be necessary if the counties were either members of the MGB or the government guaranteed their funding in some other way.

In 2024, MuniFin reached new milestones in sustainable investments. In October, we issued our tenth green bond, the high demand of which was once again testament to our strong position as an international forerunner in the financial sector. Moreover, sustainable finance made up the majority of the new long-term customer financing we granted in 2024. Late in the year, we piloted our new financing product, a sustainable development loan, which we will be offering to municipalities that aim to reduce their greenhouse gas emissions in line with the goals set out in the Finnish Climate Act and their own climate plan starting in 2025.

Municipalities undertake such a massive amount of climate work that Finland could not reach its climate targets without the valuable work and example of our customers. In 2024, a sizeable share of all the projects that we financed received either green or social finance, which shows that the investments of our customers are impactful and sustainable.

For most of us at MuniFin, it is the social significance and meaningfulness of our work that drives us. With the world around us undergoing radical changes, it is more important than ever to promote stability and welfare. We should take pride in the Finnish social system that has been built up patiently over decades. The thanks for upholding, honing and strengthening it goes to our customers and partners, but also to our staff. Our work matters.

Esa Kallio
President and CEO
Municipality Finance Plc

MuniFin and the year 2024 in brief

We help secure Finland's operational reliability, development opportunities and security of supply. The results of our work can be seen in the everyday lives of Finns.

MuniFin in brief

Working for an operational and sustainable Finland

MuniFin plays a key role in promoting the development of Finnish society and the wellbeing of Finns by enabling investments. We help secure Finland's operational reliability, development opportunities and security of supply also during economic crises and other exceptional circumstances. Our role is to ensure that our limited customer base, which is assigned to carry out public duties, has access to affordable financing under all market conditions – both in stable conditions and in a world fraught with uncertainties and crises. The results of our work can be seen in the everyday lives of Finns.

Our customers rely on us as a strong and consistent long-term financing partner. We offer a wide range of financing services to municipalities, wellbeing services counties and affordable social housing organisations. We offer financing to environmentally sustainable and socially responsible projects, such as schools, day-care centres, hospitals, health centres and affordable housing. Our customers include municipalities, joint municipal authorities, wellbeing services counties, joint county authorities and corporate entities under their control, and non-profit organisations and projects nominated by the Housing Finance and Development Centre of Finland (Ara). We are the main financing partner to our customers.

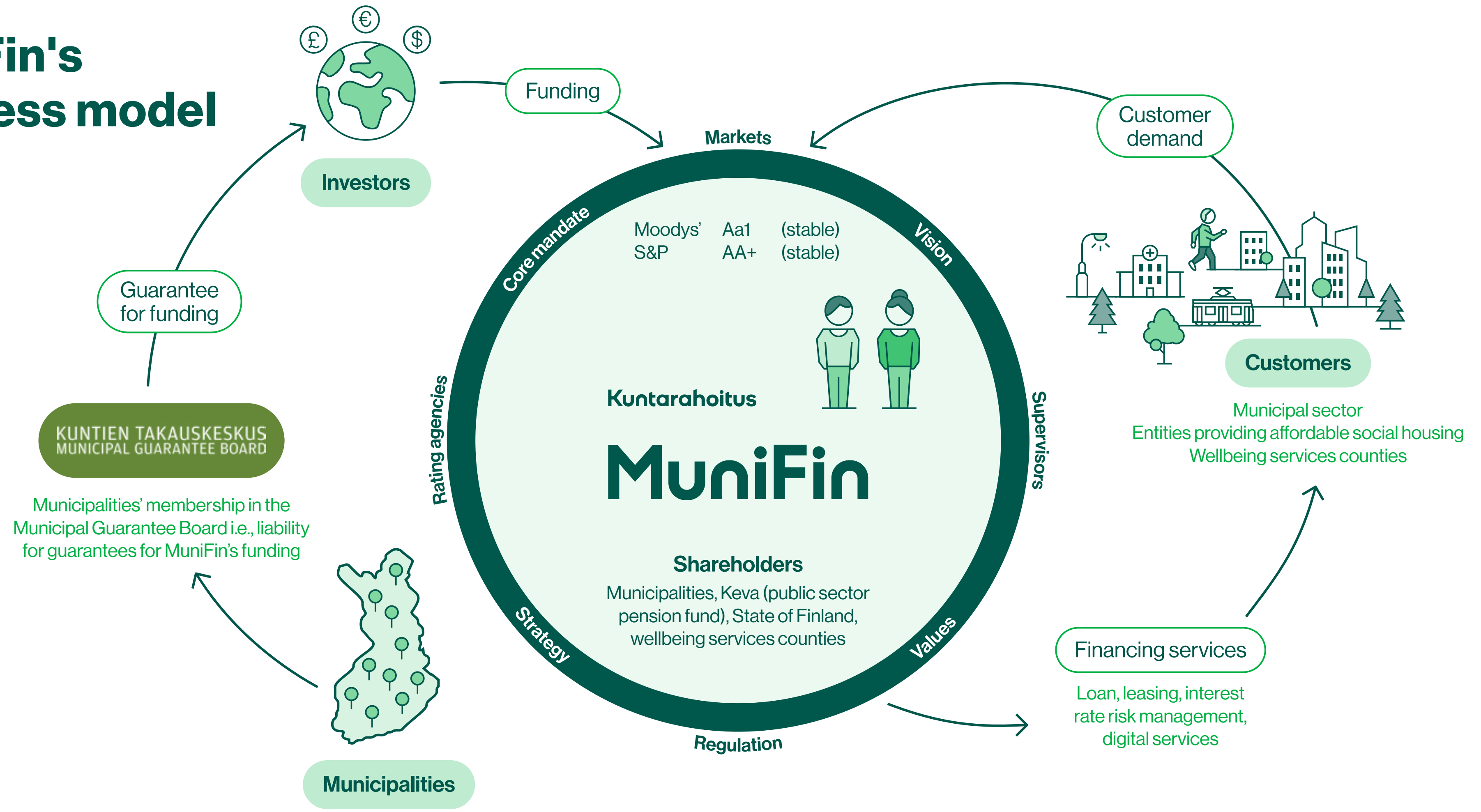
We take sustainability into account in all our operations. Our experts help our customers make investment decisions that are sustainable for the economy, environment and society. We promote sustainable investments by offering a price discount to investments that are especially friendly to the climate and environment or that produce widespread social benefits.

To meet the needs of our customers, we acquire funding from the international capital markets, where we are known as a reliable and highly responsive market participant. Our funding is guaranteed by the Municipal Guarantee Board, a public law institution whose members consist of all the municipalities in mainland Finland.

MuniFin is one of Finland's largest credit institutions, and our key shareholders include Finnish municipalities, public sector pension provider Keva and the State of Finland. We do not seek to maximise profit but to serve the long-term interests of our customers.

MuniFin employs 178 financial and economic experts. We want to provide an attractive and adaptable working environment with values-driven management.

MuniFin's business model



Year 2024 in figures

AA+
Aa1

Credit rating
Standard & Poor's: AA+
Moody's: Aa1

Shareholders %

53 / 31 / 16

Municipalities / Keva / State of Finland

Key figures (Group)

Net operating profit excluding unrealised fair value changes

2024	2023
181	176
EUR million	EUR million

Leverage ratio

2024	2023
12.3 %	12.0 %

Long-term customer financing

35.2

EUR billion

New long-term funding

8.9

EUR billion

Green finance

6.8

EUR billion

Social finance

2.5

EUR billion

ESG ratings

7.2

Sustainalytics ESG risk rating, 23 May 2024

AA

MSCI, 18 April 2023

C+ Prime

ISS ESG, 18 January 2024

Willingness to recommend (scale 1–7)

6.62

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Highlights of 2024

01 02 03 04 05 06 07 08 09 10 11 12

January:
Our EUR 1 billion 10-year benchmark bond was highly successful in a record-breaking market.

Our USD 1.5 billion benchmark bond resulted in an order book of USD 4.4 billion, our all-time record to date.

February:
Our inaugural NOK social bond met with strong demand despite ample supply from SSA issuers in the NOK market.

March:
We published a new edition of the Position Paper on Green Bonds Impact Reporting as part of a Nordic public sector issuer group.

Our GBP 250 million issue was well received in the market, with particularly strong participation from central banks and official institutions.

May:
We discontinued our subsidiary company Inspira's consulting services as we focused even more decidedly on our core mandate and the operations supporting it.

October:
Our tenth green bond of USD 1 billion garnered the largest order book in our history with USD 5.5 billion.

We published our first financed emissions report, disclosing the greenhouse gas emissions associated with our lending and investment portfolios. The report provides emissions data for the years 2020–2022.

October–November:
We organised an online customer event series entitled 'Economy & municipalities' that addressed sustainable investments and changes in the municipal operating environment and municipal finances.

December:
We granted our first sustainable development loan, which we offer to municipalities that have a climate plan. If municipalities achieve their emission reduction targets, they will receive a margin discount.

MuniFin

Strategy and sustainability

Our strategy underlines our core mandate of ensuring that our customers have access to affordable financing under all conditions. It also highlights our role as an enabler of sustainable welfare in society.

Strategy

Our core mandate is to safeguard the availability of affordable financing also in uncertain times

MuniFin plays a key role in securing the development and operational reliability of Finnish society because we are the only credit institution in Finland that specialises in financing the municipal sector, affordable social housing production and wellbeing services counties. Our vision is to be the main financing partner for our customers. Our work is guided by our values of customer centricity, responsibility and transparency.

Our core mandate determines not just our customer base, but also our range of products and services: we only develop and offer services that directly align with our core mandate. For this reason, we divested our subsidiary company Inspira's advisory services in 2024. Instead, we are directing our resources into developing the Group's competences, processes and IT systems to meet future needs.

Recent years have been marked by crises such as the COVID pandemic, Russia's war of aggression and the escalating Middle East conflict, and the economic uncertainty and changes in the geopolitical situation resulting from them. These turbulent times have further highlighted our role in Finnish society.

We have been able to successfully carry out our core mandate throughout our history, in times of both stability and crisis. This was also true in 2024.

Our business model and strategy uphold the trust and confidence international investors have in us. In 2024, strong customer demand and successful funding operations further solidified our role as the main financing partner to our customers.

> We are the only credit institution in Finland that specialises in financing the municipal sector, affordable social housing production and wellbeing services counties.

Our vision

To be the main financing partner for our customers

Our values

Customer centricity, responsibility, transparency

MuniFin's sustainability agenda

Sustainability agenda sets impactful goals for our sustainability work

Our sustainability work is guided by our sustainability agenda. It focuses on our business operations and the impact achieved through them and crystallises our long-term sustainability goals. The agenda is built around two main themes: supporting the foundation of the Finnish welfare society and driving the green transition. Our goals are to increase the proportion of sustainable finance in our long-term customer finance portfolio and to reduce our financed emissions from buildings.

Our sustainability work requires constant improvements, and these are not limited to the goals outlined in our sustainability agenda alone. Although the majority of our environmental impacts are indirect as they are created through the activities of our customers, we take environmental responsibility into consideration in our work by committing to following the Green Office environmental management system, compensating for our emissions and encouraging low-emission commuting.

We have received the WWF Green Office certification, which requires comprehensive consideration of environmental aspects in business premises, decision-making and operations. Green Office workplaces are committed to continuously improving their environmental responsibility.

We offset the emissions generated by our employees' business air travel and for the CO_2 emissions generated by the customer events that we organise. In 2024, we prevented a total of 115 tonnes of CO_2 emissions through the EU Emissions Trading System. Due to the growing popularity of remote working technology and our effective hybrid working model, we have organised fewer events and travelled substantially less.

We report on the climate and environmental impact of our operations on an annual basis. Understanding the impact of our own operations, liquidity investments and the projects we have financed is an important part of our environmental responsibility. We are also improving our readiness to meet future sustainability reporting requirements, such as the EU Corporate Sustainability Reporting Directive (CSRD). We will publish our first CSRD-compliant sustainability report for the year 2025 in early 2026.

Enabler of sustainable welfare in society

Foundation of the Finnish welfare society	Driver of the green transition
Enabling the foundation for a sustainable welfare state	Promoting investments that benefit the climate and environment
Indicators: Amount of social finance	Indicators: Amount of green finance Financed emissions from buildings

Sustainable development
Sustainable development seeks to ensure people's wellbeing within the limits of the planet's carrying capacity. A stable social foundation is a prerequisite for the achievement of climate goals.

Indicators for our long-term goals

Our strategic goal is for sustainable finance to account for 25% of our long-term customer finance portfolio by 2027.

- **Amount of green finance: 25% of our long-term customer finance portfolio by 2030**
  In 2024, green finance accounted for 19.0% of our customer financing (14.6% in 2023).
- **Amount of social finance: 8% of our long-term customer finance portfolio by 2030**
  In 2024, social finance accounted for 7.1% of our customer financing (6.8% in 2023).
- **Financed emissions from buildings: emission intensity 8 kgCO_2e/m2 by 2035**
  Calculated from 2023 data, the emissions intensity of our portfolio was 10.8 kgCO_2e/m2 (12 kgCO_2e/m2 in 2022).

We publish annual green and social impact reports on our website. In 2024, we also published our first financed emissions report, disclosing the greenhouse gas emissions associated with our loans and investments in 2020–2022.

Case

We published our first financed emissions report

In October 2024, we published our first financed emissions report, disclosing the greenhouse gas emissions associated with our lending and investment portfolios in 2020–2022.

MuniFin is a member of the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments. As we joined the PCAF in 2022, we committed to measuring and disclosing the greenhouse gas emissions associated with our lending and liquidity portfolios by 2025.

Financed emissions represent 99% of all emissions associated with our business. By focusing on reducing not just our direct emissions but also our financed emissions together with our customers, we can create a much larger positive impact. As we develop emission calculations, the focus must be on constantly improving data quality, tracking goals and increasing customer interactions.

Mikko Noronen
Sustainability Manager

"The report shows that we are on the right track in reducing emissions from financed buildings. This work will continue as we adjust our reporting in preparation for the implementation of the CSRD."

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Business operations

Our financing was in high demand as municipalities continued to have significant investment needs. Affordable social housing production helped mitigate the downturn in the construction sector. Our funding operations were again highly successful despite the economic and geopolitical uncertainty.

Financing and other services for customers

Strong demand for financing, further growth in sustainable finance

In 2024, the demand for our financing was high, and we maintained our solid position as the primary financing partner to our customers. The high demand was driven by the municipal sector's large investment needs and weakened financial situation and the increased government interest subsidy loan authorities in affordable social housing production.

- The majority of our new long-term customer financing was sustainable finance: green or social finance.
- We piloted our new sustainable development loan, which will be available to customers in 2025. This loan is offered to municipalities that have a climate plan demonstrating their commitments to actions aimed at reducing greenhouse gas emissions. Municipalities will receive a price discount if they achieve their emission reduction targets.
- We expanded our digital services to include the quotation process for leasing products.
- Our financing to wellbeing services counties continued to be restricted by the Municipal Guarantee Board's limit for our long-term loans to wellbeing services counties, which was EUR 400 million in 2024. Wellbeing services counties' financing needs and government-authorised borrowing powers were considerably higher than this limit.

New long-term customer financing in 2024, EUR

5.1 billion

2023: EUR 4.3 billion

of this, EUR

4.8 billion

consisted of loans

2023: EUR 4.1 billion

and EUR

0.2 billion

of leased assets.

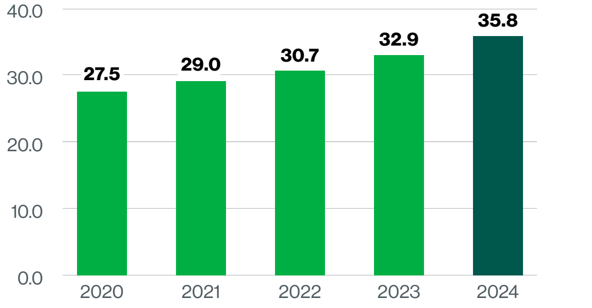
2023: EUR 0.2 billion

Short-term customer financing in 2024, EUR

1.8 billion

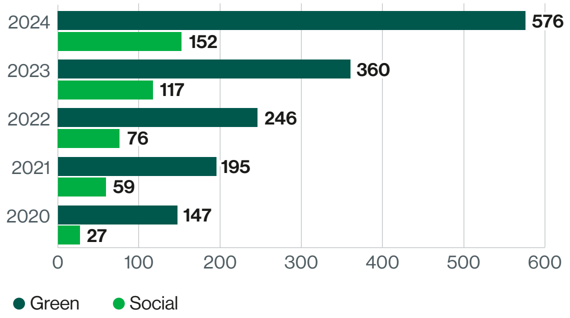
2023: EUR 1.6 billion

Long-term customer financing in 2020–2024, EUR billion



Long-term customer financing excluding unrealised fair value changes (EUR billion)

Number of green and social finance projects in 2020–2024



Amount of green finance, EUR
6.8 billion
2023: EUR 4.8 billion

Amount of social finance, EUR
2.5 billion
2023: EUR 2.2 billion

tCO_2
Annual CO2 emissions avoided/reduced in green finance projects
69,278

MWh
Annual energy savings in green finance projects (avoided/reduced)
81,056

Key sustainability indicators in customer operations

- Customer satisfaction is at a very good level
- Training sessions, seminars and events for customers

Case

Digitalising the financing processes improves efficiency and customer experience

Since 2021, we have devoted significant resources to enhancing the efficiency and convenience of our customers' financing processes. The application process for short-term customer financing is fully digital, and the majority of long-term financing applications are also submitted online.

In 2024, we expanded our digital services to include leasing. We also improved our internal processes, especially in making changes to existing financing agreements.

By improving the internal transparency and efficiency of our customer work, we have been able to dedicate more time to providing our customers personal service while also lightening our employees' workload.

Noora Huhtio
Development Manager

"All our customer relations build on outstanding service. Our guiding principle in modernising our financing process is to ensure seamless and efficient customer experience. When tools and processes are designed to support smooth service delivery, the introduction of new digital features markedly improves the experience from the outset."

Funding

Record-breaking year in green bonds

Our funding strategy relies on wide diversification into multiple currencies, maturities, geographical areas and investor groups. This strategy has proved highly successful amidst the turmoil in monetary and security policy that continued in 2024.

- We retained strong access to international capital markets throughout the year. We issued five benchmark bonds, which were met with excellent demand.
- For the first time ever, we issued a total of three green bonds within a single year. The USD 1 billion bond issued in October marked our tenth green bond and garnered the largest order book in our history with USD 5.5 billion.
- We issued a record number of sustainable bonds in 2024. We also branched out into new currencies, issuing both our first NOK green bond and our first NOK social bond as well as our first SEK green bond.
- Credit risk premiums increased significantly across the euro area SSA (Sovereigns, Supranationals, Agencies) issuers, to which MuniFin also belongs.

New long-term funding in 2024, EUR
8.9 billion
2023: EUR 10.1 billion

Euro Commercial Papers at the end of 2024, EUR
3.4 billion
2023: EUR 4.0 billion

Number of funding arrangements in 2024
70 pcs
2023: 87 pcs

Total funding at the end of 2024, EUR
46.7 billion
2023: EUR 43.3 billion

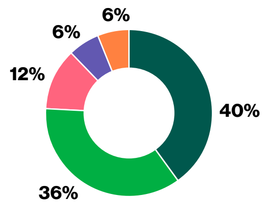
Number of currencies in funding arrangements in 2024
9 pcs
2023: 12 pcs

Main funding operations

- **January:** Benchmark, EUR 1.0 billion
- **January:** Benchmark, USD 1.5 billion
- **February:** Social bond, NOK 2.0 billion
- **March:** Benchmark, GBP 250 million
- **April:** Benchmark, USD 1.0 billion
- **June:** Benchmark, GBP 250 million
- **August:** Benchmark, EUR 1.0 billion
- **September:** Green bond, NOK 2.0 billion
- **October:** Green bond, USD 1.0 billion
- **November:** Green bond, SEK 4.0 billion

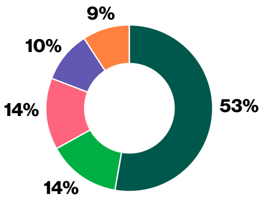
New long-term funding in 2024

By currency



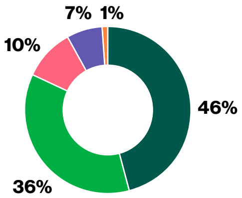
- US Dollar (USD)
- Euro (EUR)
- UK pound sterling (GBP)
- Norwegian krone (NOK)
- Other currencies

By region



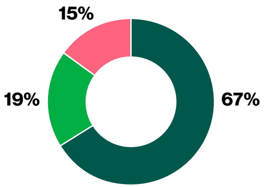
- Europe excl. Nordics
- Nordics
- Asia Pacific
- Africa and The Middle East
- Americas

By investor type



- Banks
- Central banks and official institutions
- Asset managers
- Insurance companies and pension funds
- Retail

By funding class



- EUR and USD benchmark bonds
- Other public market bonds
- Private placements

Key sustainability indicators in funding

- Survey of North European issuers

Case

Record year in sustainable funding culminated in the issuance of our tenth green bond

MuniFin is a pioneer of green finance in Finland: in 2016, we issued the first Finnish green bond.

The year 2024 was a record year for us in terms of the volume and number of green bonds. For the first time ever, we issued a total of three green bonds in one year. The latest of these, the USD 1 billion green bond issued in October marked our tenth green bond issuance.

In our sustainability agenda, we set a goal of increasing the share of sustainable finance to at least one third of our long-term customer financing by 2030. In 2024, green and social finance accounted for 26.1% of our long-term customer financing, so we are right on track to achieving this target.

Joakim Holmström
Executive Vice President,
Capital Markets and
Sustainability

> "Our green and social bonds have been in high demand among investors. Our tenth green bond garnered the largest order book in our history with an impressive USD 5.5 billion."

Liquidity management

Liquidity management focused on high liquidity and sustainability

Our long-term risk appetite specifies that our total liquidity must cover uninterrupted business for a survival horizon of at least 12 months. With the amount held at the end of the year, we could uphold all our commitments with no additional funding for nearly 15 months (16 months).

- We maintained strong liquidity in 2024. Our goal is to ensure good liquidity of our investments in all market situations, and this goal guides our operations.
- Alongside profitability, we monitor the sustainability of our investments through their ESG (Environmental, Social and Governance) score. Our Sustainable Investment Framework summarises the sustainability principles, processes and responsibilities of our investment operations.

Total liquidity, EUR

11.9 billion

2023: EUR 11.6 billion

Central bank deposits, EUR

7.8 billion

2023: EUR 8.0 billion

Investments in liquid, low-risk securities, EUR

4.0 billion

2023: EUR 3.6 billion

Money market deposits in credit institutions, EUR

0.09 billion

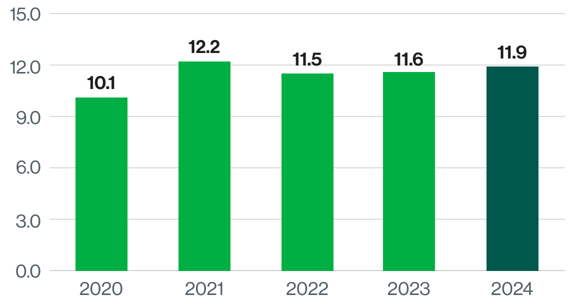
2023: EUR 0.07 billion

Average credit rating of debt securities, EUR

AA+

2023: AA+

Total liquidity in 2020–2024, EUR billion



ESG score of liquidity investments and their benchmark index

7.70 / 7.51

2023: 7.50 / 7.41

Direct socially responsible investments, EUR

870 million

2023: EUR 635 million

Ratio of sustainable investments

21.5%

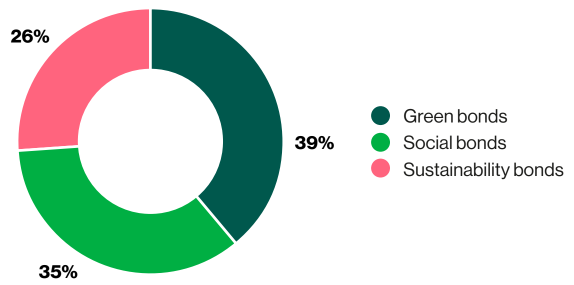
2023: 17.4%

Ratio of sustainable investments to own green and social funding

14.9%

2023: 14.0%

MuniFin's socially responsible investments (SRIs)



Total amount of MuniFin's SRIs, EUR 879 million.

Key sustainability indicators in liquidity management

- ESG score of the investment portfolio compared to the benchmark
- Total amount of socially responsible investments (SRIs)

Organisation

MuniFin was again recognised as one of Finland's most inspiring workplaces. Our employees value how we offer them flexibility, support professional development and wellbeing and have a great workplace atmosphere. We maintain these positives through efficient and continuously developing operating practices that comply with financial sector regulation.

Personnel

Motivated by the social significance of our work

In 2024, we focused on strengthening our first-line management and orientation process and providing more support for hybrid work. Hybrid working has become a permanent fixture at MuniFin, and our employees value the model as an effective way to promote a healthy work-life balance.

Skills development is one of the cornerstones of our strategy. In 2024, we concentrated on identifying competencies and opportunities for professional growth. We also redesigned our performance appraisal models to better address professional development needs. This change was well-received by our employees.

We measure employee satisfaction through an anonymous survey conducted annually by an independent research company. In 2024, we were ranked among Finland's most inspiring workplaces for the third consecutive year. Our results not only exceed the average for Finnish expert organisations, but they have also shown gradual improvement every year. Our employees appreciate the social significance, flexibility and attractiveness of their work, along with the positive workplace atmosphere and the employer support for professional development and wellbeing. Our employees also consider our remuneration policies to be very fair.

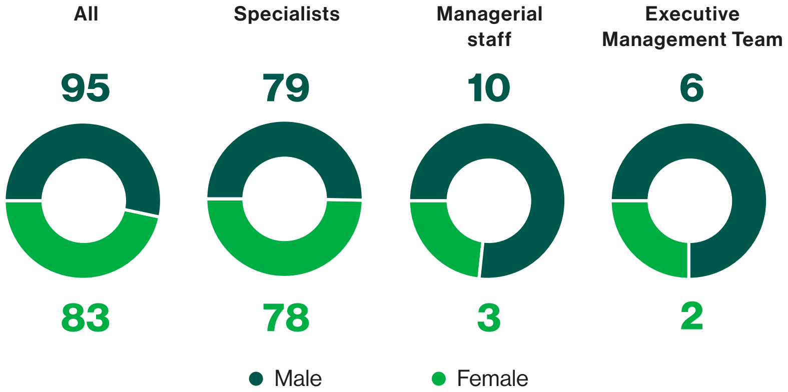
Equality, diversity and inclusion are vital to our corporate culture, and we promote them in accordance with our workplace development and equality and non-discrimination plans. We promote equal opportunities and are strongly opposed to discrimination. We value and make use of different types of expertise and experience. We cherish community spirit also by committing to our shared values and goals. Our goal is for all our employees to feel that they are equal members of our team and valued as they are.

At the end of 2024, MuniFin Group had 178 employees (185).

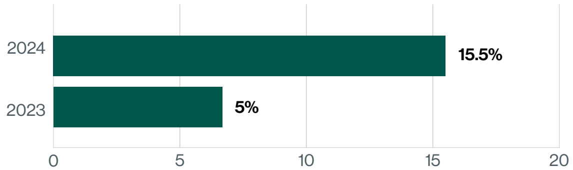
Key sustainability indicators in HR

- Personnel satisfaction is at a good level
- Gender distribution of the Board of Directors
- Gender distribution of the Executive Management Team
- Gender distribution of managerial staff
- Gender distribution of employees
- 100% of employees have completed Sustainability Policy training
- Training days per employee
- Gender pay gap
- Employee turnover
- Developing wellbeing at work

Gender distribution of employees



Employee turnover

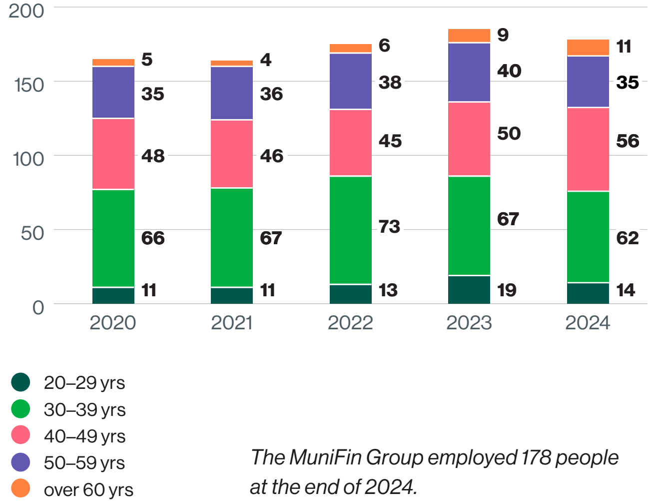


Employer's pension insurance (TyEL) category

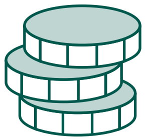
1

The TyEL contribution category indicates the rate of disability pensions due to reduced working ability. The fewer people are granted disability pension, the better the employer's category (with 1 being the best on a scale of 1–11).

Age distribution and number of employees



The MuniFin Group employed 178 people at the end of 2024.



Gender pay gap in similar positions

2% **for women's benefit**

Gender pay gap in positions of the same pay grade. The basis of equal pay is founded on a pay grade system, which determines each employee's pay level. We also commission an annual pay gap survey conducted by an external party.

Governance

Guaranteeing strong corporate governance

The financial sector is tightly regulated and supervised. As a credit institution, our operations are governed by laws and related supervisory guidelines, which contain a considerable amount of requirements on governance. Our operations are supervised by the European Central Bank and the Finnish Financial Supervisory Authority.

We deem it important that our corporate governance is professional and efficient and creates a solid basis for healthy business principles. We promote a level of responsibility in all our decisions and structures that goes over and above minimum legal requirements. Our commitment to strong corporate governance is emphasised in our key values and strategy and implemented in all our operations.

The financial sector is undergoing constant regulatory development, requiring us to keep up with the changes and meet new requirements. We actively follow regulatory developments and try to influence regulatory projects in their preparatory phases by voicing our positions on them when relevant. During all our years of operation, there have been no material regulatory violations that would have led to official sanctions.

In addition to internal control mechanisms, we have a compliance function that oversees our compliance with regulation based on an annual monitoring plan and provides internal guidance and support in compliance-related matters. Our website has a whistleblowing channel that can be used to report any suspected misconduct, also anonymously. Any significant contraventions of regulations are reported on a monthly basis to the executive management and the Board of Directors as part of our risk position reporting. This reporting practice is part of our risk appetite framework.

Our decision-making and responsibilities are set out in the Corporate Governance Policy approved by the Board of Directors and in the Corporate Governance Statement published annually. Our operations are also guided by our Board-approved Sustainability Policy and ethical principles, which support decision-making especially when no binding rules or guidelines apply.

Key sustainability indicators in governance

- Sustainalytics ESG risk rating
- Violations of regulations

Strong corporate governance also includes our HR policy. In the terms and conditions of employment, we comply with Finnish legislation and the Collective Agreement for the Financial Sector, ensuring fairness and legal compliance for all employees.

MuniFin is a signatory to the United Nations Global Compact. This membership demonstrates we are committed to operating in ways that meet and promote fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption wherever they have a presence. We expect any partners we work with to also adhere to responsible practices.

> Our commitment to strong corporate governance is emphasised in our key values and strategy and implemented in all our operations.

Memberships of associations, networks, projects and national interest organisations

- European Association of Public Banks
- FIBS Pro – sustainable business network
- Finsif – Finland's Sustainable Investment Forum
- Green Building Council Finland FIGBC
- Hinku network – Towards Carbon Neutral Municipalities and Regions
- International Capital Markets Association ICMA
- International Swaps and Derivatives Association ISDA
- Nordic Capital Markets Forum
- Partnership for Carbon Accounting Financials PCAF
- WWF Green Office

Commitments

- Commitment 2050 initiative of the Finnish Prime Minister's Office
- UN Global Compact initiative

Sustainability reporting principles and scorecard

Our sustainability indicators are based on our strategy, the goals set out in our sustainability agenda and the materiality analysis conducted in 2023. In 2024, we developed our sustainability reporting to meet the EU Corporate Sustainability Reporting Directive requirements, which we will be subject to as of 2026.

Principles of sustainability reporting

CSRD requirements steer the further development of our sustainability reporting

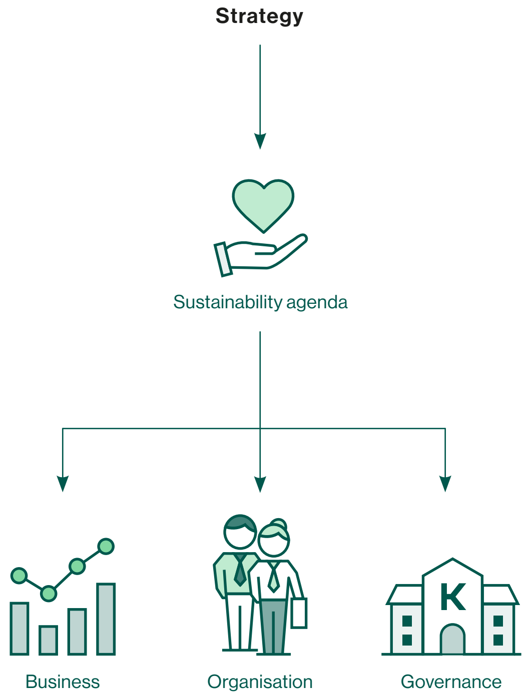
We are not obliged to disclose non-financial information under the EU Non-financial Reporting Directive or the Finnish Accounting Act, but we have chosen to incorporate the Global Reporting Initiative (GRI) Standards' contents and themes in our sustainability reporting where relevant. Our report does not adhere to the GRI Standards.

We will be subject to the EU Corporate Sustainability Reporting Directive (CSRD) as of 2026, which means that we will include 2025 data in our Report of the Board of Directors. We continued to prepare for these requirements in 2024.

In our work, sustainability is realised particularly through our business operations, organisation and governance. We have compiled our key sustainability indicators in the sustainability scorecard found on page 28. Our sustainability indicators are based on our strategy, the goals set out in our sustainability agenda and our latest materiality analysis.

We reserve the right to change the existing sustainability indicators, but any changes must be in line with the key principles specified in our sustainability strategy. Potential materiality analysis updates may also affect our indicators.

In addition to the sustainability indicators included in the annual report, we also publish annual green and social impact reports. The sustainability reporting included in our annual report has not been verified by an external party.



Sustainability scorecard

We report the indicators for our key principles of sustainability and our performance in a sustainability scorecard.

Key principles	Indicator	2024 performance	Limit values
MuniFin's sustainability agenda	Financed emissions from buildings: emission intensity 8 $kgCO_2e/m^2$ by 2035	10.8 $kgCO_2e/m^2$	**Green:** Improvement in line with the target path **Orange:** Improvement falling short of the target path **Red:** No improvement
	Amount of green finance: 25% of our long-term customer finance portfolio by 2030	19.0%	**Green:** Growth in line with the target path **Orange:** Growth falling short of the target path **Red:** No growth
	Amount of social finance: 8% of our long-term customer finance portfolio by 2030	7.1%	**Green:** Growth in line with the target path **Orange:** Growth falling short of the target path **Red:** No growth
Strategic goal (2027)	Amount of sustainable finance: 25% of our long-term customer finance portfolio (2024 goal: 20%)	26.1%	**Green:** Growing in line with the growth path **Orange:** Growing at 1–2 percentage points below the growth path **Red:** Growing at more than 2 percentage points below the growth path
Personnel	Personnel satisfaction is at a good level	AA Good	**Green:** AA Good, AA+ Good+, AAA Excellent **Orange:** A Satisfactory, A+ Satisfactory+ **Red:** C Poor, B Passable
	Gender distribution of managerial staff	76/24	**Green:** 40–60% (of either gender) **Orange:** 61–79% or 21–39% (of either gender) **Red:** 80% or higher / 20% or lower (of either gender)
	Gender distribution of the Board of Directors	62.5/37.5	**Green:** 40–60% (of either gender) **Orange:** 61–79% or 21–39% (of either gender) **Red:** 80% or higher / 20% or lower (of either gender)
	100% of employees have completed Sustainability Policy training	100%	**Green:** > 95% **Orange:** 90–95% **Red:** < 90%
	Gender distribution of the Executive Management Team	75/25	**Green:** 40–60% (of either gender) **Orange:** 61–79% or 21–39% (of either gender) **Red:** 80% or higher / 20% or lower (of either gender)

Continued on the next page →

Key principles	Indicator	2024 performance	Limit values
Personnel	Training days per employee	3.5	**Green:** ≥ 4 **Orange:** 2–3.9 **Red:** < 2
	Gender pay gap	2%	**Green:** By pay grade, average difference max 3% **Orange:** By pay grade, average difference 3.1–5% **Red:** By pay grade, average difference more than 5%
	Gender distribution of employees	53/47	**Green:** 40–60% (of either gender) **Orange:** 61–79% or 21–39% (of either gender) **Red:** 80% or higher / 20% or lower (of either gender)
	Employee turnover	15.5%	**Green:** ≤ 10% **Orange:** 10.1–13% **Red:** > 13%
Governance	Sustainalytics ESG risk rating	7.2	**Green:** Improvement in line with the target path **Orange:** Improvement from the previous year, but falling behind the target path **Red:** Decrease from the previous year
	Violations of regulations	No violations	**Green:** No violations **Orange:** Formal public statement by a supervisor requiring actions due to regulatory violation but no sanction measures are posed **Red:** Material sanction from supervisors or regulators (administrative fine, public warning or penalty payment)

Key principles	Indicator	2024 performance	Limit values
Financing and other services	Customer satisfaction is at a very good level	● 6.21	**Green:** ≥ 5.5 **Orange:** 4–5.4 **Red:** < 4
	Training sessions, seminars and events for customers	● 27	**Green:** ≥ 16 per year **Orange:** 11–15 per year **Red:** < 11 per year
Funding	Survey of North European issuers	● 1	**Green:** First or second place in our category **Orange:** Third or fourth place in our category **Red:** Fifth or lower place in our category
Liquidity management	ESG score of the investment portfolio compared to the benchmark	● Above	**Green:** Above the benchmark index **Red:** Below the benchmark index
	Total amount of socially responsible investments (SRIs)	● 14.9%	**Green:** > 10% of issued responsible funding **Orange:** 8–10% of issued responsible funding **Red:** < 8% of issued responsible funding

Board of Directors and Executive Management Team

Board of Directors

Under the Articles of Association, the Board of Directors has a minimum of five and a maximum of nine members. The Annual General Meeting (AGM) elects the members of the Board, and each member's term of office will terminate when the AGM following their election concludes.

In accordance with the proposal of the Shareholders' Nomination Committee, the 2024 Annual General Meeting elected eight members to the Board of Directors for the 2024–2025 term (from the end of the AGM to the end of the next AGM).

Kari Laukkanen, b. 1964
Chair, on the Board of Directors since 2018
Education: M.Sc. (Econ.)
Primary occupation: Board professional and financial consultant
Other material positions of trust: Chair of the Board of Directors at Emittor Oy and CEO, Chair of the Board of Directors at Lauvest Oy (consultancy firm owned by Mr. Laukkanen)
Independence: Independent of the Company and its significant shareholders
Previous key work history and positions of trust: Long and diverse international banking experience in various positions at a global banking group (Citigroup, 1990–2016, last 13 years Managing Director, Citi Country Officer of the Finnish branch).

Maaria Eriksson, b. 1967
Vice-Chair, on the Board of Directors since 2019
Education: M.Sc. (Econ), CEFA
Primary occupation: Deputy CIO, COO, Investments, Keva
Other material positions of trust: Member of the Advisory Committee for Investments of the University of Oulu; deputy member of the Board of Directors at the Church Pension Fund
Independence: Independent of the Company, not independent of its significant shareholders (works for a significant shareholder)
Previous key work history and positions of trust: Long and diverse experience in capital market tasks at Keva, Finland's largest occupational pension insurance company (since 1998) and before that as portfolio manager and economist in the banking sector (Merita 1996–1998) and as an economist at the Bank of Finland (1994–1996).

Markku Koponen, b. 1957
On the Board of Directors since 2018
Education: Master of Laws, Trained on the bench, EMBA
Primary occupation: Board professional
Other material positions of trust:
–
Independence: Independent of the Company and its significant shareholders
Previous key work history and positions of trust: Long and diverse experience in communications, legal affairs and banking regulation at OP Financial Group, one of the largest banking groups in Finland (1985–2017, during which more than 20 years of experience in the executive management team and the board of directors).

Tuomo Mäkinen, b. 1972
On the Board of Directors since 2021
Education: M.Sc. (Econ)
Primary occupation: Finance Manager, City of Helsinki
Other material positions of trust:
–
Independence: Not independent of the Company and its significant shareholders (works for a significant shareholder and customer)
Previous key work history and positions of trust: Long experience of executive-level financial responsibilities at the City of Helsinki since 2000. Finance Manager since 2014.

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Elina Stråhlman, b. 1979
On the Board of Directors since 2024
Education: M.Sc. (Econ)
Primary occupation: CFO at Enento Group Plc
Other material positions of trust: Member of the Board of Directors at the following Enento Group companies: Suomen Asiakastieto Oy, UC Ab, Emaileri Oy, UC Affärsinformation Ab, Proff Ab, Proff As, Proff Aps
Independence: Independent of the Company and its significant shareholders
Previous key work history and positions of trust: Long experience (since 2004) in expert and leadership roles in auditing and financial management (EY, Fortum, Finnair Oy). Member of the Audit Board of the Finnish Patent and Registration Office in 2019–2021.

Denis Strandell, b. 1958
On the Board of Directors since 2020
Education: M.Sc. (Econ)
Primary occupation: Board professional
Other material positions of trust: –
Independence: Independent of the company and its significant shareholders
Previous key work history and positions of trust: Long and diverse experience in capital market tasks and investment services at Finnish and Nordic banking and investment services groups (1986–2011: Protos, Aktia, Unibank, Danske Bank, FIM). Long experience (since 2000) of Finnish municipal sector administration in the Kirkkonummi municipal council and municipal government prior to becoming the Mayor of the City of Hanko (2015–2024).

Leena Vainiomäki, b. 1961
On the Board of Directors since 2021
Education: Master of Political Sciences, MBA
Primary occupation: Board professional
Other material positions of trust: Member of the Board of Directors at Veikkaus Ltd and YIT Corporation
Independence: Independent of the Company and its significant shareholders
Previous key work history and positions of trust: Long and diverse experience in executive-level positions at the financial sector. Country Manager at Danske Bank (2018–2020), other executive-level positions at Danske Bank since 2011 and at Nordea and its predecessors since 1988. Board positions at companies belonging to the Danske Group.

Arto Vuojolainen, b. 1963
On the Board of Directors since 2023
Education: M.Sc. (Tech.)
Primary occupation: Operational and Financial Director, City of Tampere
Other material positions of trust: Member of the Board of Directors at the Tor, Joe and Pentti Borg Foundation and at the Tampere University of Applied Sciences Foundation
Independence: Not independent of the Company, independent of its significant shareholders (works for a significant customer)
Previous key work history and positions of trust: Experience in financial management positions at the City of Tampere since 2007. Prior experience in expert and managerial positions in credit granting and customer relations in the banking sector (Nordea, Handelsbanken) since 1991.

Executive Management Team

Under the Articles of Association, the company has a CEO and a Deputy to the CEO appointed by the Board of Directors. The CEO's duty is to manage the company's operations in order to implement the resolutions made by the Board of Directors and maintain the company's operations in line with the strategy, risk management principles and limits set by the Board of Directors. Supported by the Executive Management Team, the CEO is responsible for ensuring the company's effective day-to-day operations and organisational structure and reporting to the Board of Directors.

Esa Kallio, b. 1963
President and CEO
Employed by the Company since: 2005, President and CEO as from 2018
Education: M.Sc. (Econ)
Material positions of trust: Member of the Board of Directors at City Works Oy

Mari Tyster, b. 1975
Executive Vice President, Legal and Communications, secretary to the Board of Directors and its Committees, Deputy to the CEO as from 2018
Employed by the Company since: 2009
Education: Master of Laws
Material positions of trust: Member of the Board of Directors at Ylva Services Ltd, Ylva, and at the European Association of Public Banks

Aku Dunderfelt, b. 1975
Executive Vice President, Customer Solutions
Employed by the Company since: 2019
Education: BBA
Material positions of trust: –

Toni Heikkilä, b. 1965
Executive Vice President, CRO, Risk Management and Compliance
Employed by the Company since: 1997
Education: Lic.Sc. (Econ), M.Sc. (Finance)
Material positions of trust: –

Joakim Holmström, b. 1977
Executive Vice President, Capital Markets and Sustainability
Employed by the Company since: 2008
Education: M.Sc. (Econ)
Material positions of trust: –

Harri Luhtala, b. 1965
Executive Vice President, CFO, Finance
Employed by the Company since: 2019
Education: M.Sc. (Econ)
Material positions of trust: Member of the Board of Directors at SOS Children's Villages Finland

Minna Piitulainen, b. 1973
Executive Vice President, Development and HR Services
Employed by the Company since: 2018
Education: M.Sc. (Psychology)
Material positions of trust: –

Juha Volotinen, b. 1975
Executive Vice President, Technology Services
Employed by the Company since: 2021
Education: M.Sc. (Econ)
Material positions of trust: Member of the Board of Directors at Oma Savings Bank Plc

MuniFin

Tax footprint

Tax footprint

MuniFin's taxation strategy and operating principles

The management of tax affairs is organised as part of the Group's financial management. The main observations and measures related to tax issues and tax risks are reported to the Board of Directors.

Municipality Finance Group complies with the tax legislation in the payment, remittance and notification of taxes and charges. MuniFin's strategy in taxation is to support the business solutions and take taxation into account as one of the factors influencing the planning and decision-making related to the business solutions. Tax planning aims at controlling the uncertainties related to taxation and avoiding risks in interpretation. Therefore, MuniFin requests the tax authorities to provide preliminary rulings whenever necessary.

The taxes and tax-like payments paid and remitted

MuniFin acquires financing from the international capital markets but conducts business only in Finland. Therefore, MuniFin pays income taxes in full to Finland. MuniFin does not receive any income from abroad for which relevant withholding tax at the source is paid. MuniFin has no investments or operations in countries defined by the OECD as tax havens.

At the end of the year 2024, MuniFin Group employed 178 people, all of whom worked for the parent company. The Group's turnover was EUR 2,239 million and the profit before tax EUR 166 million. As a credit institution, MuniFin had the possibility to assign a credit loss provision in its accounting and taxation, in accordance with the Business Tax Act. The credit loss provision involves a deferred tax liability.

MuniFin's operations are mainly exempt from value-added tax. As MuniFin is unable to deduct the VAT related to purchases in its operations exempt from VAT, the VAT remains as final costs for MuniFin. MuniFin also runs leasing operations and offers digital services to the customers that are subject to VAT, for which VAT is paid and the VAT included in the purchases is deducted. The operations of MuniFin's subsidiary Inspira were subject to VAT. Inspira deducted VAT from its purchases and paid VAT for its sales. The amounts of VAT paid and remitted vary according to business volumes, and value-added taxes are not taken into account in the taxes paid and remitted.

Taxes and tax-like payments paid (EUR 1,000)	2024	2023
Income tax	18,383	16,877
Employer's social security contributions	5,029	3,389
Stability fee to the EU crisis resolution fund	0	7,353
Total	**23,412**	**27,618**

Taxes to be remitted (EUR 1,000)	2024	2023
Withholding taxes	6,048	5,550
Employee's social security contributions	1,501	1,537
Total	**7,549**	**7,087**

MuniFin

Report of the Board of Directors and Financial Statements

2024

This is a voluntarily published pdf report, so it does not fulfill the disclosure obligation pursuant to Section 7:5 § of the Securities Markets Act.

MuniFin

Report of the Board of Directors

1 January–31 December 2024

In brief: MuniFin Group in 2024

- The Group's net operating profit excluding unrealised fair value changes* increased by 2.9% (3.2%) in January–December and amounted to EUR 181 million (EUR 176 million). Net interest income* was at the same level as in the year before and totalled EUR 260 million (EUR 259 million). Net operating profit excluding unrealised fair value changes was boosted by lower expenses and increased other income compared to the previous period.

- Net operating profit* amounted to EUR 166 million (EUR 139 million). Unrealised fair value changes amounted to EUR -16 million (EUR -37 million) in the financial year. Unrealised fair value changes were influenced in particular by changes in interest rates and credit risk spreads in the Group's main funding markets.

- Costs* in the financial year amounted to EUR 81 million (EUR 82 million).

- The Group's leverage ratio remained at a strong level, standing at 12.3% (12.0%) at the end of December.

- At the end of December, the Group's CET1 capital ratio was very strong at 107.7% (103.4%). CET1 capital ratio was over seven times the required minimum of 15.0% (13.9%), taking capital buffers into account.

- Long-term customer financing (long-term loans and leased assets) excluding unrealised fair value changes* totalled EUR 35,787 million (EUR 32,948 million) at the end of December and saw an increase of 8.6% (7.5%). New long-term customer financing* increased by 17.1% (0.0%) in January–December 2024 and amounted to EUR 5,056 million (EUR 4,319 million). Short-term customer financing* totalled EUR 1,825 million (EUR 1,575 million).

- Of all long-term customer financing, the amount of green finance* aimed at environmentally sustainable investments totalled EUR 6,817 million (EUR 4,795 million), and the amount of social finance* aimed at investments promoting equality and communality totalled EUR 2,536 million (EUR 2,234 million) at the end of December. The total amount of this financing increased by 33.1% (41.0%) from the previous year. The ratio of green and social finance to long-term customer financing excluding unrealised fair value changes* grew by 4.8% percentage points to 26.1% (21.3%).

- In 2024, new long-term funding* reached EUR 8,922 million (EUR 10,087 million). At the end of December, the total funding* was EUR 46,737 million (EUR 43,320 million), of which long-term funding* made up EUR 43,328million (EUR 39,332 million).

- The Group's total liquidity* is very strong, standing at EUR 11,912 million (EUR 11,633 million) at the end of the financial year. The Liquidity Coverage Ratio (*LCR*) stood at 339% (409%) and the Net Stable Funding Ratio (*NSFR*) at 124% (124%) at the end of the year.

- 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 in summer 2024.

- The Board of Directors proposes to the Annual General Meeting to be held in spring 2025 a dividend of EUR 1.86 per share, totalling EUR 72.7 million. The total dividend payment in 2024 was EUR 1.69 per share, totalling EUR 66.0 million.

- Outlook for 2025: The Group expects its net operating profit excluding unrealised fair value changes to be at the same level or lower in 2025 as in 2024. 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 2025*.

Comparison figures deriving from the income statement and figures describing the change during the financial year 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 75–83. All figures presented in the Report of the Board of Directors are those of MuniFin Group, unless otherwise stated.

Key figures (Group)

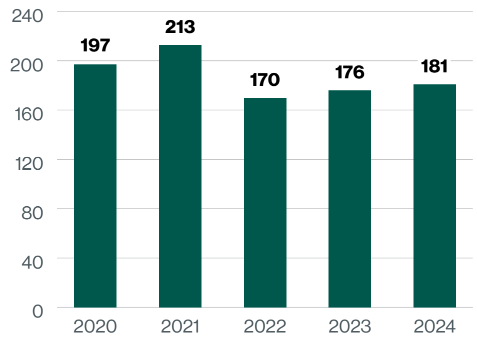
	Jan–Dec 2024	Jan–Dec 2023	Change, %
Net operating profit excluding unrealised fair value changes (EUR million)*	181	176	2.9
Net operating profit (EUR million)*	166	139	19.5
Net interest income (EUR million)*	260	259	0.3
New long-term customer financing (EUR million)*	5,056	4,319	17.1
New long-term funding (EUR million)*	8,922	10,087	-11.6
Cost-to-income ratio, %*	27.7	32.2	-14.0**
Return on equity *(ROE)*, %*	7.2	6.6	9.3**

	31 Dec 2024	31 Dec 2023	Change, %
Long-term customer financing (EUR million)*	35,173	32,022	9.8
Green and social finance (EUR million)*	9,353	7,029	33.1
Balance sheet total (EUR million)	53,092	49,736	6.7
CET1 capital (EUR million)	1,646	1,550	6.2
Tier 1 capital (EUR million)	1,646	1,550	6.2
Total own funds (EUR million)	1,646	1,550	6.2
CET1 capital ratio, %	107.7	103.4	4.2**
Tier 1 capital ratio, %	107.7	103.4	4.2**
Total capital ratio, %	107.7	103.4	4.2**
Leverage ratio, %	12.3	12.0	2.5**
Personnel	178	185	-3.8

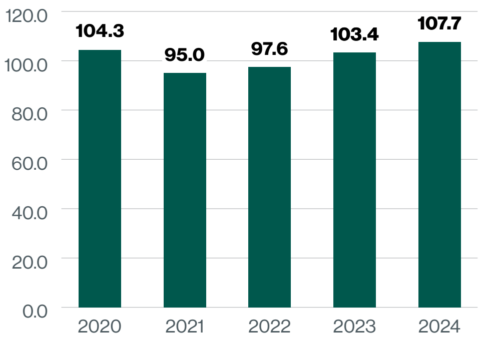
** Alternative performance measure.*
*** Change in ratio.*

The calculation formulas for all key figures can be found on pages 75–83. All figures presented in the Report of the Board of Directors are those of MuniFin Group, unless otherwise stated.

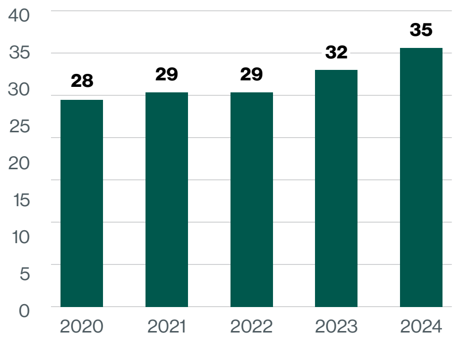
Net operating profit excluding unrealised fair value changes, EUR million*



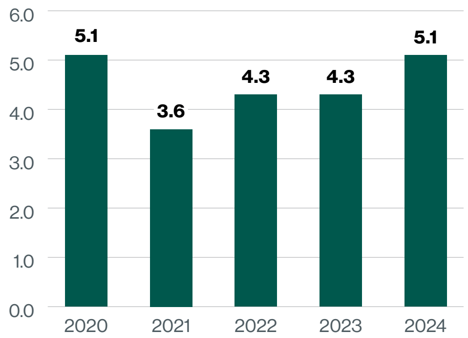
CET1 capital ratio, %



Long-term customer financing, EUR billion*



New long-term customer financing, EUR billion*



** Alternative performance measure.*

The calculation formulas for all key figures can be found on pages 75–83. All figures presented in the Report of the Board of Directors are those of MuniFin Group, unless otherwise stated.

Operating environment in 2024

The year 2024 began promisingly in the global economy as the peak interest rate era seemed to be over and growth expectations grew stronger. After the summer, however, the economic outlook weakened again, especially in Europe. The atmosphere was shadowed by the geopolitical crises in the Middle East and Ukraine and the political deadlocks in France and Germany. Donald Trump and the Republican Party winning the US election introduced even more uncertainty into the world economy.

In Finland, extensive early-year labour disputes weakened growth potential. Despite the challenges, the Finnish economy remained above the late-2023 trough, and Finland's GDP started to grow again in 2024. Because of the low starting point, the GDP growth for 2024 is nevertheless likely to remain slightly in the negative. Employment weakened more than projected, and the trend of the unemployment rate rose to 9% at the end of the year.

After a few exceptionally good years, municipalities fell into a significantly larger funding deficit as the effects of temporary non-recurring benefits faded out, operating costs increased and investment levels remained high. Wellbeing services counties were also pushed much deeper into deficit than expected by the steep growth of operational expenditure. Affordable social housing production remained on a growth track in 2024, but the construction sector as a whole continued to suffer from recession.

Growth concerns and plummeted inflation expectations caused central banks to expedite their interest rate cuts in the second half of the year. The European Central Bank (*ECB*) lowered its deposit facility rate by a total of one percentage points in 2024. At the end of the year, the deposit facility rate stood at 3.0%. Also, the US Federal Reserve started lowering its key interest rate in September by one percentage points, bringing it to a targeted range of 4.25–4.50%.

Expectations of monetary policy easing sent short-term market interest rates to a clear decline. The 12-month Euribor rate fell from 3.51% to 2.46% during the year and the 3-month Euribor from 3.91% to 2.71%. In contrast, long-term government bond yields in the euro area rose. Due to the ECB's reduced bond holdings and the large financing needs in government finances, the credit risk premiums of euro area sovereigns widened in the second half of the year. Germany's 10-year bond yield went up from 2.02% at the beginning of the year to 2.36% in December, while Finland's corresponding rate rose from 2.56% to 2.82%.

The euro weakened significantly against the US dollar following Trump's election victory. At the end of 2024, the euro-to-dollar exchange rate stood at 1.04, down from approximately 1.11 at the beginning of the year.

Credit risk premiums increased significantly across the euro area SSA (*Sovereigns, Supranationals, Agencies*) issuers, to which MuniFin also belongs. The increase in credit risk premiums stems from a change in the balance of supply and demand in the capital markets: euro area governments continue to have high borrowing needs, but the demand for government bonds is decreasing because the ECB is discontinuing its asset purchase programmes.

MuniFin's customers had high demand for financing in 2024, and the Group maintained its solid position as its customers' main financing partner. Demand increased because of the municipal sector's high investment needs and its financial situation, which weakened after several exceptionally strong years, and the positive trend in affordable social housing production, which stemmed partly from increased government interest subsidy loan authorisations.

MuniFin's financing to wellbeing services counties continued to be restricted by the MGB's limit for MuniFin's long-term customer financing to wellbeing services counties, which was EUR 400 million in 2024. Wellbeing services counties' financing needs and government-authorised borrowing powers were considerably higher than this limit.

Information on the Group results

Consolidated income statement (EUR million)	Jan–Dec 2024	Jan–Dec 2023	Change, %
Net interest income	260	259	0.3
Other income	2	0	>100
Income excluding unrealised fair value changes	**262**	**259**	**1.1**
Commission expenses	-17	-16	8.2
HR expenses	-21	-20	2.0
Other items in administrative expenses	-23	-20	12.4
Depreciation and impairment on tangible and intangible assets	-6	-7	-7.8
Other operating expenses	-14	-19	-27.0
Costs	**-81**	**-82**	**-1.9**
Credit loss and impairments on financial assets	0	-1	-72.9
Net operating profit excluding unrealised fair value changes	**181**	**176**	**2.9**
Unrealised fair value changes	-16	-37	-58.4
Net operating profit	**166**	**139**	**19.5**
Income tax expense	-33	-28	17.3
Profit for the financial year	**133**	**111**	**20.1**

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 2024. The Group's net operating profit excluding unrealised fair value changes increased by 2.9% (3.2%) and amounted to EUR 181 million (EUR 176 million). The growth was influenced both by an increase in other income and a decrease in costs as net interest income remained at the level of previous year.

The Group's income excluding unrealised fair value changes was EUR 262 million (EUR 259 million) and grew by 1.1% (6.5%). Net interest income grew by 0.3% (7.5%), totalling EUR 260 million (EUR 259 million). Net interest income was positively affected by growing business volumes. The increase in funding costs due to the market conditions and the shape of the yield curve slowed the growth of net interest income.

Other income totalled EUR 2.0 million (EUR 0.1 million). It consisted mainly of the billing of MuniFin's digital services and the turnover of the subsidiary company Inspira from the early part of the year. In the previous year, negative realised FX rate changes reduced other income. At 0.8% (0.1%), 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 81 million (EUR 82 million), down by 1.9% from the year before (+12.4%). The reduction in expenses was due to the fact that no contribution fee was collected for the Single Resolution Fund in 2024.

Commission expenses totalled EUR 17 million (EUR 16 million), of which EUR 14 million (EUR 13 million) consisted of the guarantee commission collected by the Municipal Guarantee Board for guaranteeing MuniFin's funding.

HR and administrative expenses grew by 7.2% (9.0%) and reached EUR 44 million (EUR 41 million). HR expenses comprised EUR 21 million (EUR 20 million) and other administrative expenses EUR 23 million (EUR 20 million). The average number of employees in the Group was 187 (183) during the financial year. Other items in administrative expenses grew by 12.4% (8.8%), mainly due to the increased costs of maintaining and developing information systems.

During the financial year, depreciation and impairment of tangible and intangible assets totalled EUR 6 million (EUR 7 million).

Other operating expenses were EUR 14 million (EUR 19 million). The main reason for this decrease is that there was no contribution fee to the Single Resolution Fund in 2024. Other operating expenses excluding fees collected by authorities grew by 22.1% (9.9%) to EUR 11 million (EUR 9 million).

Credit loss and impairments on financial assets were EUR 0.3 million (EUR 1.2 million). This item consists of expected credit losses (*ECL*). The Group updated the model used to estimate the probability of default and the forward-looking macro scenarios during the financial year. The Group's management has assessed the impact of general cost inflation and increased interest rates on customer financing receivables and credit risk and decided to release the additional discretionary provision in full at the end of 2024 (the amount of the additional discretionary provision was EUR 0.6 million at the end of 2023, and in June 2024, EUR 0.4 million of the additional provision was released). The update of the probability of default model increased expected credit losses by EUR 0.9 million euros, as the amount of exposures that moved from stage 1 to stage 2 increased. Most of the transferred exposures were subject to the previous additional discretionary provision. Therefore, the Group's management considered that there is no longer a basis for recording a group-specific additional provision.

The Group's overall credit risk position has remained low. The amount of forborne loans was EUR 561 million (EUR 497 million), while non-performing exposures amounted to EUR 292 million (EUR 142 million) at the end of the year. These non-performing exposures represented 0.8% (0.4%) of total customer exposures. At the end of December, the Group had EUR 13 million in receivables due to the insolvency of customers, for which the collateral realisation process is ongoing, or the credit receivable is due for payment by the guarantor (there were no such receivables at the end of 2023). 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 the debt securities in the portfolio is AA+ (AA+). More information on the credit risks of financial assets and other commitments is available in Note *25* to the Consolidated Financial Statements.

The Group's profit and unrealised fair value changes

The Group's net operating profit was EUR 166 million (EUR 139 million). Unrealised fair value changes decreased the Group's net operating profit by EUR 16 million (in 2023: decreased by EUR 37 million). In January–December, unrealised fair value changes in hedge accounting amounted to EUR -12 million (EUR -27 million) and unrealised net result on financial assets and liabilities through profit or loss to EUR -4 million (EUR -10 million).

The Group's effective tax rate in the financial year was 19.9% (20.2%). Taxes in the Consolidated income statement amounted to EUR 33 million (EUR 28 million). After taxes, the Group's profit for the financial year was EUR 133 million (EUR 111 million).

The Group's full-year return on equity (*ROE*) was 7.2% (6.6%). Excluding unrealised fair value changes, the ROE was 7.9% (8.4%).

The Group's other comprehensive income includes unrealised fair value changes of EUR 169 million (EUR 109 million). During the financial year, 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 137 million (EUR 75 million). The cost-of-hedging amounted to EUR 30 million (EUR 25 million). Net change in fair value of financial assets at fair value through other comprehensive income was EUR 2 million (EUR 8 million).

On the whole, unrealised fair value changes net of deferred tax affected the Group's equity by EUR 122 million (EUR 57 million) and CET1 capital net of deferred tax in capital adequacy by EUR 13 million (EUR -3 million). The cumulative effect of unrealised fair value changes on the Group's own funds in capital adequacy calculations was EUR 58 million (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 financial year, unrealised fair value changes were influenced in particular by changes in interest rates and credit risk spreads in the Group's main funding markets.

In accordance with its risk management principles, the Group uses derivatives to financially 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 2024, MuniFin's net interest income amounted to EUR 260 million (EUR 259 million) and net operating profit to EUR 166 million (EUR 139 million).

The turnover of MuniFin's subsidiary company, Financial Advisory Services Inspira Ltd, was EUR 0.4 million (EUR 1.4 million), and its net operating result amounted to EUR -0.5 million (EUR 0.0 million). The Group discontinued Inspira's advisory services in the spring. In the future, the subsidiary company will provide some of the digital added value services MuniFin offers to its customers.

Information on the Consolidated statement of financial position

Consolidated income statement (EUR million)	31 Dec 2024	Adjusted* 31 Dec 2023	Change, %
Cash and balances with central banks	0	0	-2.4
Loans and advances to credit institutions	8,567	9,193	-6.8
Loans and advances to the public and public sector entities	35,377	32,225	9.8
Debt securities	5,879	5,170	13.7
Derivative contracts	2,324	2,036	14.1
Other items included in the assets	946	1,112	-14.9
Total assets	**53,092**	**49,736**	**6.7**
Liabilities to credit institutions	884	216	>100
Liabilities to the public and public sector entities	2,464	2,623	-6.1
Debt securities issued	44,534	40,873	9.0
Derivative contracts	2,562	3,497	-26.7
Other items included in the liabilities	703	785	-10.5
Total equity	1,945	1,744	11.6
Total liabilities and equity	**53,092**	**49,736**	**6.7**

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 has updated the presentation of the balance sheet. Previously, financial instruments' interest accrued and interest payables presented in Accrued income and prepayments (Other items included in the assets) as well as in Accrued expenses and deferred income (Other items included in the liabilities) have been transferred to the balance sheet item of the respective financial instrument. The comparative period has been adjusted.*

MuniFin Group's Consolidated statement of financial position exceeded EUR 50 billion in the financial year and totalled EUR 53,092 million (EUR 49,736 million) at the end of December. The Group's Consolidated statement of financial position saw 6.7% (4.2%) of growth from year-end 2023. 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 as well as increase in debt securities. In liabilities, the largest change was in new issuances in debt securities issued.

At the end of the financial year, the Group's equity stood at EUR 1,945 million (EUR 1,744 million). The Group's equity was increased by the financial year's profit of EUR 133 million (EUR 111 million) and the changes in own credit revaluation reserve, fair value reserve of investments and cost-of-hedging reserve totalling EUR 135 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 year was EUR 53,092 million (EUR 49,735 million).

Financing and other services for customers

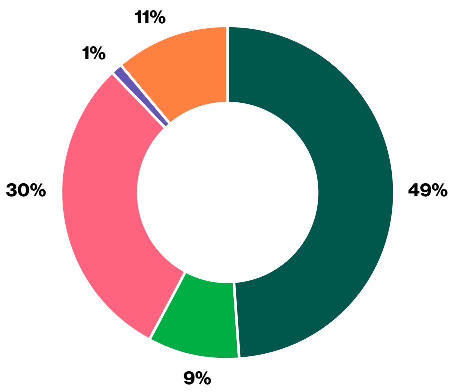
MuniFin Group's customers include municipalities, joint municipal authorities, wellbeing services counties, corporate entities under their control, and non-profit organisations and projects nominated by the Housing Finance and Development Centre of Finland *(Ara)*.

The Group's new long-term customer financing grew by 17.1% (no change in 2023). The Group's new long-term customer financing totalled EUR 5,056 million (EUR 4,319 million), of which EUR 4,839 million (EUR 4,103 million) consisted of loans and EUR 217 million (EUR 216 million) of leased assets. In total, long-term customer financing amounted to EUR 35,173 million (EUR 32,022 million) at year-end, of which loans totalled EUR 33,610 million (EUR 30,580 million) and leased assets EUR 1,563 million (EUR 1,442 million). Of the long-term loan portfolio, 49% (48%) is held by housing corporations, 42% (42%) by municipalities, joint municipal authorities and corporate entities under their control, and 9% (10%) by wellbeing services counties. Long-term customer financing excluding unrealised fair value changes amounted to EUR 35,787 million (EUR 32,948 million) at the end of December, growing by 8.6% (7.5%). Short-term customer financing in commercial papers totalled EUR 1,825 million (EUR 1,575 million) at the end of the year.

In 2024, MuniFin focused even more decidedly on its core mandate: ensuring that municipalities, wellbeing service counties and affordable social housing organisations have access to affordable financing under all market conditions. As a result, MuniFin decided to divest 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 May. Before closing down, Inspira generated a turnover of EUR 0.4 million in 2024.

In 2024, MuniFin continued to devote significant resources to making its customer financing processes even more effective and convenient. The application process for commercial papers in short-term customer financing is already fully digital, and even most long-term financing applications are submitted online. In 2024, MuniFin expanded its digital services to also cover leasing offering process.

Loan portfolio by customer type, 31 Dec 2024



Financing encourages sustainable investments

MuniFin offers its customers green and social finance for their sustainable investments. In late 2024, the Group piloted a new sustainable development loan, which will be made available to customers in 2025. This product can be offered for municipalities that have a climate plan demonstrating their commitments to actions aimed at reducing greenhouse gas emissions.

MuniFin is committed to systemically reducing the carbon footprint of the projects it finances, offering customers support with emission reductions and better managing the climate and environmental risks associated with the Group's operations. The goal of MuniFin's sustainability agenda is to increase the proportion of sustainable finance and thus also reduce financed emissions from buildings. The goal is 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 2024, green finance accounted for 19.0% (14.6%) and social finance for 7.1% (6.8%) of long-term customer financing excluding unrealised fair value changes. The financed emissions goal set in the sustainability agenda aims for financed emissions from buildings to have an emissions intensity of 8 kgCO_2e/m^2 by 2035. Based on 2023 data, the emissions intensity of the Group's portfolio is 10.8 kgCO_2e/m^2 (12 kgCO_2e/m^2 in 2022).

At the end of 2024, there were 576 (411) green projects and green finance totalled EUR 6,817 million (EUR 4,795 million). The amount of social projects was 152 (123) and the social finance totalled EUR 2,536 million (EUR 2,234 million).

MuniFin publishes annual green and social impact reports on its website. In 2024, the Group also published its first report on the emissions of its financed projects and investments, covering the years 2020–2022.

Funding and liquidity management

MuniFin Group acquires its funding mainly 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.

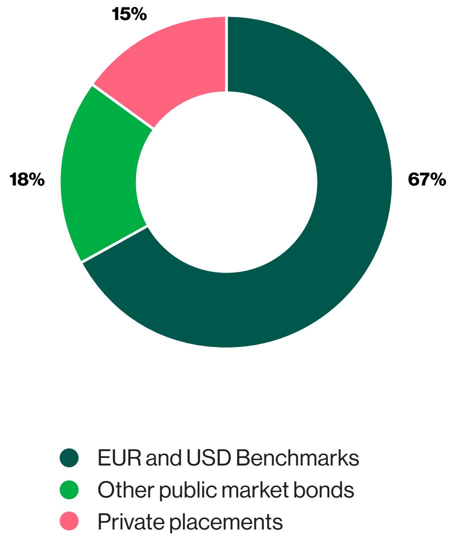
The Group's strategy has proved highly successful amidst the turmoil in monetary and security policy that continued in 2024, driven by events such as the war in Ukraine, the escalating unrest in the Middle East and the US presidential elections. The Group retained strong access to capital markets throughout the year, and its benchmark bonds were met with excellent demand. In 2024, the Group issued five benchmark bonds, including a five-year benchmark bond of USD 1.5 billion, which attracted record-breaking subscriptions of USD 4.4 billion.

Investor interest in sustainable finance products continues to grow, and regulation is also steering markets towards a more sustainable direction. The Group is committed to issuing new green and social bonds regularly. In 2024, the Group issued a record annual volume of green bonds and, for the first time ever, also issued three green bonds within a single year. The USD 1 billion bond issued in October marked the Group's tenth green bond. In February, the Group issued a social bond of NOK 2 billion.

Credit risk premiums increased markedly across the euro area SSA (*Sovereigns, Supranationals, Agencies*) issuers.

In 2024, the Group's new long-term funding totalled EUR 8,922 million (EUR 10,087 million). A total of 70 (87) long-term funding arrangements were made in 9 (12) different currencies. The Group uses derivatives to hedge against market risks in funding.

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



At the end of 2024, the Group's total funding amounted to EUR 46,737 million (EUR 43,320 million), of which the Euro Commercial Papers *(ECP)* totalled EUR 3,409 million (EUR 3,987 million). Of total funding, 50.5% (54.0%) was denominated in euros and 49.5% (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

MuniFin's funding is guaranteed by the Municipal Guarantee Board (*MGB*), a public law institution whose members consist of all the municipalities in mainland Finland. The members are responsible for the liabilities of the MGB in proportion to their population. The MGB has granted guarantees for both the debt programmes and funding arrangements outside the programmes. Based on this, debt instruments issued by MuniFin are classified as zero-risk when calculating the capital adequacy of credit institutions and solvency of insurance companies, and as Level 1 liquid assets in liquidity calculation in the EU.

MuniFin Group's long-term risk appetite framework specifies that total liquidity must cover uninterrupted business for a survival horizon of at least 12 months. With the amount held at the end of the year, the Group could uphold all its commitments with no additional funding for almost 15 months (16 months).

Because of the general market uncertainty, the Group continued to keep its largest allocations in central bank deposits also in 2024. At the end of the year, the Group's total liquidity stood at EUR 11,912 million (EUR 11,633 million). Of this, central bank deposits totalled EUR 7,809 million (EUR 7,989 million) and investments in liquid, low-risk securities EUR 4,016 million (EUR 3,570 million), with the average credit rating of AA+ (AA+) and average maturity of 3.2 years (2.9 years). In addition to this, the Group's money market deposits in credit institutions totalled EUR 88 million (EUR 74 million). The Group's liquidity investments are hedged with interest rate swaps. Changes in interest rates therefore do not have a direct impact on profit and loss.

The Group's liquidity investments are steered by the goal of low credit risk, high liquidity and sustainability. The Group monitors the sustainability of its investments through their ESG (*Environmental, Social and Governance*) score.

At the end of 2024, the Group's liquidity investments had an average ESG score of 7.70 (7.59), above the benchmark index of 7.51 (7.41). The Group held a total of EUR 870 million (EUR 635 million) in socially responsible investments *(SRIs)*, which is 21.5% (17.4%) of all the Group's investments in securities. The ratio of socially responsible investments to the Group's own green and social funding was 14.9% (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 financial year. 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 own funds and capital adequacy

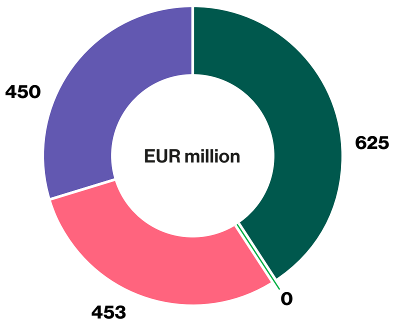
MuniFin Group's capital adequacy is very strong. The Group's CET1 capital ratio was 107.7% (103.4%), which corresponds to its Tier 1 capital ratio and total capital ratio at the end of both 2024 and 2023 because the Group only had CET1 capital at the time. The Group's CET1 capital ratio is over seven times the required minimum of 15.0% (13.9%), taking capital buffers into account.

Consolidated own funds (EUR million)	31 Dec 2024	31 Dec 2023
Common Equity Tier 1 before regulatory adjustments	1,873	1,678
Regulatory adjustments to Common Equity Tier 1	-227	-128
Common Equity Tier 1 *(CET1)*	**1,646**	**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)*	**1,646**	**1,550**
Tier 2 capital before regulatory adjustments	-	-
Regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital *(T2)*	**-**	**-**
Total own funds	**1,646**	**1,550**

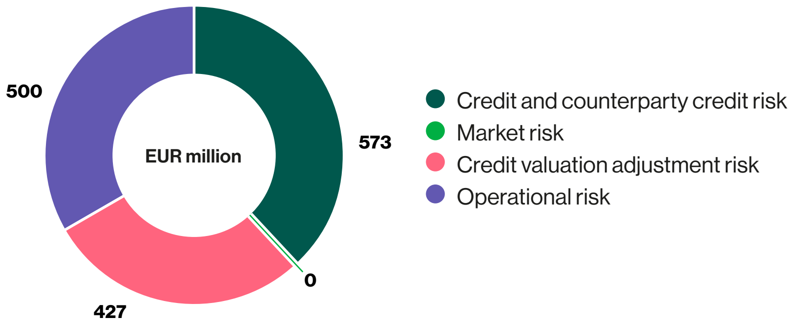
At the end of the year, the Group's CET1 capital totalled EUR 1,646 million (EUR 1,550 million). The Group had no Additional Tier 1 instruments or Tier 2 capital at the end of the financial year, so its CET1 capital was therefore equal to its Tier 1 capital and total own funds, EUR 1,646 million (EUR 1,550 million).

The CET1 capital includes profit for the financial year. This profit has been subject to a financial 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)*. The Board's 2024 dividend proposal of EUR 72.7 million (EUR 66.0 million) has been deducted from the Group's own funds.

Total risk exposure amount 12/2024
EUR 1,528 million



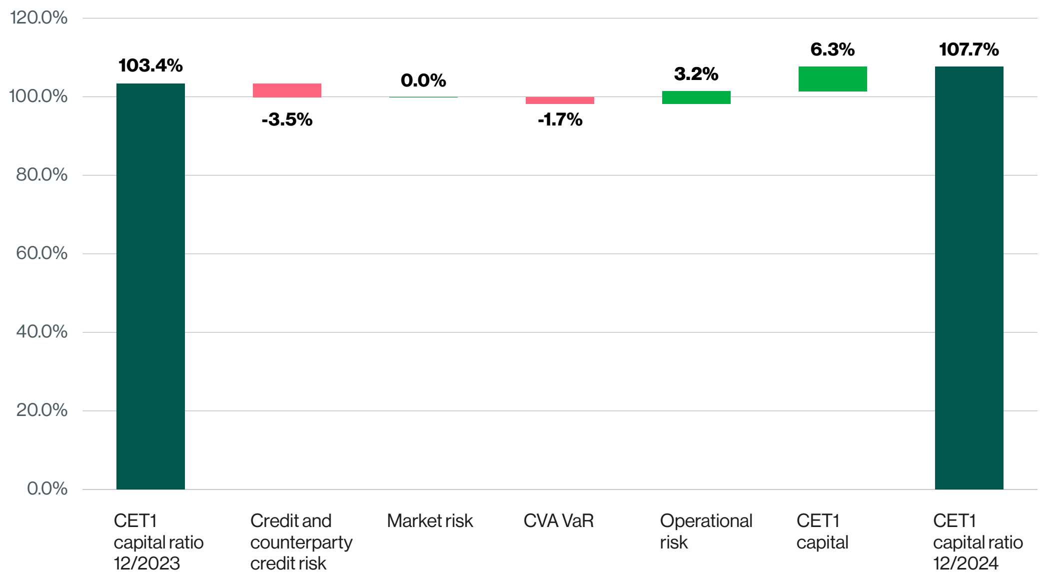
Total risk exposure amount 12/2023
EUR 1,500 million



The Group's total risk exposure amount increased by 1.9% from the end of 2023, totalling EUR 1,528 million (EUR 1,500 million) at the end of the financial year.

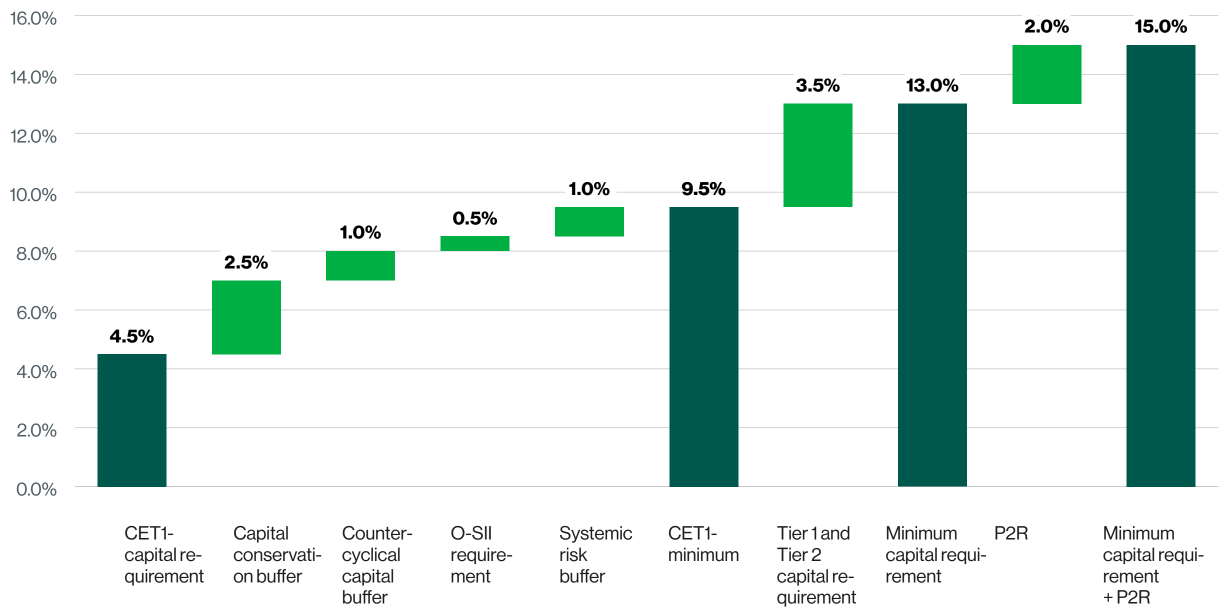
The risk exposure amount for credit and counterparty credit risk increased by EUR 52 million from the end of 2023 to EUR 625 million (EUR 573 million). There was no capital requirement for market risk at the end of the financial year or in the comparison year, because the currency position was less than 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 453 million (EUR 427 million). The risk exposure amount of operational risk was EUR 450 million (EUR 500 million).

CET1 capital ratio changes, %



The principles of capital adequacy management and detailed key figures on the capital adequacy are provided in the Notes to this Report.

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



The Group's minimum capital requirements and capital buffers

The 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 December 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 December 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 December, MuniFin Group's leverage ratio was 12.3% (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 38,604 million (EUR 35,251 million) at the end of the year. After the deduction, the Group's leverage ratio exposures totalled EUR 13,340 million (EUR 12,877 million). The minimum required leverage ratio is 3%.

At the end of the year, MuniFin Group's Liquidity Coverage Ratio *(LCR)* was 338.8% (409.1%) and its Net Stable Funding Ratio *(NSFR)* was 123.7% (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)* and the Finnish Financial Stability Authority (*FFSA*). In November 2024, the SRB and the FFSA removed MuniFin's binding minimum requirement for own funds and eligible liabilities *(MREL)* as a result of changes to the European Bank Recovery and Resolution Directive *(BRRD)* and corresponding national legislation.

Under the revised framework, the MREL requirement no longer applies to credit institutions subject to simplified obligations. Before the MREL requirement was lifted, MuniFin's own funds and eligible liabilities exceeded it multiple times, so this change will not have a significant effect on the Group's operations.

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.

MuniFin is undertaking a project to implement the changes introduced by the CRR III regulation. According to the Group's current estimate, the changes in regulation will result in increased capital requirements related to derivatives and the operational risk. The increase in the derivatives and operational risk exposure amounts are estimated to weaken the Group's capital ratios by approximately 10 percentage points. The Group's capital adequacy will nonetheless remain at a very high level. Other than that, the changes are only expected to have a minor impact on capital adequacy.

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 to prepare for the Corporate Sustainability Reporting Directive *(CSRD)*, approved by the European Parliament in November 2022, and the corresponding national legislation. The implementation of the CSRD into national legislation was approved at the end of 2023. The Group conducted a double materiality assessment and an assessment of regulatory changes in early 2024 and launched a sustainability reporting implementation project in autumn 2024. The reporting requirement applies to MuniFin from 2025, and the first report will be published in the first half of 2026.

MuniFin has continued to incorporate its ESG risk reporting into its Pillar III Disclosure Report in accordance with CRR Article 449a. The Group disclosed the phase 2 information on the Green Asset Ratio *(GAR)* as part of its 2023 Pillar III Disclosure Report in the first half of 2024 and scope 3 financed emissions in the summer 2024. The Group has also prepared 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 continued to prepare for the financial sector's Digital Operational Resilience Act (*DORA*), which took effect from January 2025. To comply with DORA, the Group has updated its ICT agreements, the processes of maintaining information systems and the comprehensive risk management of information systems and information security both internally in the Group and with its IT vendors. The regulation contains requirements aimed at improving the resilience of the financial sector to withstand failures and disruptions in information systems.

MuniFin Group's strategy and financial objectives

MuniFin Group's strategy emphasises the Group's core mandate: ensuring 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 and 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. The Board of Directors reviewed the Group's strategy in 2024 and concurred that no material changes are necessary.

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 defined under the Capital Requirements Regulation *(CRR)* that complements minimum 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.

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 enables the Group to carry out its core mandate and ensure sufficient liquidity in all market conditions. At the end of December 2024, the Group's leverage ratio calculated with CET1 capital was 12.3%.

Because MuniFin's objective as a public development credit institution under the CRR 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 excluding unrealised fair value changes generated from MuniFin's core business has remained relatively stable in recent years, totalling about EUR 170–210 million. 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 2024, the comparable ratio continued to decrease and was 0.50%. In the coming years, MuniFin's goal is to maintain a level of total profit that guarantees 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 decrease the ratio of the costs and development investments over which the Group has influence to its customer business.

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. The Group applies conservative risk management principles. The aim is to keep the Group's overall risk profile at such a low level that the MuniFin's credit rating remains the best possible in relation to the credit rating of the Finnish State.

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 such as environmental and climate risks and operational risks, including compliance risk.

The Group's risks are described in more detail in Note *2 Risk management principles and the Group's risk position* to the Consolidated Financial Statements.

The Group's risk position

There were no material changes in MuniFin Group's risk position during 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 financial year. The capital markets remained stable throughout the year, but higher-than-expected credit risk premiums increased funding costs. Despite this, the Group's funding continued in the usual manner during the financial 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.

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 customer financing, liquidity portfolio investments and derivatives portfolio. 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 uses derivatives only 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 in PnL were EUR 0.3 million (EUR 1.2 million). The item consists of expected credit losses *(ECL)*. The amount of forborne loans was EUR 561 million (EUR 497 million), while non-performing exposures amounted to EUR 292 million (EUR 142 million) at the end of the year. 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 0.8% (0.4%) of total customer exposures.

MuniFin's credit risk position remained stable and at a low level during 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 the year, one-year NII risk was EUR -44 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 the year, the least favourable scenario was a parallel shock up of 200 basis points, resulting in EVE of EUR -120 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 financial year, unrealised fair value changes of financial instruments increased the Group's earnings volatility. Unrealised fair value changes were influenced in particular by changes in interest rates 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 15 months (16 months) at the end of the year. The Group's liquidity remained good.

The Group's LCR was 338.8% (409.1%) at the end of the financial year. The availability of long-term funding is monitored via the NSFR, which stood at 123.7% (124.1%). The availability of funding remained good throughout the year, and the Group issued EUR 8,922 million (EUR 10,087 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 2024.

The following table details the Group's high-quality liquid assets (*HQLA*) as defined in the LCR regulation.

Liquid assers, HQLA (EUR million)	31 Dec 2024	%	31 Dec 2023	%
Level 1	10,413	77%	10,139	77%
Level 2a	1,040	8%	1,043	8%
Level N*	2,133	16%	1,909	15%
Total	**13,586**	**100%**	**13,090**	**100%**

* Includes short-term customer financing granted as money market investments amounting to EUR 1,825 million (EUR 1,575 million).

ESG risks include environmental, social and governance risks. There have been no material changes in ESG risks during the financial 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 2024, the Group continued to build its ESG risk management competence and prepared for the new disclosure requirements that entered 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, which also includes MuniFin's Corporate Governance Statement for 2024, 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 financial year, 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 financial year.

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 Plc. The subsidiary company Inspira's change of name to Kuntarahoituksen digitaaliset palvelut Oy was registered in early 2025. Inspira is fully owned by MuniFin. No changes to the Group or ownership structure took place in the reporting period.

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

At the end of December 2024, MuniFin Group had 178 (185) 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.

Salaries and remuneration

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 17 million (EUR 17 million).

For more information on salaries and remuneration, refer to Note *43 Remuneration of key management personnel* in the Consolidated Financial Statements.

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.

Share capital and shareholders

At the end of the 2024 financial year, MuniFin had paid share capital registered in the Trade Register to the amount of EUR 43,008,044.20, and the number of shares was 39,063,798. The Company has two series of shares (A and B), with equal voting and dividend rights. Each share confers one vote at the Annual General Meeting.

At the end of 2024, MuniFin had 276 (276) shareholders.

10 largest shareholders 31 Dec 2024		No. of shares	Per cent
1.	Keva	11,975,550	30.7%
2.	Republic of Finland	6,250,000	16.0%
3.	City of Helsinki	4,066,525	10.4%
4.	City of Espoo	1,547,884	4.0%
5.	VAV Asunnot Oy (City of Vantaa)	963,048	2.5%
6.	City of Tampere	919,027	2.4%
7.	City of Oulu	903,125	2.3%
8.	City of Turku	763,829	2.0%
9.	City of Kuopio	592,028	1.5%
10.	City of Lahti	537,926	1.4%

The number of shares presented in the above table do not include any shares owned by the Group companies of the listed shareholders.

MuniFin is not aware of any material changes in the holdings of major shareholders during the year.

Events after the reporting period

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

Outlook for 2025

Europe's economy is starting 2025 off from a weaker position than anticipated. Business cycle expectations are subdued, and the global operating environment is fraught with uncertainty. Donald Trump's presidential administration is expected to pursue protectionist trade policies, which could, at worst, severely slow down the euro area's economic recovery. However, if Europe is exempted from the planned universal tariff on all US imports and the euro continues to weaken, businesses in the euro area could even find new opportunities to expand their market share in the US. Europe could also suffer negative economic effects if capital needed to improve productivity is increasingly allocated to strengthening military defence and supply security. The political turmoil in France and Germany adds another layer of uncertainty into the euro area economy.

To counterbalance the growing economic uncertainty, the European Central Bank is expected to continue brisk interest rate cuts in 2025. Short-term market rates are projected to come down to about two per cent or even slightly below that by mid-year.

The sharp interest rate cuts will be the most crucial booster for the Finnish economy in 2025. Although the overall tone of the economic turnround is still relatively subdued, the simultaneous recovery of demand drivers could boost annual GDP growth to surprisingly strong figures. Even so, macroeconomic forecasts continue to be very uncertain. Finland's two most important export markets, the US and Germany, both entail considerable risks, and a sharper-than-expected decline in employment casts a shadow over the recovery of the domestic market. From the Group's perspective, the 2024 rise in credit risk spreads is expected to push up the cost of funding, weakening the Group's net interest income in 2025.

Municipalities are undergoing sizeable adjustment programmes, but their financing deficit is nevertheless expected to grow again in 2025. Municipal finances are strained by several factors: central government transfer cuts resulting from the balancing of health and social services reform transfers, increased net investments, health and social services facilities that are left unused by wellbeing services counties but continue to incur maintenance, conversion and demolition costs, as well as uncertainty surrounding the actual costs of the employment services reform. In addition, the weakened employment outlook poses a serious risk to tax revenues.

Privately funded housing production is expected to take an upward turn in 2025, but its volume will nevertheless remain well below normal levels. The housing market is starting to gradually pick up, and housing prices are expected to start rising moderately from 2025 onwards. In contrast, state-subsidised housing production will see fewer building starts due to reductions on interest subsidy loan authorisations. In March 2025, the Housing Finance and Development Centre of Finland (*Ara*) will cease to operate as an independent government agency and its operations will instead be integrated under the Ministry of the Environment. This change does not mean the end of state-subsidised housing production; rather, it aims to improve the administration of affordable social housing production. According to MuniFin's analysis, the integration will not have a direct effect on MuniFin'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. 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, the Group expects its net operating profit excluding unrealised fair value changes to be at the same level or lower in 2025 as in 2024. 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.

The Board's proposal concerning the use of the profit shown in the balance sheet and the distribution of dividends

Municipality Finance Plc has distributable funds of EUR 373 million, of which the profit for the financial year totalled EUR 74 million.

In accordance with the dividend policy ratified by the Annual General Meeting (*AGM*) in March 2023, MuniFin aims to pay 30–60% of the Group's financial year's profit in dividends. The Board of Directors proposes to the AGM that based on the confirmed balance sheet, EUR 1.86 per share be paid in dividend, totalling EUR 72.7 million. This is 54.8% of the Group's financial year's profit. The total dividend payment for the financial year 2023 was EUR 66.0 million.

MuniFin's result for the financial year was strong. The Board of Directors considers the payment of the proposed dividend to be justified. MuniFin clearly exceeds all the prudential requirements set for it. No events have taken place since the end of the financial year that would have a material effect on the Company's financial position. According to the Board's assessment, the proposed distribution of profits does not place the fulfilment of the capital requirements or the Company's liquidity in jeopardy or conflict with binding legislation.

MuniFin's Annual General Meeting is scheduled to be held on 25 March 2025. Dividends will be paid to shareholders who are recorded in the Company's list of shareholders on 27 March 2025. The Board of Directors proposes that the dividends be paid on 3 April 2025 at the earliest.

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

	Jan–Dec 2024	Jan–Dec 2023	Jan–Dec 2022	Jan–Dec 2021	Jan–Dec 2020
Turnover (EUR million)*	2,239	1,862	759	535	532
Net interest income (EUR million)*	260	259	241	280	254
% of turnover	11.6	13.9	31.8	52.4	47.7
Net operating profit (EUR million)*	166	139	215	240	194
% of turnover	7.4	7.4	28.3	44.8	36.5
Unrealised fair value changes (EUR million)*	-16	-37	45	27	-3
Net operating profit excluding unrealised fair value changes (EUR million)*	181	176	170	213	197
Cost-to-income ratio, %*	27.7	32.2	23.9	21.7	21.5
Cost-to-income ratio excluding unrealised fair value changes, %*	26.0	27.3	28.4	23.8	21.2
Return on equity *(ROE)*, %*	7.2	6.6	9.9	10.7	9.4
Return on equity *(ROE)* excluding unrealised fair value changes, %*	7.9	8.4	7.8	9.6	9.6
Return on assets *(ROA)*, %*	0.3	0.2	0.4	0.4	0.4
Return on assets *(ROA)* excluding unrealised fair value changes, %*	0.3	0.3	0.3	0.4	0.4
New long-term customer financing (EUR million)*	5,056	4,319	4,317	3,594	5,081
New long-term funding (EUR million)*	8,922	10,087	8,827	9,395	10,966

	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020
Long-term customer financing (EUR million)*	35,173	32,022	29,144	29,214	28,022
Green finance (EUR million)*	6,817	4,795	3,251	2,328	1,786
Social finance (EUR million)*	2,536	2,234	1,734	1,161	589
Total funding (EUR million)*	46,737	43,320	40,210	40,712	38,139
Equity (EUR million)	1,945	1,744	1,614	1,862	1,705
Total balance sheet (EUR million)	53,092	49,736	47,736	46,360	44,042
Total liquidity (EUR million)*	11,912	11,633	11,505	12,222	10,089
Liquidity Coverage Ratio *(LCR)*, %	338.8	409.1	256.7	334.9	264.4
Net Stable Funding Ratio *(NSFR)*, %	123.7	124.1	120.3	123.6	116.4
Equity ratio, %*	3.7	3.5	3.4	4.0	3.9
CET1 capital (EUR million)	1,646	1,550	1,482	1,408	1,277
Tier 1 capital (EUR million)	1,646	1,550	1,482	1,756	1,624
Total own funds (EUR million)	1,646	1,550	1,482	1,756	1,624
CET1 capital ratio, %	107.7	103.4	97.6	95.0	104.3
Tier 1 capital ratio, %	107.7	103.4	97.6	118.4	132.7
Total capital ratio, %	107.7	103.4	97.6	118.4	132.7
Leverage ratio, %**	12.3	12.0	11.6	12.8	3.9
Personnel	178	185	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 75–83. All figures presented in the Report of the Board of Directors are those of MuniFin Group, unless otherwise stated.

Note 1. 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*).

The calculation formulas of key ratios have been adjusted to take into account presentation changes made to the Consolidated income statement and the Consolidated statement of financial position during the financial year 2024. The Group updated the presentation of *Interest and similar income* as well as *Interest and similar expense*. In addition, the Group updated the presentation of the balance sheet formula so that previously reported *Accrued income and prepayments* as well as *Accrued expenses and deferred income* related to financial instruments have been transferred to the respective balance sheet item of the financial instrument. The comparative period has been adjusted. More information about this change is available in Note *1* to the Consolidated Financial Statements.

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Dec 2024	Jan–Dec 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	1,933	1,583
		Other interest income	319	317
		Interest expense at effective interest method	-1,420	-1,098
		Other interest expense	-572	-541
		Net interest income	**260**	**259**
Unrealised fair value changes	According to the IFRS 9 standard, part of the Group's 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 on financial assets and liabilities through profit or loss, unrealised fair value changes	-4	-10
		Net result on hedge accounting	-12	-27
		Unrealised fair value changes	**-16**	**-37**
Net operating profit	Net operating profit describes the Group's operating profit before taxes.	**Net operating profit**	**166**	**139**
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	166	139
		- Unrealised fair value changes	16	37
		Net operating profit excluding unrealised fair value changes	**181**	**176**
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	260	259
		Commission income	1	2
		Net result on financial instruments at fair value through profit or loss	-15	-39
		Net result on financial assets at fair value through other comprehensive income	0	0
		Other operating income	0	0
		Income	**247**	**222**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Dec 2024	Jan–Dec 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	247	222
		- Unrealised fair value changes	16	37
		Income excluding unrealised fair value changes	**262**	**259**
Other income	Other income includes all other income of the Group except net interest income and unrealised fair value changes.	Commission income	1	2
		Net result on financial assets and liabilities through profit or loss, realised	0	0
		Net result on FX differences	0	-2
		Net result on financial assets at fair value through other comprehensive income	0	0
		Other operating income	0	0
		Other income	**2**	**0**
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	17	16
		HR and administrative expenses	44	41
		Depreciation and impairment on tangible and intangible assets	6	7
		Other operating expenses	14	19
		Costs	**81**	**82**
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)	64	67
		÷ Income (incl. Net commission income)	230	206
		Cost-to-income ratio, %	**27.7%**	**32.2%**
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)	64	67
		÷ (Income (incl. Net commission income)	230	206
		- Unrealised fair value changes)	16	37
		Cost-to-income ratio excluding unrealised fair value changes, %	**26.0%**	**27.3%**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Dec 2024	Jan–Dec 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	-37
		Taxes related to the unrealised fair value changes through PnL	3	7
		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	110	60
		Change in Cost-of-Hedging, net of tax	24	20
		Change in fair value of financial assets at fair value through other comprehensive income, net of tax	1	6
		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	**122**	**57**
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	4,839	4,103
		New leased assets	217	216
		New long-term customer financing	**5,056**	**4,319**
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.	(Net operating profit excluding unrealised fair value changes	181	176
		÷ 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	36,067	33,320
		Ratio of net operating profit excluding unrealised fair value changes to volume of long-term and short-term customer financing, %	**0.50%**	**0.53%**
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**	**8,922**	**10,087**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	Jan–Dec 2024	Jan–Dec 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.	((Net operating profit	166	139
		- Taxes)	-33	-28
		÷ Equity and non-controlling interest (average of values at the beginning and end of the period)) x100	1,845	1,679
		Return on Equity *(ROE)*, %	**7.2%**	**6.6%**
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.	((Net operating profit excluding unrealised fair value changes	181	176
		- Taxes)	-36	-36
		÷ Equity and non-controlling interest (average of values at the beginning and end of the period)) x100	1,845	1,679
		Return on Equity *(ROE)* excluding unrealised fair value changes, %	**7.9%**	**8.4%**
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.	((Net operating profit	166	139
		- Taxes)	-33	-28
		÷ Average balance sheet total (average of values at the beginning and end of the period)) x100	51,414	48,736
		Return on Assets *(ROA)*, %	**0.3%**	**0.2%**
Return on Assets (*ROA*) excluding unrealised fair value changes, %	Excluding the unrealised changes in fair values increases comparability of ROA between reporting periods.	((Net operating profit excluding unrealised fair value changes	181	176
		- Taxes)	-36	-36
		÷ Average balance sheet total (average of values at the beginning and end of the period)) x100	51,414	48,736
		Return on Assets *(ROA)* excluding unrealised fair value changes, %	**0.3%**	**0.3%**
Turnover	Turnover is not presented as a separate item in the Consolidated income statement, which is why the Group presents the calculation formula and reconciliation in the key figures table.	Interest income at effective interest method	1,933	1,583
		Other interest income	319	317
		Commission income	1	2
		Net result on financial instruments at fair value through profit or loss	-15	-39
		Net result on financial assets at fair value through other comprehensive income	0	0
		Other operating income	0	0
		Turnover	**2,239**	**1,862**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	31 Dec 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	1,945	1,744
		÷ Balance sheet total) x100	53,092	49,736
		Equity ratio, %	**3.7%**	**3.5%**
Long-term loan portfolio	Key indicator used in management reporting to describe MuniFin Group's business volume. The loan portfolio consists of long-term loans with an original maturity of at least 1 year. The key figure does not take into account interest accrued on long-term loan portfolio.	Loans and advances to the public and public sector entities	35,377	32,225
		- Interest accrued on long-term loan portfolio	-204	-204
		- Leasing	-1,563	-1,442
		Long-term loan portfolio	**33,610**	**30,580**
Long-term customer financing	Key indicator used in management reporting to describe MuniFin Group's business volume. Long-term customer financing consists of long-term loan portfolio and leased assets. The key figure does not take into account interest accrued on long-term loan portfolio.	Loans and advances to the public and public sector entities	35,377	32,225
		- Interest accrued on long-term loan portfolio	-204	-204
		Long-term customer financing	**35,173**	**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. The key figure does not take into account interest accrued on long-term loan portfolio.	Loans and advances to the public and public sector entities	35,377	32,225
		- Interest accrued on long-term loan portfolio	-204	-204
		- Unrealised fair value changes	614	926
		Long-term customer financing excluding unrealised fair value changes	**35,787**	**32,948**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	31 Dec 2024	31 Dec 2023
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	6,817	4,795
		Social finance	2,536	2,234
		(Total of green and social finance	**9,353**	**7,029**
		÷ Long-term customer financing excluding unrealised fair value changes) x100	35,787	32,948
		Ratio of green finance and social finance to long-term customer financing excluding unrealised fair value changes, %	**26.1%**	**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	1,825	1,575
		Short-term customer financing	**1,825**	**1,575**
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. The key figure does not take into account interest payable on long-term funding.	Liabilities to credit institutions	884	216
		Liabilities to the public and public sector entities	2,464	2,623
		Debt securities issued	44,534	40,873
		Total	**47,882**	**43,711**
		- Interest payable on long-term funding	-429	-307
		- CSA collateral (received)	-716	-82
		- Liabilities to credit institutions, payable on demand	-	-2
		Total funding	**46,737**	**43,320**
Long-term funding	Key indicator used in management reporting to describe MuniFin Group's funding volume.	Total funding	46,737	43,320
		- Short-term issued funding *(ECP)*	-3,409	-3,987
		Long-term funding	**43,328**	**39,332**

Alternative Performance Measure EUR million	Definition / Explanation	Reconciliation	31 Dec 2024	31 Dec 2023
Total liquidity	Key indicator used in management reporting to describe MuniFin Group's liquidity position. The key indicator does not take into account accrued interest.	Debt securities	5,879	5,170
		- Interest accrued on investment bonds	-38	-25
		- Short-term customer financing	-1,825	-1,575
		Investments in securities total	**4,016**	**3,570**
		Cash and balances with central banks	0	0
		Deposits	7,897	8,065
		- Interest accrued on deposits	0	-2
		Other investments total	**7,897**	**8,065**
		Total liquidity	**11,912**	**11,633**
Ratio of socially responsible investments 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.	(Socially responsible investments (*SRI*), nominal	870	635
		÷ Investment bonds, nominal) x100	4,038	3,653
		Ratio of socially responsible investments to all investment bonds, %	**21.5%**	**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	870	635
		÷Green and social funding) x100	5,824	4,523
		Ratio of socially responsible investments to MuniFin Group's own green and social funding, %	**14.9%**	**14.0%**

Other measures EUR million	Definition	Reconciliation	31 Dec 2024	31 Dec 2023
Liquidity Coverage Ratio (*LCR*), %	Defined in CRR.	(Liquid assets	11,170	10,909
		÷ (Liquidity outflows - liquidity inflows in a stress situation)) x100	3,297	2,667
		Liquidity Coverage Ratio *(LCR)*, %	**338.8%**	**409.1%**
Net Stable Funding Ratio (*NSFR*), %	Defined in CRR.	(Available Stable Funding *(ASF)*	39,298	36,279
		÷ Required Stable Funding *(RSF)*) x100	31,757	29,244
		Net Stable Funding Ratio *(NSFR)*, %	**123.7%**	**124.1%**
CET1 capital ratio, %	Defined in CRR.	(Common Equity Tier 1 *(CET1)* capital	1,646	1,550
		÷ Risk exposure amount) x100	1,528	1,500
		CET1 capital ratio, %	**107.7%**	**103.4%**
Tier 1 capital ratio, %	Defined in CRR.	(Tier 1 capital	1,646	1,550
		÷ Risk exposure amount) x100	1,528	1,500
		Tier 1 capital ratio, %	**107.7%**	**103.4%**
Total capital ratio, %	Defined in CRR.	(Total own funds	1,646	1,550
		÷ Risk exposure amount) x100	1,528	1,500
		Total capital ratio, %	**107.7%**	**103.4%**
Leverage ratio, %	Defined in CRR.	(Tier 1 capital	1,646	1,550
		÷ Total exposure) x100	13,340	12,877
		Leverage ratio, %	**12.3%**	**12.0%**

Note 2. The Group's capital adequacy position

Capital adequacy management principles

MuniFin Group's objectives regarding equity in relation to risk-taking and the operating environment are defined as part of the annual planning. The planning horizon extends to at least the following three years, in order to be able to predict the business performance trend and the sufficiency of own funds with respect to the increasing capital requirements arising from changing regulation and to be able to react to potential needs for additional capitalisation in sufficient time. The Board of Directors approves the capital adequacy plan and monitors it. The Group updates its capital adequacy plan at least annually and follows implementation of the plan quarterly.

The aim for the capital adequacy management is to monitor the capital adequacy and to confirm that the Group's capital adequacy fulfills its targets and requirements set by financial authorities to ensure the continuity of operations. Controlling capital adequacy is continuous and an essential part of the Group's strategic planning process, which covers setting strategic goals, specifying development projects and making financial forecasts for the following years. This is done in cooperation with the Management and the Board. The Board of the Parent Company approves the final strategy. Management ensures that the operative measures of the Group correspond with the principles determined in the strategy approved by the Board. As part of the annual planning, the management prepares a business plan for the coming year and business forecasts for the years that follow.

The Group's risk position and its effect on the Group's financial status are also evaluated. Regular risk analyses as well as various stress test scenarios are used for evaluating and measuring risks. Based on these, the capital adequacy plan is updated annually, and actions needed to strengthen own funds are determined. The adequacy of own funds is also monitored through monthly business analyses.

The Group calculates its capital adequacy based on the EU Capital Requirements Regulation ((EU) No 575/2013) and its amending regulation ((EU) No 876/2019) as well as Directive (2013/36/EU). The capital adequacy requirement for credit risk is calculated using the standardised approach, and the capital adequacy requirement for operational risks using the basic indicator approach. As the Group has neither a trading book nor share and commodity positions, only currency risks are taken into account in the capital adequacy calculations for market risk. MuniFin Group's FX risk is hedged by using derivative contracts to swap all funding and investments denominated in foreign currency into euros. The Group's lending and other customer financing are denominated in euros. The Group has no significant open FX positions. In practice, a small temporary exchange rate risk may arise due to collateral management in the clearing of derivatives by central counterparties. This exchange rate risk is actively monitored and hedged.

The credit ratings given by Standard & Poor's, Moody's Investor Service and Fitch Ratings are used for determining the risk weights used in the capital adequacy calculations. The aforementioned companies are credit rating institutions approved by the Finnish Financial Supervisory Authority for capital adequacy calculations. In capital adequacy calculations for the credit risk, the Group uses methods for reducing the credit risk such as guarantees provided by municipalities as well as deficiency guarantees given by the State of Finland. For derivatives, netting agreements, collateral agreements (*ISDA/Credit Support Annex*) and guarantees granted by the Municipal Guarantee Board (*MGB*) are used for reducing the capital adequacy requirement related to the counterparty risk of derivative counterparties.

Table 1. Minimum capital requirements and capital buffers

Minimum capital requirements and capital buffers, % 31 Dec 2024	Capital requirement	Capital conservation buffer [1]	Countercyclical buffer [2]	O-SII [3]	Systemic risk buffer [4]	Total capital buffers	Total
Common Equity Tier 1 (*CET1*) capital	4.50%	2.50%	1.04%	0.50%	1.00%	5.04%	9.54%
Tier 1 (*T1*) Capital	6.00%	2.50%	1.04%	0.50%	1.00%	5.04%	11.04%
Total own funds	8.00%	2.50%	1.04%	0.50%	1.00%	5.04%	13.04%

Minimum capital requirements and capital buffers (EUR 1,000) 31 Dec 2024	Capital requirement	Capital conservation buffer [1]	Countercyclical buffer [2]	O-SII [3]	Systemic risk buffer [4]	Total capital buffers	Total
Common Equity Tier 1 (*CET1*) capital	68,774	38,208	15,839	7,642	15,283	76,971	145,745
Tier 1 (*T1*) Capital	91,698	38,208	15,839	7,642	15,283	76,971	168,669
Total own funds	122,265	38,208	15,839	7,642	15,283	76,971	199,235

Minimum capital requirements and capital buffers, % 31 Dec 2023	Capital requirement	Capital conservation buffer [1]	Countercyclical buffer [2]	O-SII [3]	Systemic risk buffer [4]	Total capital buffers	Total
Common Equity Tier 1 (*CET1*) capital	4.50%	2.50%	0.92%	0.50%	0.00%	3.92%	8.42%
Tier 1 (*T1*) Capital	6.00%	2.50%	0.92%	0.50%	0.00%	3.92%	9.92%
Total own funds	8.00%	2.50%	0.92%	0.50%	0.00%	3.92%	11.92%

Minimum capital requirements and capital buffers (EUR 1,000) 31 Dec 2023	Capital requirement	Capital conservation buffer [1]	Countercyclical buffer [2]	O-SII [3]	Systemic risk buffer [4]	Total capital buffers	Total
Common Equity Tier 1 (*CET1*) capital	67,480	37,489	13,850	7,498	0	58,837	126,316
Tier 1 (*T1*) Capital	89,973	37,489	13,850	7,498	0	58,837	148,810
Total own funds	119,964	37,489	13,850	7,498	0	58,837	178,801

[1] Act on Credit Institutions (610/2014), Sect 10:3 §, and the EU Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). Valid from 1 January 2015.

[2] Act on Credit Institutions (610/2014) Sect 10:4-6 § and the EU Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). On 17 Dec 2024 (19 Dec 2023), the Board of Financial Supervisory Authority (*FIN-FSA*) decided not to set countercyclical capital buffer requirement for credit exposures allocated to Finland. The institution-specific countercyclical capital buffer requirement is determined on the basis of the geographical distribution of the exposures. For MuniFin Group it is 1.04% (0.92%).

[3] Other Systemically Important Institutions additional capital requirements: Act on Credit Institutions (610/2014) Sect 10:8 § and the EU Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). Additional capital requirement (*O-SII*) for MuniFin Group is 0.5% (0.5%). The decision of the Board of FIN-FSA on 26 Jun 2024, effective immediately.

[4] Act on Credit Institutions (610/2014) Sect 10:6a § and the EU Capital Requirements Regulation (575/2013; CRR) and Directive (2013/36/EU; CRD IV). At the end of March 2023, the FIN-FSA decided on a systemic risk buffer (*SyRB*) requirement of 1% for MuniFin Group. This decision is effective as of 1 April 2024 and corresponds to the requirement set for other Finnish credit institutions at the same time. Prior to April 2024, the systemic risk buffer is set at 0%.

In addition to the above, the ECB has imposed a bank-specific Pillar 2 Requirement (*P2R*) of 2% on MuniFin Group as part of the annual Supervisory Review and Evaluation Process (*SREP*). Including this P2R requirement, the total SREP capital requirement ratio (*TSCR*) was 10.0% (10.0%) at the end of December 2024. The minimum level of total capital ratio was 15.04% (13.92%) including P2R and other additional capital buffers.

Table 2. Own Funds

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Share capital	42,583	42,583
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	1,643,155	1,576,480
Fair value reserve	219,053	84,111
Other reserves	277	277
Foreseeable dividend	-72,659	-66,018
Common Equity Tier 1 *(CET1)* capital before regulatory adjustments	**1,872,776**	**1,677,800**
Intangible assets	-2,720	-6,311
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-10	-9
Deductions due to prudential filters on Common Equity Tier 1 capital	-223,916	-121,670
Common Equity Tier 1 *(CET1)* capital	**1,646,129**	**1,549,809**
Instruments included in Additional Tier 1 capital	-	-
Additional Tier 1 *(AT1)* capital	**-**	**-**
Tier 1 *(T1)* capital	**1,646,129**	**1,549,809**
Tier 2 *(T2)* capital	**-**	**-**
Total own funds	**1,646,129**	**1,549,809**

Common Equity Tier 1 capital includes the profit for the financial year, which has been subject to a financial review by the external auditor, and therefore can be included in CET1 capital on the basis of permission granted by the ECB in accordance with the Capital Requirements Regulation. Deductions due to prudential filters on CET1 capital are made up of MuniFin's debt value adjustment (*DVA*) and additional valuation adjustment (*AVA*). In addition, the amount of foreseeable dividend has been deducted from CET1 capital.

Change in own credit risk is not included in the own funds (CRR Art. 33).

Table 3. Consolidated key figures for capital adequacy

	31 Dec 2024	31 Dec 2023
CET1 capital ratio, %	107.71	103.35
Tier 1 capital ratio, %	107.71	103.35
Total capital ratio, %	107.71	103.35

Table 4. Consolidated minimum requirement for own funds

(EUR 1,000)	31 Dec 2024 Capital requirement	31 Dec 2024 Risk exposure amount	31 Dec 2023 Capital requirement	31 Dec 2023 Risk exposure amount
Credit and counterparty credit risk, standardised approach[1]	**50,021**	**625,265**	**45,826**	**572,829**
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	260	3,255	430	5,372
Exposures to public sector entities	455	5,686	441	5,507
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions	31,771	397,134	29,511	368,890
Exposures to corporates	2,178	27,229	1,850	23,130
Exposures secured by mortgages on immovable property	0	0	0	0
Exposures in default	0	0	0	0
Exposures in the form of covered bonds	12,402	155,020	10,630	132,874
Other items	2,955	36,941	2,964	37,056
Market risk[2]	-	-	-	-
Credit valuation adjustment risk (*CVA VaR*), standard method[3]	**36,245**	**453,066**	**34,154**	**426,924**
Operational risk, basic indicator approach	**35,998**	**449,976**	**39,984**	**499,797**
Total	**122,265**	**1,528,307**	**119,964**	**1,499,550**

[1] The capital requirement for counterparty credit risk is EUR 3,719 thousand (EUR 3,047 thousand).

[2] When calculating the capital requirements for market risk, only foreign exchange risk is taken into account as the Group does not have a trading book nor share or commodity positions. As foreign exchange risk is hedged by swapping all currency denominated funding and investments into euros, the Group's foreign exchange position is very small. On 31 December 2024, the FX net position was EUR 10.4 million (EUR 4.7 million), which is less than 2% of total own funds. There was no capital requirement for market risk since the FX net position did not exceed 2% of the total own funds (CRR 575/2013 Art. 351) at the end of financial year or comparison period.

[3] Guarantees granted by the Municipal Guarantee Board for certain derivative counterparties are not taken into account in credit valuation adjustment risk.

Table 5. Consolidated exposure by class

31 Dec 2024 (EUR 1,000) Exposure classes	On-balance sheet exposure	Off-balance sheet exposure	Derivatives exposure	Total exposure	Average exposure amount over the period	Risk exposure amount
Exposures to central governments or central banks	8,030,004	-	-	8,030,004	8,649,562	0
Exposures to regional governments or local authorities	17,548,491	642,180	40,326	18,230,998	17,386,278	3,255
Exposures to public sector entities	320,099	-	-	320,099	261,250	5,686
Exposures to multilateral development banks	150,733	-	-	150,733	121,392	0
Exposures to international organisations	162,349	-	-	162,349	141,632	0
Exposures to institutions	1,458,444	-	759,894	2,218,338	2,131,068	397,134
Exposures to corporates	6,646,827	2,301,332	84,415	9,032,575	8,785,556	27,229
Exposures secured by mortgages on immovable property	13,074,089	-	-	13,074,089	12,607,019	0
Exposures in default	290,525	-	-	290,525	181,162	0
Exposures in the form of covered bonds	1,531,432	-	-	1,531,432	1,436,912	155,020
Other items	54,293	-	-	54,293	43,814	36,941
Total	**49,267,289**	**2,943,513**	**884,635**	**53,095,437**	**51,745,646**	**625,265**

31 Dec 2023 (EUR 1,000) Exposure classes	On-balance sheet exposure	Off-balance sheet exposure	Derivatives exposure	Total exposure	Average exposure amount over the period	Risk exposure amount
Exposures to central governments or central banks	8,149,371	-	-	8,149,371	7,904,436	0
Exposures to regional governments or local authorities	16,153,608	704,628	31,379	16,889,615	16,202,529	5,372
Exposures to public sector entities	225,075	-	-	225,075	243,318	5,507
Exposures to multilateral development banks	93,031	-	-	93,031	95,351	0
Exposures to international organisations	127,234	-	-	127,234	116,637	0
Exposures to institutions	1,432,518	-	577,401	2,009,919	1,963,686	368,890
Exposures to corporates	6,093,478	2,366,584	76,786	8,536,848	7,878,379	23,130
Exposures secured by mortgages on immovable property	11,779,567	-	-	11,779,567	11,431,067	0
Exposures in default	141,215	-	-	141,215	71,014	0
Exposures in the form of covered bonds	1,328,736	-	-	1,328,736	1,237,797	132,874
Other items	59,852	-	-	59,852	42,629	37,056
Total	**45,583,684**	**3,071,212**	**685,567**	**49,340,463**	**47,186,842**	**572,829**

Table 6. Leverage ratio

Consolidated leverage ratio (EUR 1,000)	31 Dec 2024	31 Dec 2023
Tier 1 *(T1)* capital	1,646,129	1,549,809
Total exposure	13,340,479	12,876,965
Leverage ratio, %	12.34	12.04

Consolidated exposures (EUR 1,000)	31 Dec 2024	31 Dec 2023
On-balance sheet exposures (excl. derivatives and intangible assets)	49,602,289	45,899,684
Derivatives exposure	940,510	777,859
Off-balance sheet exposure	1,402,129	1,450,415
Excluded exposures of public development credit institutions (promotional loans)	-38,604,448	-35,250,993
Total	**13,340,479**	**12,876,965**

Breakdown of consolidated on-balance sheet exposure (excluding derivatives and exempted exposures) (EUR 1,000)	31 Dec 2024 Leverage ratio exposure value	31 Dec 2023 Leverage ratio exposure value
Covered bonds	1,531,432	1,328,736
Exposures treated as sovereigns	8,928,720	8,868,248
Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	44,702	54,397
Institutions	1,458,444	1,432,518
Secured by mortgages of immovable properties	0	0
Corporate	382,377	355,355
Exposures in default	0	0
Other exposures	57,024	66,163
Total	**12,402,700**	**12,105,417**

Note 3. The Parent Company's capital adequacy position

Table 1. Own funds

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Share capital	43,008	43,008
Reserve for invested non-restricted equity	40,743	40,743
Retained earnings	1,642,780	1,575,567
Fair value reserve	219,053	84,111
Other reserves	277	277
Foreseeable dividend	-72,659	-66,018
Common Equity Tier 1 *(CET1)* capital before regulatory adjustments	**1,873,203**	**1,677,688**
Intangible assets	-2,720	-6,314
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-10	-8
Deductions due to prudential filters on Common Equity Tier 1 capital	-223,916	-121,670
Common Equity Tier 1 *(CET1)* capital	**1,646,556**	**1,549,695**
Instruments included in Additional Tier 1 capital	-	-
Additional Tier 1 *(AT1)* capital	**-**	**-**
Tier 1 *(T1)* capital	**1,646,556**	**1,549,695**
Tier 2 *(T2)* capital	**-**	**-**
Total own funds	**1,646,556**	**1,549,695**

Common Equity Tier 1 capital includes the profit for the financial year, which has been subject to a financial review by the external auditor, and therefore can be included in CET1 capital on the basis of permission granted by the ECB in accordance with the Capital Requirements Regulation. Deductions due to prudential filters on CET1 capital are made up of MuniFin's debt value adjustment (*DVA*) and additional valuation adjustment (*AVA*). In addition, the amount of foreseeable dividend has been deducted from CET1 capital.

Change in own credit risk is not included in the own funds (CRR Art. 33).

Table 2. Key figures for capital adequacy

	31 Dec 2024	31 Dec 2023
CET1 capital ratio, %	107.94	104.32
Tier 1 capital ratio, %	107.94	104.32
Total capital ratio, %	107.94	104.32

Table 3. Minimum requirement for own funds

	31 Dec 2024		31 Dec 2023	
(EUR 1,000)	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit and counterparty credit risk, standardised approach[1]	**50,149**	**626,859**	**45,906**	**573,825**
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	260	3,255	430	5,372
Exposures to public sector entities	455	5,686	441	5,507
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions	31,767	397,088	29,494	368,671
Exposures to corporates	2,178	27,229	1,850	23,130
Exposures secured by mortgages on immovable property	0	0	0	0
Exposures in default	0	0	0	0
Exposures in the form of covered bonds	12,402	155,020	10,630	132,874
Equity exposure	131	1,639	131	1,639
Other items	2,955	36,941	2,931	36,631
Market risk[2]	-	-	-	-
Credit valuation adjustment risk (*CVA VaR*), standard method[3]	**36,245**	**453,066**	**34,154**	**426,924**
Operational risk, basic indicator approach	**35,642**	**445,522**	**38,781**	**484,758**
Total	**122,036**	**1,525,446**	**118,841**	**1,485,507**

[1] The capital requirement for counterparty credit risk is EUR 3,719 thousand (EUR 3,047 thousand).

[2] When calculating the capital requirements for market risk, only foreign exchange risk is taken into account as MuniFin does not have a trading book nor share or commodity positions. As foreign exchange risk is hedged by swapping all currency denominated funding and investments into euros, MuniFin's foreign exchange position is very small. On 31 December 2024, the FX net position was EUR 10.4 million (EUR 4.7 million), which is less than 2% of total own funds. There was no capital requirement for market risk since the FX net position did not exceed 2% of the total own funds (CRR 575/2013 Art. 351) at the end of financial year or comparison period.

[3] Guarantees granted by the Municipal Guarantee Board for certain derivative counterparties are not taken into account in credit valuation adjustment risk.

Table 4. Exposure by class

31 Dec 2024 (EUR 1,000) Exposure classes	On-balance sheet exposure	Off-balance sheet exposure	Derivatives exposure	Total exposure	Risk exposure amount
Exposures to central governments or central banks	8,030,004	-	-	8,030,004	0
Exposures to regional governments or local authorities	17,548,491	642,180	40,326	18,230,998	3,255
Exposures to public sector entities	320,099	-	-	320,099	5,686
Exposures to multilateral development banks	150,733	-	-	150,733	0
Exposures to international organisations	162,349	-	-	162,349	0
Exposures to institutions	1,458,215	-	759,894	2,218,109	397,088
Exposures to corporates	6,646,827	2,301,332	84,415	9,032,575	27,229
Exposures secured by mortgages on immovable property	13,074,089	-	-	13,074,089	0
Exposures in default	290,525	-	-	290,525	0
Exposures in the form of covered bonds	1,531,432	-	-	1,531,432	155,020
Equity exposures	656	-	-	656	1,639
Other items	54,293	-	-	54,293	36,941
Total	**49,267,716**	**2,943,513**	**884,635**	**53,095,863**	**626,859**

31 Dec 2023 (EUR 1,000) Exposure classes	On-balance sheet exposure	Off-balance sheet exposure	Derivatives exposure	Total exposure	Risk exposure amount
Exposures to central governments or central banks	8,149,364	-	-	8,149,364	0
Exposures to regional governments or local authorities	16,153,608	704,628	31,379	16,889,615	5,372
Exposures to public sector entities	225,075	-	-	225,075	5,507
Exposures to multilateral development banks	93,031	-	-	93,031	0
Exposures to international organisations	127,234	-	-	127,234	0
Exposures to institutions	1,431,423	-	577,401	2,008,825	368,671
Exposures to corporates	6,093,478	2,366,584	76,786	8,536,848	23,130
Exposures secured by mortgages on immovable property	11,779,567	-	-	11,779,567	0
Exposures in default	141,215	-	-	141,215	0
Exposures in the form of covered bonds	1,328,736	-	-	1,328,736	132,874
Equity exposures	656	-	-	656	1,639
Other items	59,428	-	-	59,428	36,631
Total	**45,582,814**	**3,071,212**	**685,567**	**49,339,594**	**573,825**

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Consolidated Financial Statements

MuniFin

Consolidated income statement

(EUR 1,000)	Note	Jan–Dec 2024	Adjusted Jan–Dec 2023
Interest income at effective interest rate method	(3)	1,933,354	1,582,543
Other interest income	(3)	319,120	316,518
Interest expense at effective interest rate method	(3)	-1,420,337	-1,098,438
Other interest expense	(3)	-571,980	-541,369
Net interest income		**260,156**	**259,253**
Commission income	(4)	1,465	2,275
Commission expense	(4)	-16,917	-15,638
Net result on financial instruments at fair value through profit and loss	(5)	-15,086	-39,461
Net result on financial assets at fair value through other comprehensive income	(6)	3	-257
Other operating income	(8)	31	139
HR and administrative expenses	(9)	-43,624	-40,711
Depreciation and impairment on tangible and intangible assets	(10)	-6,031	-6,543
Other operating expenses	(11)	-14,064	-19,271
Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income	(12)	-326	-1,203
Net operating profit		**165,606**	**138,583**
Income tax expense	(13)	-32,913	-28,058
Profit for the financial year		**132,693**	**110,526**

The Group has updated the presentation of net interest income of derivative contracts that are not designated in hedge accounting. In addition, net interest income has been amended to differentiate line items *Interest income/expense at effective interest rate method* from line items *Other interest income/expense*. The change of presentation did not have an impact on net interest income or profit for the period.

The accompanying notes are an integral part of the Financial Statements.

Consolidated statement of comprehensive income

(EUR 1,000)	Note	Jan–Dec 2024	Jan–Dec 2023
Profit for the financial year		132,693	110,526
Components of other comprehensive income			
Items not to be reclassified to income statement in subsequent periods			
Change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss	(5)	137,202	75,401
Tax on change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss		-27,440	-15,080
Change in Cost-of-Hedging	(24)	29,866	25,417
Tax on change in Cost-of-Hedging		-5,973	-5,083
Items to be reclassified to income statement in subsequent periods			
Change in fair value of financial assets at fair value through other comprehensive income	(6)	1,732	7,851
Change in expected credit loss of financial assets at fair value through other comprehensive income	(25)	2	-2
Tax on change in fair value of financial assets at fair value through other comprehensive income		-347	-1,570
Amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income	(6)	-124	287
Tax on amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income		25	-57
Total components of other comprehensive income		134,942	87,163
Total comprehensive income for the financial year		**267,635**	**197,689**

The accompanying notes are an integral part of the Financial Statements.

Consolidated statement of financial position

(EUR 1,000)	Note	31 Dec 2024	Adjusted 31 Dec 2023	Adjusted 1 Jan 2023
Assets				
Cash and balances with central banks	(18)	2	2	2
Loans and advances to credit institutions	(19)	8,566,611	9,192,948	9,656,547
Loans and advances to the public and public sector entities	(20, 21)	35,376,909	32,225,422	29,231,462
Debt securities	(22)	5,878,912	5,170,005	4,799,060
Derivative contracts	(17, 23)	2,323,708	2,036,212	2,794,554
Intangible assets	(26, 28)	2,720	6,311	8,831
Tangible assets	(27, 28)	8,236	9,648	5,062
Other assets	(29)	915,913	1,075,207	1,235,325
Accrued income and prepayments	(30)	18,797	20,595	4,687
Deferred tax assets	(31)	10	9	763
Total assets	**(14, 15, 16)**	**53,091,818**	**49,736,359**	**47,736,293**
Liabilities and equity				

(EUR 1,000)	Note	31 Dec 2024	Adjusted 31 Dec 2023	Adjusted 1 Jan 2023
Liabilities				
Liabilities to credit institutions	(32, 35)	883,694	215,552	2,333,738
Liabilities to the public and public sector entities	(33, 35)	2,463,874	2,622,551	2,561,084
Debt securities issued	(34, 35)	44,534,306	40,872,798	35,730,888
Derivative contracts	(17, 23)	2,561,718	3,496,553	4,584,364
Other liabilities	(36)	285,181	418,445	593,938
Accrued expenses and deferred income	(37)	45,485	43,128	26,856
Deferred tax liabilities	(31)	372,126	323,517	291,717
Total liabilities	**(14, 15, 16)**	**51,146,383**	**47,992,542**	**46,122,584**
Equity				
Share capital	(38)	42,583	42,583	42,583
Reserve fund	(38)	277	277	277
Fair value reserve of investments	(38)	3,340	2,052	-4,457
Own credit revaluation reserve	(38)	169,999	60,238	-83
Cost-of-Hedging reserve	(38)	45,714	21,821	1,488
Reserve for invested non-restricted equity	(38)	40,366	40,366	40,366
Retained earnings	(38)	1,643,155	1,576,480	1,533,535
Total equity attributable to Parent Company equity holders		**1,945,435**	**1,743,817**	**1,613,709**
Total equity		**1,945,435**	**1,743,817**	**1,613,709**
Total liabilities and equity		**53,091,818**	**49,736,359**	**47,736,293**

The Group has updated the presentation of financial assets and liabilities and their accrued interest and expenses during the financial year 2024. Comparative information has been adjusted accordingly.

The accompanying notes are an integral part of the Financial Statements.

Consolidated statement of changes in equity

(EUR 1,000)	Total equity attributable to Parent Company equity holders								
	Share capital	Reserve fund	Fair value reserve of investments	Own credit revaluation reserve	Cost-of-hedging reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Total equity
Equity at 31 December 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 financial year	-	-	-	-	-	-	110,526	110,526	110,526
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	-	-	-	60,320	-	-	-	60,320	60,320
Net change in Cost-of-Hedging	-	-	-	-	20,334	-	-	20,334	20,334
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	-	-	6,281	-	-	-	-	6,281	6,281
Net amount reclassified to the income statement on the sales of financial assets at fair value through other comprehensive income	-	-	230	-	-	-	-	230	230
Net change in expected credit loss of financial assets at fair value through other comprehensive income	-	-	-2	-	-	-	-	-2	-2
Equity at 31 December 2023	**42,583**	**277**	**2,052**	**60,238**	**21,821**	**40,366**	**1,576,480**	**1,743,817**	**1,743,817**

(EUR 1,000)	Total equity attributable to Parent Company equity holders								
	Share capital	Reserve fund	Fair value reserve of investments	Own credit revaluation reserve	Cost-of-hedging reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Total equity
Dividends paid for 2023	-	-	-	-	-	-	-66,018	-66,018	-66,018
Profit for the financial year	-	-	-	-	-	-	132,693	132,693	132,693
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	-	-	-	109,762	-	-	-	109,762	109,762
Net change in Cost-of-Hedging	-	-	-	-	23,892	-	-	23,892	23,892
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	-	-	1,386	-	-	-	-	1,386	1,386
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 31 December 2024	**42,583**	**277**	**3,340**	**169,999**	**45,714**	**40,366**	**1,643,155**	**1,945,435**	**1,945,435**

The accompanying notes are an integral part of the Financial Statements.

Consolidated statement of cash flows

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Cash flow from operating activities	**66,648**	**84,900**
Net change in long-term funding	2,848,288	2,782,391
Net change in short-term funding	-796,013	-719,460
Net change in long-term loans	-2,880,469	-2,305,076
Net change in short-term loans	-249,895	-107,788
Net change in investments	-204,315	2,566
Net change in collaterals	1,115,556	166,962
Interest on assets	2,097,968	1,517,912
Interest on liabilities	-1,814,456	-1,196,347
Other income	46,480	62,955
Payments of operating expenses	-79,625	-84,091
Taxes paid	-16,871	-35,125
Cash flow from investing activities	**-590**	**-545**
Acquisition of tangible assets	-386	-7
Proceeds from sale of tangible assets	19	138
Acquisition of intangible assets	-223	-676
Cash flow from financing activities	**-67,775**	**-69,765**
Dividend paid	-66,018	-67,580
Total cash flow from leases	-1,757	-2,185
Change in cash and cash equivalents	**-1,717**	**14,590**
Cash and cash equivalents at 1 Jan	**63,214**	**48,624**
Cash and cash equivalents at 31 Dec	**61,496**	**63,214**

Cash flow statement has been prepared in accordance with the direct method. Line item *Cash flow from operating activities* includes cash flows which are MuniFin Group's principal revenue-producing activies such as cash flows from funding and customer finance related transactions. In addition, cash flow from operating activities includes cash flows from liquidity investments and cash collaterals related to derivative contracts. Cash flows from operating activities include interest payment received and interest expenses paid in the aforementioned items. Line item also includes other income and payments of MuniFin Group's operating activities.

The line item *Cash flow from investing activities* includes expenses incurred from the acquisition of tangible and intangible assets and the income from the disposal of these items.

The line item *Cash flow from financing activities* includes dividends paid to shareholders during the period and lease liability repayments and related interest payments.

Cash and cash equivalents includes lines items *Cash and balances with central banks* and *Loans and advances to credit institutions payable on demand.*

The accompanying notes are an integral part of the Financial Statements.

MuniFin

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1. Summary of material accounting policies and corrections to previous Financial Statements

1. General information on the Group and the basis of preparation

Municipality Finance Group (referred to as MuniFin Group or the Group) consists of Municipality Finance Plc (referred to as MuniFin or the Parent Company) and Financial Advisory Services Inspira Ltd (referred to as Inspira or the Subsidiary). The Group's Parent Company is a Finnish public limited liability company established under Finnish legislation and domiciled in Helsinki. Its registered address is Jaakonkatu 3 A, 00100 Helsinki. The Subsidiary's domicile is Helsinki and registered address Jaakonkatu 3 A, 00100 Helsinki. A copy of the Consolidated Financial Statements is available online at www.munifin.fi or from the Group's Parent Company at Jaakonkatu 3 A, 00100 Helsinki.

The Board of Directors of MuniFin has approved these Financial Statements for disclosure at its meeting on 12 February 2025. According to the Finnish Limited Liability Companies Act, shareholders may accept or reject the Financial Statements at the Annual General Meeting held after the publication. The Annual General Meeting may also decide to alter the Financial Statements.

MuniFin Group publishes the Financial Statements on its website in a unified electronic reporting format (*European Single Electronic Format, ESEF*) as an XHTML file in connection with the publication of the Financial Statements.

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (*IFRS accounting standards*) and in compliance with IAS and IFRS accounting standards and the SIC and IFRIC interpretations in force on 31 December 2024. International Financial Reporting Accounting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU Regulation (EC) No. 1606/2002 and embodied in the Finnish Accounting Act and the decrees enacted under it. In addition, the notes to the Consolidated Financial Statements comply with the requirements of the Finnish accounting and corporate legislation complementing the IFRS requirements.

Capital adequacy information in compliance with Part Eight of the EU Capital Requirements Regulation ((EU) No 575/2013) and its amending regulation ((EU) No 876/2019) is presented in a Pillar III Disclosure Report which is a separate, unaudited report from the Report of the Board of Directors and the Financial Statements.

The functional currency of the Parent Company is euro. The notes of the Financial Statements are presented in thousands of euros. All figures in the notes have been rounded, so the total of individual figures may differ from the total figure presented. Operations of the Group are not subject to seasonal variations.

2. Changes in accounting policies and the presentation of financial disclosures

Changes in accounting policies: application of new and amended standards
The Consolidated Financial Statements have been prepared in accordance with the same accounting policies as in 2023. There are no new IFRS accounting standards that are effective from 1 January 2024.

The IASB has published following amendments that are effective from 1 January 2024 but which have not had any significant impact on the Groups financial statements.

- IAS 1 *Presentation of Financial Statements* - 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.
- IFRS 16 *Leases* - The amendments introduce a new accounting model for variable payments and will require seller-lessees to re-assess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.
- IAS 7 and IFRS 7 - The amendments require to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

In addition, during the period, there were several IFRIC agenda decisions published but they did not have material impact on the Group's financial statements.

Change in the presentation of Consolidated income statement and Consolidated statement of financial position
During the financial year 2024, the Group made changes in the presentation of the Consolidated income statement and the Consolidated statement of financial position.

1) During the financial year 2024, the Group has updated the presentation of net interest income of derivative contracts that are not designated in hedge accounting. Starting from 2024, net interest income of derivative contracts is presented in the same line item.

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

In line items *Interest income/expenses at effective interest method*, the Group presents interest income/expenses from financial assets and liabilities measured at amortised cost, interest income/expenses from financial assets and liabilities measured at fair value through other comprehensive income and interest income/expenses of derivative contracts in hedge accounting. The distribution of interest income and expenses can be found in Note *3 Interest Income and Expenses.*

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

The updated changes to the consolidated income statement regarding the treatment of derivative contracts for the comparative period are as follows:

Consolidated income statement (EUR 1,000)	Jan-Dec 2023	Adjustment	Adjusted Jan-Dec 2023
Interest and similar income	2,717,519	-818,459	1,899,060
Interest and similar expense	-2,458,266	818,459	-1,639,807
Net interest income	**259,253**	**0**	**259,253**

The allocation of interest income and expenses to new income statement lines caused the following changes for the comparative period:

Consolidated income statement (EUR 1,000)	Jan-Dec 2023	Adjustment	Adjusted Jan-Dec 2023
Interest income at effective interest rate method	-	1,582,543	1,582,543
Interest and similar income*	1,899,060	-1,582,543	316,518
Interest expense at effective interest rate method	-	-1,098,438	-1,098,438
Interest and similar expense**	-1,639,807	1,098,438	-541,369
Net interest income	**259,253**	**0**	**259,253**

* Starting from the beginning of 2024, this line item is *Other interest income.*
** Starting from the beginning of 2024, this line item is *Other interest expense.*

3) In addition to adjusting the income statement, the Group has corrected the presentation of the Consolidated statement of financial position during the second half of 2024. The changes have been made retrospectively to the opening balance sheet of comparative year 2023, to year end of 2023 and to the first half of 2024. The accrued interest of these items are transferred from *Accrued income and prepayments* or *Accrued expenses and deferred income* to the item from which the interest arises.

The changes made in the presentation of Consolidated statement of financial position for 1 January 2023 are as following:

i) Unreceived interest from deposits and cash collaterals was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 31,059 thousand of unreceived interest was reclassified to balance sheet line item *Loans and advances to credit institutions*.

ii) Unreceived interest from loan receivables was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 87,100 thousand of unreceived interest was reclassified to the balance sheet line item *Loans and advances to the public and public sector entities.*

iii) Unreceived interest from debt securities was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 12,293 thousand of unreceived interest was reclassified to the balance sheet line item *Debt securities*.

iv) Interest accrual from derivative contracts was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 87,451 thousand of interest accrual was reclassified to the balance sheet line item *Derivative contracts*.

v) Unreceived interest from cash collateral given to central counterparties was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 515 thousand of unreceived interest was reclassified to the balance sheet line item *Other assets* where the corresponding cash collateral is presented.

vi) In total EUR 218,417 thousand was reclassified from the balance sheet line item *Accrued income and prepayments* to the aforementioned line items.

vii) Unpaid interest from liabilities to credit institutions was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 1,115 thousand of unpaid interest was reclassified to the balance sheet line item *Liabilities to credit institutions*.

viii) Unpaid interest from liabilities to the public and public sector entities was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 31,499 thousand of unpaid interest was reclassified to the balance sheet line item *Liabilities to the public and public sector entities*.

ix) Unpaid interest from debt securities issued was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 138,822 thousand of unpaid interest was reclassified to the balance sheet line item *Debt securities issued.*

x) Interest accrual from derivative contracts was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 31,747 thousand of interest accrual was reclassified to the balance sheet line item *Derivative contracts*.

xi) Unpaid interest from cash collateral given to central counterparties was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 91 thousand of unpaid interest was reclassified to the balance sheet line *Other liabilities* where the corresponding cash collateral is presented.

xii) In total EUR 139,779 thousand was reclassified from the balance sheet line item *Accrued expenses and deferred income* to aforementioned items.

Consolidated statement of financial position (EUR 1,000)	Reference	1 Jan 2023	Adjustment	Adjusted 1 Jan 2023
Assets				
Cash and balances with central banks		2	-	2
Loans and advances to credit institutions	i)	9,625,488	31,059	9,656,547
Loans and advances to the public and public sector entities	ii)	29,144,361	87,100	29,231,462
Debt securities	iii)	4,786,768	12,293	4,799,060
Derivative contracts	iv)	2,707,103	87,451	2,794,554
Intangible assets		8,831	-	8,831
Tangible assets		5,062	-	5,062
Other assets	v)	1,234,810	515	1,235,325
Accrued income and prepayments	vi)	223,104	-218,417	4,687
Deferred tax assets		763	-	763
Total assets		**47,736,293**	**-**	**47,736,293**
Liabilities and equity				
Liabilities				
Liabilities to credit institutions	vii)	2,332,623	1,115	2,333,738
Liabilities to the public and public sector entities	viii)	2,529,585	31,499	2,561,084
Debt securities issued	ix)	35,592,065	138,822	35,730,888
Derivative contracts	x)	4,616,111	-31,747	4,584,364
Provisions and other liabilities	xi)	593,848	91	593,938
Accrued expenses and deferred income	xii)	166,635	-139,779	26,856
Deferred tax liabilities		291,717	-	291,717
Total liabilities		**46,122,584**	**-**	**46,122,584**
Total equity		**1,613,709**	**-**	**1,613,709**
Total liabilities and equity		**47,736,293**	**-**	**47,736,293**

The changes made in the presentation of Consolidated statement of financial position for the reporting period ended at 31 December 2023 are as following:

i) Unreceived interest from deposits and cash collaterals was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 5,876 thousand of unreceived interest was reclassified to balance sheet line item *Loans and advances to credit institutions*.

ii) Unreceived interest from loan receivables was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 203,705 thousand of unreceived interest was reclassified to the balance sheet line item *Loans and advances to the public and public sector entities.*

iii) Unreceived interest from debt securities was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 25,042 thousand of unreceived interest was reclassified to the balance sheet line item *Debt securities*.

iv) Interest accrual from derivative contracts was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 179,443 thousand of interest accrual was reclassified to the balance sheet line item *Derivative contracts*.

v) Unreceived interest from cash collateral given to central counterparties was previously presented on the balance sheet line item *Accrued income and prepayments*. EUR 1,322 thousand of unreceived interest was reclassified to the balance sheet line item *Other assets* where the corresponding cash collateral is presented.

vi) In total EUR 415,388 thousand was reclassified from the balance sheet line item *Accrued income and prepayments* to the aforementioned line items.

vii) Unpaid interest from liabilities to credit institutions was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 1,857 thousand of unpaid interest was reclassified to the balance sheet line item *Liabilities to credit institutions*.

viii) Unpaid interest from liabilities to the public and public sector entities was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 34,276 thousand of unpaid interest was reclassified to the balance sheet line item *Liabilities to the public and public sector entities*.

ix) Unpaid interest from debt securities issued was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 271,151 thousand of unpaid interest was reclassified to the balance sheet line item *Debt securities issued.*

x) Interest accrual from derivative contracts was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 124,039 thousand of interest accrual was reclassified to the balance sheet line item *Derivative contracts*.

xi) Unpaid interest from cash collateral given to central counterparties was previously presented on the balance sheet line item *Accrued expenses and deferred income*. EUR 170 thousand of unpaid interest was reclassified to the balance sheet line *Other liabilities* where the corresponding cash collateral is presented.

xii) In total EUR 431,492 thousand was reclassified from the balance sheet line item *Accrued expenses and deferred income* to aforementioned items.

Consolidated statement of financial position (EUR 1,000)	Reference	31 Dec 2023	Adjustment	Adjusted 31 Dec 2023
Assets				
Cash and balances with central banks		2	-	2
Loans and advances to credit institutions	i.	9,187,071	5,876	9,192,948
Loans and advances to the public and public sector entities	ii.	32,021,717	203,705	32,225,422
Debt securities	iii.	5,144,963	25,042	5,170,005
Derivative contracts	iv.	1,856,769	179,443	2,036,212
Intangible assets		6,311	-	6,311
Tangible assets		9,648	-	9,648
Other assets	v.	1,073,885	1,322	1,075,207
Accrued income and prepayments	vi.	435,982	-415,388	20,595
Deferred tax assets		9	-	9
Total assets		**49,736,359**	**-**	**49,736,359**
Liabilities and equity				
Liabilities				
Liabilities to credit institutions	vii.	213,695	1,857	215,552
Liabilities to the public and public sector entities	viii.	2,588,275	34,276	2,622,551
Debt securities issued	ix.	40,601,646	271,151	40,872,798
Derivative contracts	x.	3,372,514	124,039	3,496,553
Provisions and other liabilities	xi.	418,275	170	418,445
Accrued expenses and deferred income	xii.	474,620	-431,492	43,128
Deferred tax liabilities		323,517	-	323,517
Total liabilities		**47,992,542**	**-**	**47,992,542**
Total equity		**1,743,817**	**-**	**1,743,817**
Total liabilities and equity		**49,736,359**	**-**	**49,736,359**

Change in the presentation of financial leases

In addition to the changes in presentation of Consolidated income statement and Consolidated statement of financial position, the Group changed the classification of the property lease receivables. Instead of finance lease receivables, they are now presented as financial assets. For property leases, the Group assessed whether control of property leases would transfer to the Group and if the transaction is sale and leaseback, would the sale meet the criteria for sales under IFRS 15. When the control of the property is retained by the seller of the property, these are classified as financial assets under IFRS 9 and not leases. After the assessment, all property leases are classified as financial assets.

There were EUR 1,319,931 thousand (EUR 1,166,550 thousand) of property lease receivables in the Consolidated statement of financial position for the reporting period ended at 31 December 2024. The reclassification did not impact the balance sheet presentation, as both line items are included within line item *Loans and advances from the public and public sector entities* on the balance sheet. The reclassification had no impact on retained earnings. The reclassification had an impact in the Notes to the Consolidated Financial Statements, thus reflecting better the substance of the transactions and providing the user of the financial statements a more transparent view of the agreements. The interest income from the property lease agreements is presented in the income statement under *Interest income at effective interest rate method* and interest income from equipment leases, which are classified as finance lease receivables, is presented under *Other interest income*. Information on the classification of property lease receivables is shown in section *7.1 Classification and measurement of financial assets* whereas information on finance lease receivables for equipment leases are included in section *14.2 MuniFin Group as lessor.*

3. Accounting policies requiring management judgement and key uncertainty factors related to estimates

In preparing the Financial Statements under IFRS accounting standards, the Group's management is required to make certain estimates and use judgement in the application of the accounting policies that affect the revenue, expenses, assets and liabilities presented in the Financial Statements.

The key assumptions made by the Group concern key uncertainty factors pertaining to the future and the estimates at the financial statement date. These relate to, among other things, the determination of fair value and the expected credit losses and impairment of financial assets.

3.1 Determination of fair value

The level of management judgement required in establishing fair value of financial instruments for which there is a quoted price in an active market is usually minimal. For the valuation of financial instruments where prices quoted in active markets are not available, the Group uses valuation techniques to establish fair value. These valuation techniques involve some level of management judgement, the degree of which will depend on the observability of the input parameters and the instrument's complexity.

Management judgement	Estimates
• The choice of valuation parameters and modelling techniques in order to derive the fair value of financial instruments.	• Judgement on which market parameters are observable.
• Determing 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.	• Applying the input data, assumptions and modelling techniques in particular, where data is obtained from infrequent market transactions.
	• The fair value adjustments incorporating relevant risk factors.

The valuation methods and controls and quantitative disclosures with respect to the determination of fair value as well as the fair value hierarchy levels are disclosed in Note *15 Fair values of financial assets and liabilities*. In addition, Note *15 Fair values of financial assets and liabilities section Sensitivity analysis of unobservable inputs* describes 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.

The changes in the fair values of financial instruments impact the income statement line items *Net result on financial instruments at fair value through profit or loss* as well as the other comprehensive income line items *Change in fair value of financial assets at fair value through other comprehensive income, Change in fair value due to changes in own credit risk on financial liabilities designated at fair value through profit or loss* and *Change in Cost-of-Hedging.*

3.2 Expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement 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 *25 Credit risks of financial assets and other commitments.* The changes of the expected credit losses are recognised under the income statement line *Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income.*

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 *25 Credit risks of financial assets and other commitments*, in 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	

In 2024, MuniFin Group updated the macroeconomic scenarios quarterly to take into account forward-looking information. Additionally, the Group revised its probability of default model for calculating the customer finance exposures. Previously a 30-day payment delay was the indicator for customer's inability to pay. The model was updated so that the indicator for insolvency observation is either the official definition of default or if a customer's exposures are transferred to stage 3. The amount of expected credit losses increased by EUR 1,122 thousand due to changes made in the models and parameters.

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 continue to face challenges in the sufficiency of cash flows in the latter part of the year. Part of the previous additional discretionary provision has been realised during the first half of 2024 as transfers to levels 2 and 3. Thus MuniFin Group's management decided to decrease the provision by EUR 375 thousand, making the additional discretionary provision based on a group-specific assessment EUR 250 thousand at the end of June 2024.

At the end of December 2024, MuniFin Group's management assessed again the need of additional discretionary provision and decided to release the provision in full. The model update in the calculation of probability of default and the resulting increase in excepted credit losses and stage transfers are estimated to take into account the previous additional provision for receivables with increased credit risk. Based on the Group's assessment, some customers may face challenges in the sufficiency of cash flows in 2025, which may cause further payment delays and forbearances for MuniFin Group. However, the declining interest rate environment is expected to gradually ease the financial situation of customers.

4. Basis of consolidation

The Consolidated Financial Statements encompass the Financial Statements of MuniFin, the Parent Company, and the Subsidiary Financial Advisory Services Inspira Ltd, in which the Parent Company has control. MuniFin has control over an investee if it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Inspira is fully owned by MuniFin and thus the control is based on votes. Intra-group holdings have been eliminated by using the acquisition method. Intra-group transactions, receivables, and liabilities as well as distribution of profit have been eliminated in the Consolidated Financial Statements.

5. Segment reporting

The Group's line of business is credit institution operations and providing financial services. The Group operates in a single segment, which also forms the basis of reporting to the Group's chief operating decision maker. Group-level information on products and services are presented in Note *3 Interest income and expense* and *4 Fee and commission income and expense*. The Group has not broken-down income or assets based on geographical areas due to operating in Finland only. The Group regularly monitors the development of the lending portfolio by customer and the proportion of interest paid by each customer of the total interest income. The largest cities measured by population and non-profit companies focused on rental housing development are the largest borrowers. There is no customer group that accumulates over 10% of Group's total interest income. The chief operating decision maker of the Group is the Chief Executive Officer of the Parent Company as he is responsible for allocating resources and assessing the performance of the Group.

6. Translation of foreign currency denominated items

Transactions denominated in a foreign currency have been recorded in euro, the Group's Parent Company's functional currency, using the exchange rates of the transaction dates. On the reporting date, monetary receivables and liabilities denominated in a foreign currency have been translated into euros using the European Central Bank's average exchange rate of that date. The resulting translation differences are recorded in the income statement under *Net result on financial instruments at fair value through profit or loss*. The fair value changes of financial assets denominated in a foreign currency and classified as fair value through other comprehensive income are divided into translation differences arising from changes to the amortised cost of the asset and other changes in carrying amount. Translation differences related to changes in amortised cost are recognised in the income statement, while other changes in carrying amount are recognised in other comprehensive income.

7. Classification, recognition and measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and for financial assets on the business model for managing the instruments. Financial instruments are initially measured at fair value taking into account transaction costs that are incremental and directly attributable to the acquisition cost or issue of the financial asset or liability, unless the financial asset or liability is measured at fair value through profit or loss. Trade receivables are measured at the transaction price.

7.1 Classification and measurement of financial assets

The classification of financial assets is dependent on:

- the business model applied to managing the financial assets and
- the characteristics of their contractual cash flows.

Financial assets are reclassified only when the business model for managing financial assets is changed. On initial recognition, a financial asset is classified at amortised cost (*AC*), fair value through other comprehensive income (*FVOCI*) or fair value through profit or loss (*FVTPL*). Certain financial assets, that otherwise meet the requirements to be classified at amortised cost or fair value through other comprehensive income, can be irrevocably designated to be measured at fair value through profit or loss by applying fair value option (*FVO*).

7.1.1 Business model assessment

The Group has determined its business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregation and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel.
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed.
- How managers of the business are compensated, for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected.
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows after initial recognition are realised in a way that is different from original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

MuniFin Group has identified two different business models for managing financial assets: the first business model is based on holding financial assets and collecting contractual cash flows. The other business model is based on collecting contractual cash flows and selling financial assets.

The Group's lending and property lease receivables are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. In addition, financial assets such as bank account balances, bank deposits, CSA collateral receivables and reverse repurchase agreements are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

7.1.2 The Solely Payment of Principal and Interest (SPPI) test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. In the SPPI test, the contractual cash flows of the financial asset are assessed. In order to pass the SPPI test, the cash flows need to consist solely of payments of principal and interest.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and it may change over the life of the financial asset for example, if there are repayments of principal or amortisation of the premium or discount.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets are required to be classified at fair value through profit or loss, if:
- they contain contractual terms that are unrelated to a basic lending agreement and
- give rise to cash flows that are not solely payments of principal and interest on the amount outstanding.

These contractual terms are required to introduce a more than de minimis exposure to risks or volatility in the contractual cash flows, in order for the financial asset to fail the SPPI test. Some of the Group's structured lending agreements do not fulfil the SPPI criteria and are thus classified mandatorily at fair value through profit or loss. As a result of the requirements in the SPPI test, there is no need to separately assess for embedded derivative as the whole instrument would be classified at fair value through profit or loss. IFRS 9 does not allow for the separation of embedded derivatives from financial asset host contracts.

7.1.3 Amortised cost

Financial assets that are classified at amortised cost include the Group's lending portfolio consisting of short-term and long-term lending (except for structured products which fail the SPPI test), money market deposits, reverse repurchase agreements, bank account balances and CSA collateral receivables and financing collateralised with property (property lease receivables). The structured lending agreements are classified mandatorily at fair value through profit or loss.

A financial asset is classified at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are initially recognised at fair value adjusted by directly attributable transaction costs. Subsequently, these assets are measured at amortised cost using the effective interest rate method. The measurement of impairment is based on the expected credit loss model described in Section *9. Impairment on financial assets*. Interest income on financial assets at amortised cost is recognised in the income statement under *Interest income at effective interest rate method*. The expected credit losses are recognised in the income statement under *Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income.*

As a rule, the Group hedges fixed rate lending and lending at long-term reference rates and applies fair value hedge accounting to these. Lending that is designated as hedged item in a hedge relationship, is measured at fair value for the risk hedged. Hedge accounting principles are described in Section *10. Hedge accounting* of this note. Note *24 Hedge accounting* describes how hedge accounting has been implemented in the Group.

7.1.4 Fair value through other comprehensive income

A financial asset, that is a debt instrument, is classified at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are initially recognised at fair value adjusted by directly attributable transaction costs. Subsequent changes in fair value are recognised through the other comprehensive income and are presented in *Fair value reserve* adjusted by deferred tax. The measurement of impairment is based on the expected credit loss model described in Section *9. Impairment on financial assets*. Foreign exchange gains and losses on debt securities denominated in foreign currencies are recognised in the income statement under *Net result on financial instruments at fair value through profit or loss*. Interest income on debt securities is recognised in the income statement under *Interest income at effective interest rate method.* The expected credit losses are recognised in the income statement under *Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income*. Upon disposal, the cumulative gain or loss previously recognised in the other comprehensive income is reclassified from fair value reserve in equity to the income statement and presented under *Net result on financial assets at fair value through other comprehensive income*.

Based on the business model assessment, investments of the Group's liquidity portfolio are classified at fair value through other comprehensive income. The majority of the liquidity portfolio consists of fixed and floating rate debt securities and investments in commercial papers. These investments pass the SPPI test.

7.1.5 Fair value through profit or loss

A financial asset is classified at fair value through profit or loss unless it is classified at amortised cost or fair value through other comprehensive income. In MuniFin Group, this category comprises of the following assets:

- derivative assets,
- debt instruments with contractual terms that do not represent solely payments of principal and interest on the principal amount outstanding,
- investments in equity instruments and
- financial assets designated at fair value through profit or loss on initial recognition.

Financial assets in this category are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, these assets are measured at fair value through profit or loss. Fair value changes are recorded in the income statement under *Net result on financial instruments at fair value through profit or loss*. Interest received on financial assets at fair value through profit or loss is recognised in the income statement under Other *interest income*.

7.1.6 Designated at fair value through profit or loss
On initial recognition, the Group can designate certain financial assets at fair value through profit or loss (*fair value option, FVO*). This irrevocable designation is made if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e., eliminates an accounting mismatch) which would otherwise arise from measuring financial assets on different bases. Financial assets that the Group has designated at fair value through profit or loss include debt securities of the liquidity portfolio and individual lending agreements of which the interest rate risk and/or foreign exchange risk is hedged with interest rate and cross currency interest rate swaps.

Classification of financial assets in presented in Note *14 Financial assets and liabilities*.

7.2 Classification and measurement of financial liabilities
On initial recognition, a financial liability is classified at amortised cost (*AC*) or fair value through profit or loss (*FVTPL*). Certain financial liabilities, that otherwise meet the requirements to be classified at amortised cost, can be irrevocably designated at fair value through profit or loss by applying the fair value option (*FVO*). Financial liabilities are not reclassified after initial recognition.

7.2.1 Amortised cost
Financial liabilities are classified at amortised cost, except for:
- derivative liabilities and
- liabilities that are designated at fair value through profit or loss.

Financial liabilities in this category are initially recognised at fair value adjusted by directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortised cost using the effective interest rate method. Interest expense on liabilities is recognised in the income statement under *Interest expense at effective interest rate method*.

Financial liabilities that are classified at amortised cost include liabilities to credit institutions, liabilities to the public and public sector entities and debt securities issued. MuniFin Group applies fair value hedge accounting according to IFRS 9 to financial liabilities at amortised cost which have been hedged. Hedge accounting principles are described in Section *10. Hedge accounting* of this note. Note *24 Hedge accounting* describes how hedge accounting has been implemented in the Group.

7.2.2 Fair value through profit or loss
A financial liability is classified at fair value through profit or loss unless it is classified at amortised cost. This category includes derivative contracts and financial liabilities that are designated at fair value through profit or loss upon initial recognition.

Financial liabilities in this category are initially recognised at fair value. Subsequent changes in fair value are recorded in the income statement under *Net result on financial instruments at fair value through profit or loss.* Interest expense on liabilities is recognised in the income statement under *Other interest expense*.

7.2.3 Designated at fair value through profit or loss

On initial recognition, the Group can designate certain financial liabilities at fair value through profit or loss. This designation is made:

- if it eliminates or significantly reduces an accounting mismatch or
- if financial liabilities are both managed, and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

The 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 and financial liability. In addition, the Group has also designated certain financial liabilities at fair value through profit or loss. These consist of financial liabilities, which have been hedged according to the Group's risk management policy, but to which fair value hedge accounting in accordance with IFRS 9 is not applied. To eliminate the accounting mismatch resulting from the economic hedge, these debt instruments have been designated at fair value through profit or loss. As a result of the designation all financial liabilities containing embedded derivatives requiring separation are classified at fair value through profit or loss.

An embedded derivative is part of a hybrid financial instrument, which contains a non-derivative host and an embedded derivative which causes the contractual cash flows to be modified in similar way to that of stand-alone derivative cash flows. If the economic characteristics and risks of an embedded derivative are not closely related to the characteristics and risks of the host contract, the embedded derivative of a debt instrument is required to be separated. The separated embedded derivative is measured at fair value through profit or loss. If the fair value of the embedded derivative cannot be separately measured, the entire hybrid instrument is designated at fair value through profit or loss. Debt securities issued by MuniFin can contain interest or redemption terms with the economic characteristics and risks that are not closely related to the host contract. The Group hedges all structured interest and redemption terms in its issued debt securities with offsetting derivatives and designates them at fair value through profit and loss and thus the above-mentioned components are not separated from the host contract.

The fair value changes of financial liabilities designated at fair value through profit or loss are recorded in the income statement under *Net result on financial instruments at fair value through profit or loss*, except for fair value changes attributable to changes in the Group's own credit risk. The fair value changes of the derivative hedging the financial liability are recorded in the same income statement line item. When a financial liability is designated at fair value through profit or loss, the fair value changes due to changes of the Group's own credit risk are presented separately 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*.

The Group applies the income approach 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 the following as input:

- MuniFin's benchmark curves,
- cross currency basis spreads and
- credit spreads of MuniFin's issued debt securities.

Based on the aforementioned inputs, valuation curves can be constructed for various reporting periods for valuing financial liabilities designated at fair value through profit or loss. By comparing fair values calculated using the trade date and reporting date curves, the impact of the change in own credit risk on the fair value of the financial liability can be determined.

Classification of financial liabilities is presented in Note *14 Financial assets and liabilities*.

8. Recognition and derecognition of financial assets and liabilities

Financial assets are recognised on the Consolidated statement of financial position on the settlement day. Financial liabilities are recognised when the consideration is received. Derivatives are recognised on the trade date.

Financial assets are derecognised when the contractual right to the assets expires or when the rights have been transferred to another party. Financial liabilities are derecognised when the obligations have been fulfilled.

8.1 Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. These newly recognised loans are classified at stage 1 for the purposes of measurement of expected credit loss, unless the Group determines that the modified loan is deemed to be a credit-impaired financial asset (*Purchased or Originated Credit Impaired, POCI*). If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition.

If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

9. Impairment on financial assets

The impairment requirements are based on a three-stage approach to measure expected credit losses (*ECL*). Financial assets classified at amortised cost or at fair value through other comprehensive income are in scope for recognising impairment under the IFRS 9 standard. Also finance lease receivables and off-balance sheet binding loan commitments are in scope for recognising impairment due to their credit risk. For further information on the classification of financial assets, see Section *7. Classification, recognition and measurement of financial instruments* above.

Impairment of financial assets is calculated based on the credit loss expected to arise over a 12-month period, unless there has been a significant increase in credit risk since origination, in which case, the allowance is calculated based on the expected credit losses over the life of the asset. Both lifetime and 12-months expected credit losses are calculated on an individual basis. Collective assessment may be used to determine a possible management overlay provision.

Credit risks of financial assets and other commitments are described in Note *25 Credit risks of financial assets and other commitments.*

9.1 Measurement of ECL

The assets in the scope of the expected credit loss impairment model are classified into three stages.

- Stage 1 includes assets with no significant increase in credit risk,
- Stage 2 includes assets with significantly increased credit risk since origination, and
- Stage 3 includes assets that are credit impaired and thus fulfil the definition of default.

Default is defined as a situation where the obligor is more than 90 days-past-due or the obligor is considered unlikely to pay its credit obligations for example due to the obligor's bankruptcy or distressed restructuring. The definition of default is in line with the Group's capital adequacy calculations and risk management as well as with that required by international regulators (European Banking Authority's (*EBA*) guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013: EBA/GL/2016/07 and EBA/RTS/2016/06).

The provision for stage 1 is equivalent to the credit loss expected for 12 months. For stages 2 and 3, the provision is equivalent to the expected credit losses for the entire lifetime. The Group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls. The net present value of the contractual cash flows of the exposure are compared to the sum of the net present value of expected future cash flows. If the contractual cash flows are higher than the expected future cash flows, the difference is recognised as an expected credit loss. The expected future cash flows are discounted with the effective interest rate (*EIR*). The fair value of collateral and received guarantees are taken into account when calculating expected future cash flows.

The key elements of the ECL calculations are, as follows:

PD The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the exposure has not been previously derecognised and is still in the portfolio. The PD used in stage transition is defined on a client level. The PD used to calculate the exposure's expected credit loss takes also into account the guarantees received, so that the Finnish government PD is applied in the ECL calculation instead.

EAD The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including prepayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including cash flows from the realisation of any collateral.

When estimating the ECL, the Group considers three scenarios. Each of these are associated with different PDs, EADs and LGDs. When relevant, the Group's assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and their reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

The accounting principles of ECL are summarised below:

- Stage 1: If there has been no significant increase in credit risk since initial recognition, the provision for exposures is based on the 12-month expected loss. The 12-month ECL is calculated as the portion of the lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an EIR.
- Stage 2: When the exposure has shown a significant increase in credit risk since origination but is not credit-impaired, the Group records a provision for the lifetime expected credit losses. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by their EIR.
- Stage 3: For assets considered credit-impaired, the Group recognises the lifetime expected credit losses. For these exposures interest revenue is calculated by applying the EIR to the amortised cost (*net of provision*).
- Purchased or originated credit impaired assets (*POCI*) are financial assets that are credit-impaired on initial recognition.
- Loan commitments: When estimating ECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then calculated based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR of the loan.

9.2 Significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition on an individual basis by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. If one of the following factors indicate that credit risk has increased significantly, the instrument is transferred from stage 1 to stage 2:

- Thresholds for a significant increase in credit risk compared to the initial stage: a threefold (200%) increase in lifetime probability of default compared to the initial, and a single point in time (*PiT*) probability of default of a financial instrument for the year in question is greater than 0.3%.
- Additional qualitative factors, such as forbearance on a financial asset or watch list of counterparties
- Financial assets which repayments are more than 30 days past due.

Movements between stage 2 and stage 3 are based on whether a financial asset is credit-impaired due to the change in credit risk. A financial asset is impaired if there is objective evidence of the impairment. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination after a probation period and after fulfilment of certain criteria, then the calculation basis for ECL reverts from lifetime ECL to 12-month ECL.

Transition from stage 1 to stages 2 and 3, and from stage 2 to stage 3 are immediate. Transition from stage 2 to stage 1 and from stage 3 to stage 2 requires that the criteria for transition must be met for six months before transition (*probation period*).

In the measurement of expected credit losses, the Group includes forward-looking information and macroeconomic scenarios in the model. The scenarios are the same as used in the Group's annual financial planning and stress testing. The macroeconomic projections cover a three-year period and as no reliable macroeconomic projections exceeding a three-year time horizon are available, forward-looking adjustment will be limited to a three-year period. Mainly three scenarios are used: base, optimistic and adverse. Scenarios also include probability weights. The ECL model consists of the following macroeconomic variables for Finnish counterparties of financial assets; Finnish government long-term EUR-rates, the development of residential housing prices and unemployment rate. The projections are included in the macroeconomic scenarios. For non-Finnish financial assets, stress test scenarios published by the European Central Bank are used.

9.3 Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans or other receivables as a response to the borrower's financial difficulties, rather than enforcing the collection of collateral. 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.

Once a loan or other receivable has been classified as forborne, it will remain forborne for a minimum 24-month probation period. For the loan or other receivable to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its loan facilities and other receivables have to be considered performing.
- The probation period of two years has passed from the date the forborne contract was considered performing.
- The Group has received regular payments of more than an insignificant amount of principal or interest during at least half of the probation period.
- The customer does not have any contract that is more than 30 days past due.

Forborne loans and payment delays are regularly reported to the Group's management as an indicator of anticipated client payment ability/solvency.

9.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are recognised in the income statement with a corresponding charge to the statement of financial position as follows:

- Financial assets classified at amortised cost: as a deduction from the gross carrying amount of the assets.
- Debt instruments classified at FVOCI: no loss allowance is recognised as a deduction from the gross carrying amount of the assets in the statement of financial position because the carrying amount of these assets is at fair value. However, the loss allowance is recognised through the other comprehensive income in the fair value reserve. The accumulated loss recognised in the fair value reserve is recycled through OCI to the income statement upon derecognition of the financial assets.
- Finance lease receivables: as a deduction from the gross carrying amount of the assets.
- Binding loan commitments: recognised in *Other liabilities*.

9.5 Write-off

Financial assets are written off, either partially or in full, when the Group has no reasonable expectations of recovering the financial asset. This is generally the case when the Group determines that the borrower or guarantor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to impairment. The Group's credit risks, and credit risk management are further discussed in Note *2 Risk management principles and the Group's risk position*. If the amount to be written off is greater than the accumulated loss allowance of the expected credit losses, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amounts due. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

10. Hedge accounting

The interest rate and foreign exchange rate risk of the Group are managed by entering into derivative transactions. According to the Market Risk Policy the Group's hedging strategy is to mainly 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 rate and long-term reference rates are swapped to floating interest rates with shorter terms.

MuniFin Group applies fair value hedge accounting to:

- Financial assets and liabilities and lease agreements denominated in euros, where the plain-vanilla interest rate of the hedged item has been swapped to a floating rate using derivatives.
- Foreign currency denominated financial liabilities with fixed interest rates, which have been hedged by exchanging the principal into euros and the interest rate into a floating rate.

The Group has documented the hedge relationships within hedge accounting, and they comply with the Group's risk management objectives and strategy. The Group does not apply cash flow hedge accounting.

The carrying amounts of assets and liabilities in hedge accounting are presented in Note *14 Financial assets and liabilities*. The fair values of derivatives included in hedge accounting are presented in Note *23 Derivative contracts*. The notionals of hedged items, the fair value of the hedged items, the impact of hedge accounting on profit or loss and on equity is shown in Note *24 Hedge accounting*. The impact of hedge accounting on profit or loss is also shown in Note *7 Net result on hedge accounting*.

The change in fair value due to foreign exchange differences of derivatives in hedge accounting and the hedged items are recognised in the income statement under *Net result on financial instruments at fair value through profit or loss*. Other changes in fair value of hedged items and the derivatives hedging them, and the ineffective portion of the hedging relationship are also recognised in the same income statement line item. The interest received and paid on derivative contracts is recognised as an adjustment to *Interest expenses at effective interest rate method* of hedged liabilities or as an adjustment to *Interest income at effective interest rate method* of hedged assets.

The Group applies both hedge accounting according to IFRS 9 and portfolio hedge accounting according to IAS 39.

10.1 One-to-one fair value hedge accounting

One-to-one fair value hedge accounting according to IFRS 9 is applied to:

- Fixed rate funding and zero-coupon funding denominated in euros. The hedged item for euro denominated funding is interest rate risk.
- Fixed rate funding and zero-coupon funding denominated in foreign currencies
- Property and equipment lease receivables at fixed and long-term reference rates; and
- Structured lending, which passes the SPPI test.

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 through the other comprehensive income under *Net change in Cost-of-Hedging* to the *Cost-of-Hedging reserve*. Thus, changes in cross currency basis spreads will impact other comprehensive income and not create ineffectiveness in the hedge relationship.

For financial liabilities, the hedged item is at amortised cost, excluding the portion of hedged interest risk, which is subject to fair value hedge accounting. The credit risk of the Group is not included in the hedging relationship. For each financial liability in fair value hedge accounting, the Group determines the credit spread of each trade at inception. The credit spread corresponds to the margin, which needs to be added to the discount curve in order for the fair value at inception to match the issue price. The credit spread is held constant throughout the hedge relationship and based on its present value, the fair value of the financial liability with respect to the hedged risk can be calculated. The change in the value of the hedged risk is recognised as an adjustment to the carrying amount of the hedged item in the income statement under item *Net result on financial instruments at fair value through profit or loss.* Ineffectiveness between the hedged item and the designated portion of the hedge are recorded in the income statement. Separating the credit risk from the fair value is a requirement for applying hedge accounting only on interest rate and foreign exchange risks. The Group uses interest rate swaps and cross currency interest rate swaps as hedging instruments.

Fair value hedge accounting is applied to structured lending, which passes the SPPI test and is thus at amortised cost and which has been hedged 1:1 with interest rate swaps. The customer marginal of the lending agreement is not part of the hedge relationship.

Both funding and structured lending are hedged with hedging instruments with terms that match the hedged item. The hedge ratio between the hedged item and hedging instrument is 1:1. As a result, it is expected that the fair value changes of the derivative offset the fair value changes of the hedged item related to the hedged risk. Prospective effectiveness testing has been performed by verifying that the critical terms match. Ineffectiveness is introduced into the hedge relationship due to the differences in the interest rate curves used in valuing the hedged item and hedging instrument. In addition, ineffectiveness could be created if the critical terms would differ or if the credit risk of the derivative would increase. MuniFin has CSA collateral agreements with its derivative counterparties to mitigate the counterparty credit risk related to derivatives. The effectiveness of all hedge relationships is verified at inception of the hedge relationship and regularly after that on a quarterly basis.

Fair value hedge accounting is also applied to finance lease agreements and to property leases that are treated as financial assets at fixed and long-term reference rates. The interest risk of these lease agreements is hedged with interest rate derivatives. Due to the size of the agreements, several lease agreements are hedged with one interest rate derivative. The terms of the derivative match the combined terms of the hedged agreements. The customer marginal of the finance lease agreement or the property lease is not part of the hedge relationship. The principles of fair value hedge accounting applied to lease agreements resemble those presented above to a large extent. Due to the way the agreements are hedged, the prospective effectiveness testing is performed using sensitivity analysis. In the analysis the fair value change of the hedged item and hedging instrument is simulated by shifting the interest rate curves.

The hedged items, finance lease agreements, property lease agreements and structured lending, are measured at amortised cost excluding the portion of hedged interest risk, which is subject to fair value hedge accounting. The change in the value of the hedged risk is recognised as an adjustment to the carrying amount of the hedged item and in the income statement under item *Net result on financial instruments at fair value through profit or loss*.

10.2 Portfolio hedge accounting

For financial assets, the Group applies fair value hedge accounting in accordance with IAS 39 portfolio hedge accounting to lending at fixed rates and long-term reference rates. The hedged risk is interest rate risk. The customer marginal of the lending agreement is not part of the hedge relationship. The negative reference rates are taken into account as part of the eliminated margin. Lending is hedged as a portfolio, as such the hedged item consists of several lending agreements. The lending agreements are grouped and hedged by pricing and re-fixing dates. The interest rates and payment dates of the interest rate derivatives hedging the lending agreements contained in the portfolio are defined so that the notionals and cash flows match the terms of the lending agreements of the hedged item. Therefore, the fair value changes of the hedging instrument are assumed to offset those of the lending agreements. The effectiveness of the hedge relationship is expected to be effective throughout the hedged period, until maturity. As the portfolio consists of several hedges and lending agreements, prospective effectiveness testing is performed for each new group of hedged items and for the entire portfolio at the inception of each new hedge. Prospective effectiveness testing is performed as a sensitivity analysis and by reviewing the notionals of the hedges and hedged items by maturity bucket. The Group performs retrospective effectiveness testing using regression analysis on fair value changes.

The hedged items of the portfolio are measured at amortised cost excluding the portion of hedged interest risk, which is subject to fair value hedge accounting. The change in the value of the hedged risk is recognised as an adjustment to the carrying amount of the hedged item and in the income statement under item *Net result on financial instruments at fair value through profit or loss*.

11. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported on the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Offsetting financial instruments are presented in Note *17 Offsetting financial assets and liabilities*.

12. Cash and cash equivalents

MuniFin Group's cash and cash equivalents contain cash and loans and advances to credit institutions payable on demand. Deposits and investments with maturities less than three months on the date of the acquisition can also be included in cash and cash equivalents.

Cash and cash equivalents are presented in Note *18 Cash and cash equivalents*.

13. Determination of fair value

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 fair values of financial instruments are determined on the basis of either price quotations obtained from functioning markets or, if such markets do not exist, by applying valuation methods. A market is deemed to be functioning if price quotations are readily and consistently available, and they reflect real market transactions executed in a consistent manner between independent parties.

If a quoted price in an active market is not available for a financial instrument, the Group uses valuation techniques standard across the industry and for which sufficient information is available to determine the fair value. The chosen valuation technique should include all factors that market participants would consider in pricing the financial instrument. The valuation technique maximises the use of observable inputs and as few as possible unobservable inputs are used.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the 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 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 3: This level includes all instruments for which the valuation technique includes inputs that are unobservable, and the unobservable inputs have a significant impact on the instrument's valuation. 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. Unobservable inputs are used only to the extent that no relevant observable inputs are available.

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value and adjusted to defer the difference between the fair value on initial recognition and the transaction price (*Day 1 gain or loss*). The difference is amortised on a straight-line basis throughout the lifetime of the contract.

The fair value hierarchy levels, the Group's valuation methods and the valuation framework is described in more detail in Note *15 Fair values of financial assets and liabilities*.

14. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

14.1 MuniFin Group as a lessee

Lease liabilities are initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. Right-of-use assets are initially measured at cost which is the amount equal to lease liability. Lease liabilities are presented in the statement of financial position under *Other liabilities* and the interest expense under *Interest expense at effective interest rate method*. Lease payments are allocated between interest expense and the deduction of the lease liability. Right-of-use assets are presented under *Tangible assets*. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use assets the Group has leased consists of various items such as office space, cars, storage units and parking facilities. The lease terms are negotiated on an individual basis. An incremental borrowing rate (*IBR*) by MuniFin Group is used. Maturity has been defined based on the lease term of office premises and parking space.

At each reporting date, MuniFin Group assesses whether there is any indication that right-of-use assets may be impaired based on either internal or external sources of information. Typically, a company's decision to sub-let or vacate leased property indicates that the right-of-use asset may be impaired. If impairment indicators exist, then MuniFin Group performs an impairment test and determines the level at which it carries out impairment testing – i.e., at the asset or cash-generating unit level.

14.2 MuniFin Group as a lessor

For property leases, the Group assessed whether control of property leases would transfer to the Group and if transaction is sale and leaseback, would the sale meet the criteria for sales under IFRS 15. Where the control of the property is retained by the seller of the property, these are classified as financial assets under IFRS 9 and not leases. After assessment, all property leases are classified as financial assets. Leases related to equipments, where the Group acts as the lessor, are classified as finance leases. The leases are classified as a finance lease if they transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The Group does not bear any residual value risk of the leased assets.

The finance lease agreements are recognised on the statement of financial position as a finance lease receivable at an amount corresponding to the Group's net investment in the lease. The proceeds from the leases are divided into repayments and interest. Interest income is recognised over the term of the lease in a way that the remaining net investment yields the same rate of return over the period of the lease. Finance leases are presented in the statement of financial position under *Loans and advances to the public and public sector entities*. The interest income is presented in the income statement under *Other interest income*. MuniFin Group discloses finance lease receivables in Note *21 Finance lease receivables.*

15. Intangible assets

An intangible asset is recognised in the statement of financial position only if it fulfils the criteria for intangible assets that is for example that the Group has the control over the asset, and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the acquisition cost can be measured reliably. The initial measurement is at cost. The acquisition cost includes all costs that are directly attributable to preparing the asset for its intended use, including internal personnel costs. The recognised intangible asset does not include costs of using the asset, staff training expenses or administration and other overhead costs.

After initial recognition, an intangible asset is recognised at its cost less accumulated depreciation and impairment. Intangible assets are depreciated at straight-line basis over 3–8 years depending on the useful life of the asset. Depreciation begins when the asset is available for use. At each reporting date, all intangible assets are reviewed for indications of impairment and change in their useful lives. An intangible asset that is not yet available for use is tested for impairment at least annually. Impairment testing is performed more frequently if required due to any indication of impairment. The impairment charge is the difference between the carrying amount and the recoverable amount of the intangible asset. The recoverable amount is determined for the cash generating unit to which the asset belongs to. A cash-generating unit is the smallest identifiable group of assets whose cash flows are largely independent of the cash inflows from other asset groups. As MuniFin's operations are treated as a single segment and the operations cannot be divided into smaller, fully independent cash-generating units, the impairment is determined by considering MuniFin as a single cash-generating unit.

16. Cloud computing arrangements

In cloud computing arrangements, such as software as a service (*SaaS*) arrangement, the cloud vendor has the control over the asset and thus cloud computing arrangements cannot be recognised as an intangible asset in the Consolidated statement of financial position. However, the implementation costs of the cloud computing arrangement may be recorded in the statement of financial position as a prepaid asset under *Accrued income and prepayments* and amortised as an expense over the period of the access to the software, but only if the implementation costs consist of costs paid to the cloud vendor which are not distinct from the access to the software. The implementation costs are not distinct when the implementation service could only be performed by the cloud vendor, for example when the cloud vendor agrees to customise the software by modifying the existing software code or writing new code. All other expenses such as internal personnel costs, external project management costs etc. are to be recognised as expenses when incurred.

17. Tangible assets

Tangible assets are recognised in the statement of financial position at historical cost, net of accumulated depreciation and impairment. Assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives are:

Office renovation costs	the lease term
Buildings	25 years
Machinery and equipment	5 years
IT equipment	4 years

The assets' residual values and useful lives are reviewed at each financial statement date and, if necessary, adjusted to reflect the changes in the expected economic benefit.

The Group assesses at each reporting date whether there is any evidence of the tangible assets being impaired. If evidence of impairment is identified, the recoverable amount is assessed for the given assets. If the carrying amount of an asset item is greater than the recoverable amount, an impairment loss is recognised in the income statement.

18. Provisions and contingent liabilities

A provision is recognised for an obligation resulting from a past event when it is probable that the obligation will be realised, yet the timing and the exact amount are uncertain. The obligation needs to be based on either an actual or legal obligation towards a third party. Provisions may arise, for example, from onerous contracts or as a result of reorganisations that have a material effect on the nature and focus of the Group's operations. Restructuring provision is recognised when the Group has prepared a detailed restructuring plan and has begun to implement the plan or communicated the matter.

A contingent liability is a potential obligation based on past events. The existence of the obligation will not be confirmed until the uncertain future event outside the control of the Group occurs. Contingent liabilities can also be such obligations, that do not require an outflow to settle or of which the amount cannot be reliably estimated. Contingent liabilities are disclosed in Note *39 Contingent assets and liabilities*.

19. Equity

Equity consists of share capital, retained earnings and reserves of equity (Reserve fund, Fair value reserve, Own credit revaluation reserve, Cost-of-Hedging reserve and Reserve for invested non-restricted equity). Equity is presented in Note *38 Equity*.

20. Recognition of income and expenses

20.1 Net interest income

Interest income and expense from financial assets and liabilities are recognised in net interest income. Transaction expenses and premium or discount as well as commissions and fees received and paid which are considered as a compensation for the risk incurred by the Group in relation to the financial instrument and are considered as an integral part of the effective interest rate, are taken into account when the effective interest rate is calculated. For floating rate financial liabilities premium or discount is amortised from the date of issuance to the next interest payment date. For fixed rate financial liabilities, the premium or discount is amortised until maturity. The Group amortises the premium or discount of floating rate debt security investments until maturity. In the current market conditions, the premium or discount on a financial asset is not based on changes in market rates, but on credit risk. The market value of a floating rate investment does not reset to the nominal when its interest rate is re-fixed to market interest rates, therefore the amortisation to the next interest date is not justifiable. The Group evaluates the impact of changes in market conditions on the amortisation principle and its application regularly.

The negative interest income from assets is presented as interest expense and the negative interest expense from liabilities is presented as interest income. The Group recognises interest income and expenses on derivatives hedging liabilities in hedge accounting in interest expense at effective interest rate method and the interest income and expenses on derivatives hedging assets in hedge accounting in interest income at effective interest rate method.

20.2 Commission income and expense

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15 standard. Commission income is recognised when the Group transfers control of services' performance obligations to a customer. The key criterion is the transfer of control. Commission income is recognised to the extent that the Group is expected to be entitled of the services rendered to the customer.

The Group's commission income consists of fees for financial advisory services and fees for digital services. The performance obligations of the services are met either over time or at a point in time, depending on the nature of the service. The commissions for advisory services are mainly charged from the customer after the service has been performed in accordance with the terms of the agreement. The service is considered completed when the tasks according to the assignment agreement are completed. Commissions for digital services are charged once a year and recognised over time. Other commissions are charged and recognised at the time of the service is provided.

Commission expenses include paid guarantee fees, custody fees as well as funding programme update fees. Commission expenses are recognised on accrual basis.

20.3 Net result on financial instruments at fair value through profit or loss

Item *Net result on financial instruments at fair value 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 at fair value through profit or loss (not included in hedge accounting) as well as capital gains and losses related to these items. Interest income and expenses are recorded in net interest income.

Item *Net result on financial instruments at fair value through profit or loss* also consists of unrealised and realised translation differences for all items denominated in foreign currencies and translation differences related to the hedged items and hedging instruments in hedge accounting.

Furthermore, item *Net result on financial instruments at fair value through profit or loss* consists of the net result from hedge accounting, which includes the net result from recognising financial assets and liabilities and derivative contracts hedging them at fair value for the hedged risk.

20.4 Net result on financial assets at fair value through other comprehensive income

Item *Net result on financial assets at fair value through other comprehensive income* includes realised gains and losses of the financial assets at fair value through other comprehensive income.

20.5 Other operating income

Item *Other operating income* includes gains from the disposal of tangible and intangible assets and other operating income.

20.6 HR and administrative expenses

Item *HR and administrative expenses* includes salaries and fees, pension costs as well as other social security costs. In addition, costs related to IT, marketing and other administrative costs are presented as HR and administrative expenses.

20.7 Depreciation and impairment on tangible and intangible assets

Item *Depreciation and impairment on tangible and intangible assets* includes depreciation and possible impairment of tangible and intangible assets as well as right-of-use assets. The depreciation principles are discussed in Sections *15. Intangible assets, 17. Tangible assets* and *14. Leases* of this Note.

20.8 Other operating expenses

Item *Other operating expenses* includes expenses to authorities, rental expenses and other expenses from credit institution operations paid by the Group.

Expenses to authorities include stability fees as well as other administrative and supervisory fees to the Finnish Financial Supervisory Authority (*FIN-FSA*) and the European Central Bank (*ECB*). Stability fees are contributions paid to the EU crisis resolution fund. The Resolution Fund is managed by the EU's Single Resolution Board (*SRB*), which decides on the amount of the stability fees. The stability fee is determined by the size of the entity and the risks involved in its business. The fee is fully expensed at the beginning of the financial year using the estimate of the amount of the payment and adjusted after the payment has been made. In addition to the stability fee, the Group pays to the SRB an annual administrative fee. Also, the Group pays the Financial Stability Agency (*FSA*) an administrative fee that is determined on the same basis as the FIN-FSA's supervisory fee. The administrative fees are recognised on an accrual basis as *Other operating expenses*.

The FIN-FSA's supervisory fee is based on the fixed basic fee and the total assets. The supervisory fee payable to the ECB is determined on the basis of the significance and the risk profile to be monitored. Supervisory fees are recognised on an accrual basis as *Other operating expenses*.

20.9 Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income

This income statement item includes the expected credit losses recognised for the financial assets classified at amortised cost and fair value through other comprehensive income as well as write-offs and subsequent recoveries recognised for all financial assets.

The accounting principles of the impairments are discussed in Section *9. Impairment on financial assets* of this Note.

21. Remuneration

21.1 Short-term employee benefits

Short-term employee benefits consist of salaries, fringe benefits, annual leave and performance bonuses. The Group recognises the cost of these benefits for the period in which the employees render the related service.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled in their entirety within twelve months of the financial reporting period in which the employees render the related service. The income statement line-item *HR and administrative expenses* consist of short-term employee benefits and termination benefits.

21.2 Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are based on termination of employment, not on work performance.

21.3 Post-employment benefits

Post-employment benefits are paid to recipients after termination of employment. In MuniFin Group, these benefits consist of pensions. The Group's pension plans are defined contribution plans. Pension coverage has been arranged via an external pension insurance group. For defined contribution plans, the Group makes fixed payments to external pension insurance companies. After this, the Group has no legal or actual obligation to make further payments if the pension insurance company does not have sufficient assets to pay the employees' pensions for current or preceding periods. The contributions payables are recognised as expenses in the income statement for the period to which the payments relate. The Group's remuneration system is in its entirety contribution based.

22. Income taxes

Item *Income taxes* in the Consolidated income statement comprises taxes that are determined based on the taxable income for the period generated by the Group companies, and changes in deferred taxes. Taxes are recognised in the income statement, with the exception of taxes related to items recognised in other comprehensive income or in equity. In this case, the tax is also recognised correspondingly in other comprehensive income or directly in equity. Taxes based on the taxable income for the period are calculated based on tax rate and legislation enacted or approved in practice by the financial statement date. This tax is adjusted for any taxes related to previous financial years.

Deferred taxes are recognised for temporary differences between the assets' and liabilities' carrying amounts and taxable value as well as for unused tax losses and unused tax credits. Deferred taxes in the Consolidated Financial Statements consist of the release and transfer to equity of the voluntary credit loss provision and depreciation difference recorded by the Parent Company. In addition, deferred taxes arise from financial assets measured at fair value through other comprehensive income, changes in own credit risk on financial liabilities designated at fair value through profit or loss and Cost-of-Hedging recorded through other comprehensive income. Deferred taxes are presented in Note *31 Deferred tax*. Deferred tax liabilities and receivables are calculated based on the tax rate that is anticipated to be in force at the time of the temporary difference being released.

23. IBOR reform

IBOR reform is a global change aimed at replacing Interbank Offered Rates (*IBORs*) with alternative nearly risk-free rates (*RFR*). Most recently, LIBOR quotation expired for the longer maturities of the USD LIBOR reference rate at the end of June 2023. Euribor is the most important IBOR used by MuniFin Group. The Group's current view is that Euribor will continue to exist as a benchmark rate for the foreseeable future.

The IASB has published reliefs related to IBOR reform transition phase 1 and 2. IBOR reform phase 1 amendments relate to IFRS 9, IAS 39 and IFRS 7. The Group will cease to apply the phase 1 amendments when the uncertainty arising from the IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedge accounting is discontinued. The phase 2 amendments address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. The phase 2 amendments allow hedge accounting not to be discontinued simply because the hedged item, hedging instrument or hedged risk is changed as a direct consequence of the IBOR reform. The phase 2 amendments introduce simplifications for the accounting treatment of changes to financial instruments. MuniFin Group has applied the phase 1 and 2 amendments since 2020. The phase 1 and 2 amendments will cease to apply once the changes required by IBOR reform have been implemented.

At the end of 2023, MuniFin Group had some derivative contracts linked to USD LIBOR. Derivative contracts have been restructured during the financial year 2024. The derivative contracts were not designated under hedge accounting.

24. New and amended standards and interpretations not yet adopted

* = Not yet endorsed for use by the European Union as of 31 December 2024.

The Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them on their effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. Standards that are relevant to MuniFin Group and published by IASB that enter into effect after 1 January 2025 are as following:

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.

The IASB has also published amendments to IFRS 9: *Financial instruments* and IFRS 7 *Financial instruments: Disclosures*. IFRS 9 amendments will clarify and add further guidance whether a financial asset meets the solely payments of principal and interest criteria especially in financial instruments with features linked to the achievement of environmental, social and governance targets. IFRS 7 amendment introduces new disclosure requirements 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.

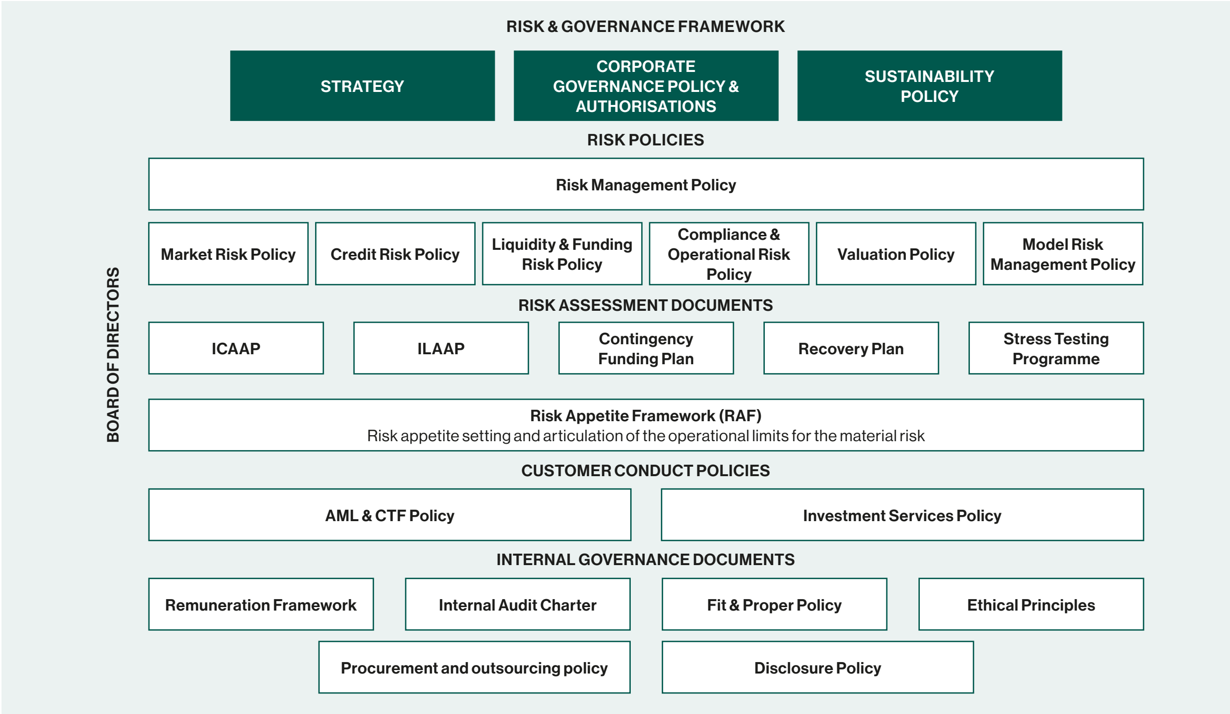
Note 2. Risk management principles and the Group's risk position

1. General risk management principles

MuniFin Group's operations require sufficient risk management mechanisms to ensure that the Group's risk positions remain within the limits set by Parent Company's Board of Directors. MuniFin Group applies very conservative principles to its risk management. The aim is to keep the Group's overall risk profile at such a low level that MuniFin's credit rating remains the best possible in relation to the credit rating of the Finnish State.

The Group regularly surveys risks related to its operations and continuously develops methods for recognising, measuring and managing risks. Risks are assessed with regular risk analyses. The aim of the analyses is to recognise the new challenges and risks created by changes in the operating environment and prioritise the risks and their management on the basis of the results. The Group mitigates risks it has identified with collateral, guarantees, derivative contracts, insurance and active risk management. The Group assesses the general wrong way risk (*GWWR*) related to derivative risks as part of internal risk assessment and stress testing.

The Board of Directors has ratified the Group's Risk and Governance Framework and, as part of it, key policies and processes for the effective implementation of internal control and risk management, as shown in the following table.



MuniFin Group's Risk Appetite Framework (*RAF*) defines target and maximum levels for risk indicators. The framework is updated regularly, at least annually, and the Board of Directors of the Parent Company approves the document. RAF enables the Group to:

- Effectively identify, assess and manage the risks inherent in its strategy as well as other internal and external business risks,
- Assess how much and what kind of risk the Group can and wants to take to implement its business strategy, and to decide and actively communicate about this risk level,
- Promote sound discussions of MuniFin Group's risk appetite and enable the challenging of business and risk-taking decisions.

The Risk Appetite Framework is linked to both short-term and long-term strategic planning, capital, financial and liquidity plans, the recovery plan and the remuneration policy. It is fully aligned with the ICAAP (*Internal Capital Adequacy Assessment Process*) and the ILAAP (*Internal Liquidity Adequacy Assessment Process*).

The Risk Appetite Framework is described in the adjacent table. The Group has remained within the risk appetite set by the Board of Directors during the financial year.

Summary of Risk Appetite Framework indicators

Risk pillars	Risk indicators	Objectives
Capital	Leverage ratio Change in CET1 ratio	Maintain a sufficient level of earnings, profitability and capital, in normal and stress periods.
Liquidity & Funding	Liquidity Coverage Ratio Net Stable Funding Ratio Financing gap Survival Horizon	Ensure liquidity adequacy by maintaining sufficient number of liquidity sources, under all market conditions.
Credit risk	Non-performing exposures Expected credit losses *(ECL)* ESG score (liquidity portfolio) Energy efficiency of real estate collateral Climate-related & environmental risk score (municipality financing) Share of green finance of all long-term customer financing Stressed CCR derivative loss Single-name concentration (customer financing)	Maintain a sound credit risk profile appropriate for MuniFin's business model.
Market risk	Total EVE risk Total NII risk NII Basis risk FX risk Credit spread risk Fair value VaR	Maintain a sound market risk profile appropriate for MuniFin's business model.
Operational risk	Reputational risk IT systems and process disruptions Material system and data breaches and availability of data and systems Company ESG risk rating Significant operational losses	Maintain an effective operational control and compliance to support functional and responsible operations.

There were no material changes in the Group's risk position in 2024. The Group's risk position has remained stable and at a moderate level. Based on the Group's assessment, risk management met the requirements set for it. The Group's risk position is reported at least monthly to the Board of Directors, and, in addition, the Chief Risk Officer provides the Risk Committee of the Board a quarterly extended risk review of the Group's risk positions.

MuniFin Group's risk management and internal control practices and processes are developed continuously. During 2024, the Risk Management and Compliance function assessed the appropriateness of the Group's key risk management policies as part of its annual activities and made proposals for necessary changes. In addition, the Group's Risk Appetite Framework and the model for expected credit losses related to credit risks were updated, taking into account changes in the operating environment.

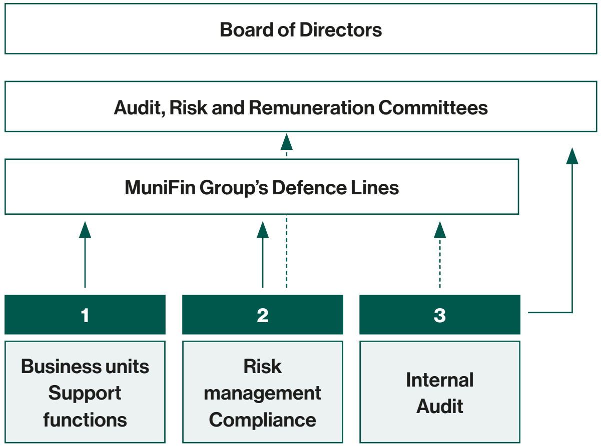
Throughout 2024, the focus has been on developing ESG (*Environmental, Social, Governance*) risk management capabilities and preparing for new disclosure requirements that came into effect at the end of 2024. Additionally, the Group has developed a stress test framework for climate and environmental risks and updated the materiality analysis related to climate and environmental risks. In 2024, the Group also developed and documented an ICT risk management framework as part of preparations for the implementation of the DORA regulation.

The continued geopolitical tensions and market volatility did not affect the MuniFin Group's performance during the financial year. In 2024, the capital markets remained stable throughout the year, but higher-than-expected credit risk premiums increased funding costs. The Group's funding continued in the usual manner during the financial 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.

Unrealised fair value changes of financial instruments caused volatility of profits during the financial year. The Group continuously monitors and analyses the volatility arising from valuations and prepares for its potential profitability and solvency impacts.

2. Organisation of risk management

For the implementation of internal control framework, the Group applies the three lines of defence model. MuniFin Group has an extensive risk management organisation, which covers all operations including the tasks and responsibilities of different departments and decision-making bodies. Internal control framework is supported by controls of different processes. Internal control is implemented at all organisational levels and by all employees, and the internal control procedures are defined taking into account the nature and scope of the operations. Internal control is primarily carried out in line operations, where internal control is continuous and part of day-to-day operations.



The Board of Directors of the Parent Company is responsible for the Group's management and the proper arrangement of its operations. The Board of Directors is responsible for the duties specified for it in the Limited Liability Companies Act, the Articles of Association and other legislative provisions and regulations issued by the authorities. Duties and principles of the Board of Directors are confirmed as part of MuniFin's Corporate Governance Policy and the Board's Rules of Procedure. The Corporate Governance Statement is available on MuniFin's website. The main duties of the Board include confirming the Group's strategy, annual operating plan and budget, monitoring the Group's financial situation and ensuring through supervision that the management, and risk management in particular, are properly arranged by management. The Board of Directors also makes all the far-reaching decisions related to the nature and scope of the activities.

As requested by the regulation and in order to organise its work as efficiently as possible, the Board has established an Audit Committee, a Risk Committee, and a Remuneration Committee for assistance and for the preparation of matters. The Board may also establish other committees as necessary.

The purpose of the Audit Committee, as a preparatory body, is to assist the Board of Directors in duties related to financial reporting and internal control. The Audit Committee supervises work of the external and internal audit.

The Risk Committee assists the Board in the matters in regard to the Group's overall risk appetite and strategy, and in overseeing that the management complies with the risk strategy decided by the Board. The Risk Committee is to estimate whether the prices for the services that tie up capital correspond with the Group's business model and risk strategy and, in the event this is not the case, to present a remedy plan to the Board. Furthermore, the Risk Committee shall assist the Remuneration Committee in the establishment of sound remuneration policies, and in assessing whether the incentives provided by the remuneration system take into consideration the Group's risks, capital and liquidity requirements, and the likelihood and timing of the earnings.

The Remuneration Committee of the Board of Directors is responsible for preparatory work to assist in the Board's decision-making concerning the setting of objectives related to the Group's remuneration system, assessment of whether the objectives are attained, development of the remuneration system and the remuneration and other benefits for the CEO and persons reporting to the CEO.

In the first line of defence, business units and support functions have the ownership of material risk types and are responsible for identifying, measuring, managing, monitoring and reporting risks. The Group's risk appetite, guidelines, processes, controls and limits guide this work. All employees who work in the first line of defence are responsible for the risk management of their own work.

The second line of defence includes independent Risk Management and Compliance functions. The Risk Management function supplements the business units' work with their independent supervisory and reporting responsibilities. Independent Risk Management is responsible for continuous development of risk management methods, risk-related policies and processes, advice and information, the alignment of risk strategy, risk limits and risk appetite as part of RAF, as well as informing the EMT and the Board of Directors of matters that may affect MuniFin's risk profile or risk strategy. The main responsibilities of the Compliance function include reporting to the management of the changes in the regulations affecting the operations of MuniFin Group including their potential impact on operational activities. In addition, the tasks include internal communication, training and advice for the staff to ensure compliance with the regulations and assessing internal processes for ensuring compliance with the regulations.

In the third line of defence, an independent internal audit regularly conducts risk-based audits in accordance with the annual plan approved by the Board. The task of internal audit is to conduct an independent review of the first two lines of defence.

3. Stress testing

MuniFin Group constantly conducts stress testing related to its business in accordance with the stress testing program approved by the Board of Directors. The annual ICAAP and ILAAP processes include stress testing on group-level solvency and liquidity adequacy. Risk management, independent of the Group's business, is responsible for designing stress scenarios in cooperation with business units. The main objective of the stress testing conducted in 2024 was to analyse the development of MuniFin Group's solvency and profitability in 2024–2027. Business, market, credit and operational risks and their estimated economic impact under different circumstances were tested. In addition, the liquidity adequacy of the Group was tested with several different stress scenarios. As in previous years, the results of the stress tests showed that with the current capital requirements, the level of equity in the Group during the period under review is sufficient even under very unfavourable conditions. In addition, the Group's total own funds also fulfilled the 3% minimum leverage ratio CRR II requirement. In terms of liquidity, stress tests showed that the liquidity of the Group is sufficient even under very unfavourable conditions.

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.

4. Strategic risks

Strategic risk means that MuniFin Group would choose a wrong strategy for pursuing financially profitable operations or that the Group would fail to adapt its strategy to changes in the operating environment.

The management of strategic risks is based on continuous monitoring and analyses of customers' needs, forecasts of market trends, and analyses of changes in the competition and the operating environment. The Board assesses the development of the Group's operating environment and any potential pressures for change and risks as part of the annual strategy review. Based on this assessment, there was no need to make significant changes to the Group's strategy. The financial objectives related to the strategy were specified during 2024. 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, meet customers' financial needs responsibly and efficiently and strive for the genuine, long-term benefit of the Group's customers. The strategy's need for updating is evaluated at least annually.

5. Liquidity risks

5.1 Refinancing and liquidity risk

Refinancing risk means the risk related to the refinancing of loans. The Group manages refinancing risk by limiting the average maturity of the financial assets and liabilities. The financing gap is calculated as the difference between the average maturity of assets (*customer financing and liquidity portfolio*) and the average maturity of liabilities (*funding portfolio*).

Liquidity risk means the risk of the Group not being able to perform its payment obligations arising from settling financial agreements or other financing activities on their due date. The Group manages liquidity risk by limiting the short-term Liquidity Coverage Ratio (*LCR*) and Net Stable Funding Ratio (*NSFR*) and the survival horizon for the long-term liquidity.

In order to maintain its conservative liquidity and funding risk profile as defined in RAF, MuniFin Group has identified several sources of liquidity. Primary sources of liquidity are short-term and long-term funding, liquidity portfolio, repo markets and cash. Central Bank liquidity facility is a secondary source of liquidity.

MuniFin Group follows the principle of prefunding and acquires its funding in the form of short- and long-term funding. This is to ensure that adequate liquidity is available at any given time and in all market conditions. For this purpose, the required minimum amount for the liquidity portfolio is determined through scenario analyses to meet internal and regulatory liquidity requirements. In the case that the Group needed to acquire additional liquidity, it would first assess the availability of funding from the capital markets in the form of short-term or long-term funding. If this is not available, the Group could utilise the liquidity portfolio as a source of liquidity by selling assets or using them as collateral in the repo markets. MuniFin Group has existing agreements in place with counterparties to enter into bilateral repurchase agreements (*repo agreements*). These repo agreements could be used to cover funding redemptions in the short term and to cover any unexpected changes in the liquidity position. MuniFin Group regularly validates in accordance with the regulatory requirement the liquidity of the liquidity portfolio by launching the short-term repo agreements.

A key aspect of the Group's liquidity and funding risk management is the maintenance of a well-balanced, low risk liquidity portfolio in the form of highly liquid assets. The overall liquidity portfolio mainly consists of prefunding that is raised from the markets, but not yet utilised for customer financing. In case of a sudden outflow of funds, the Group holds a liquidity portfolio at such a level that its LCR and Survival Horizon have a sufficient buffer to continue normal operations even under such conditions. The high-quality liquid assets (*HQLA*) defined in LCR regulations[1] used to manage the Group's liquidity are presented in the following table:

Liquid assets, HQLA (EUR 1,000)	31 Dec 2024	%	31 Dec 2023	%
Level 1	10,413,486	77%	10,138,579	77%
Level 2a	1,039,732	8%	1,042,525	8%
Level N*	2,132,859	16%	1,908,562	15%
Total	**13,586,078**	**100%**	**13,089,668**	**100%**

* Includes short-term customer financing granted as money market investments amounting to EUR 1,825,411 thousand (EUR 1,574,953 thousand).

Liquid assets include cash and balances with central banks (Note *18 Cash and cash equivalents*), receivables from the central bank (Note *19 Loans and advances to credit institutions*), and debt securities (Note *22 Debt securities*). Debt securities pledged to the central counterparty have been deducted from the debt securities (Note *40 Collateral given*)

[1] Commission Delegated Regulation (EU) 2015/61 and Commission Delegated Regulation (EU) 2018/1620.

The liquidity portfolio is divided into liquidity quality levels so that level 1, 2a and 2b are considered high-quality liquid assets. Assets on the liquidity level N are liquid in normal market conditions (*other liquid assets*).

The secondary source of liquidity is a public funding source in the form of the existing Central Bank liquidity facility, which is considered as an alternative, if primary sources were either not sufficient, available in a timely manner or the cost of using primary sources of liquidity were considered too high. A significant part of loans granted by MuniFin Group to the municipal sector are accepted as collateral for this facility and the Group has pre-pledged part of the loan portfolio in order to ensure access to this liquidity source at any time, if required (Note *40 Collateral given*). In addition, the Group is able to increase the facility through pledging additional municipal loans to the collateral pool. MuniFin's Board of Directors decides the maximum amount of pledged loans. The facility is tested regularly to ensure that the liquidity is available intraday, if needed.

Liquidity stress testing is a key tool used by MuniFin Group to assess liquidity adequacy. The main objective is to determine whether the Group has sufficient liquidity to continue its normal business operations under both business-as-usual or baseline scenario and stress scenarios.

The Group prepares, in connection with the business planning process, a Liquidity and funding plan (*L&F plan*). The plan is approved by the Board of the Parent Company and reviewed on a quarterly basis by the Risk Committee, which reports its observations to the Board. The L&F plan and the quarterly review of the plan include regular back testing. The L&F plan is part of the Group's ongoing Internal Liquidity Adequacy Assessment Process (*ILAAP*) and it includes forecasting and planning of funding and liquidity position. The L&F plan is aligned with the ICAAP baseline scenario during the annual business planning process. The plan aims at keeping the level of the Group's liquidity and funding within its risk appetite defined by the Board. It also takes into account economic perspective to ensure a sufficient long-term profitability for the Group.

Within the ILAAP performed annually, the Group assesses the adequacy of its liquidity resources to cover the forecast liquidity needs under the business-as-usual and stress scenarios. ILAAP is an integral part of the Group's risk management framework that includes other strategic processes such as RAF, ICAAP, Recovery Plan and remuneration framework. RAF formalises the interplay between these processes. Stress tests are required to assess the Group's liquidity adequacy in a comprehensive, integrated and forward-looking manner. ILAAP consists of a baseline scenario and adverse scenarios and is fully aligned with the ICAAP baseline scenario, the only exception being the assumed restricted access to funding markets.

The Group aims to maintain strong credit ratings in all market conditions to be able to execute its funding plan in an efficient and cost-efficient manner. To support the cost efficiency and quick execution, the Group has in place debt issuance programmes of standardised templates. Standardised programmes provide the Group flexibility and ease of execution. Furthermore, MuniFin Group uses bilateral loan documentation with some funding counterparties. All long-term funding issued by MuniFin is explicitly guaranteed by the Municipal Guarantee Board (*MGB*).

Funding concentration risk refers to the risk that the Group is overly dependent on funding from a limited number of products, markets, geographical area, investors or maturities. To mitigate the risk, MuniFin Group ensures funding diversification across various products, markets, maturities and investor type and that not too much reliance is placed on any single funding source. MuniFin Group aims to keep this mix relatively stable, with the goal being to ensure continuity of funding while simultaneously avoiding overreliance on any specific market. To maintain access to diversified funding sources, the Group aims to maintain its good relationship with investors and arranging banks and to actively seek new potential markets and investors. The diversification of the Group's funding requirements is set out and planned for in detail through the annual L&F plan.

The following tables present the maturity breakdown of MuniFin Group's financial liabilities.

Breakdown of financial liabilities by maturity 31 Dec 2024 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total	Total carrying amount
Liabilities to credit institutions	714,730	8,499	90,806	61,123	36,597	911,755	**883,694**
Liabilities to the public and public sector entities	111,400	262,555	1,000,312	693,685	748,627	2,816,578	**2,463,874**
Debt securities issued	5,039,574	6,723,588	27,398,339	6,756,146	1,707,423	47,625,070	**44,534,306**
Other liabilities	267,449	-	-	-	-	267,449	**267,449**
Total	**6,133,153**	**6,994,642**	**28,489,457**	**7,510,953**	**2,492,647**	**51,620,852**	**48,149,323**

As of 31 Dec 2024, the Group had credit commitments (off-balance sheet item) totalling EUR 2,935,231 thousand (EUR 3,071,228 thousand), classified in the maturity bucket of 0–3 months.

Breakdown of financial liabilities by maturity 31 Dec 2023 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total	Total carrying amount
Liabilities to credit institutions	84,516	3,458	70,340	62,267	20,389	240,969	**215,552**
Liabilities to the public and public sector entities	106,240	174,631	1,144,765	671,645	928,590	3,025,870	**2,622,551**
Debt securities issued	6,389,618	4,851,648	24,077,826	6,277,658	1,522,661	43,119,410	**40,872,798**
Other liabilities	392,789	1,142	5,374	1,876	-	401,180	**401,180**
Total	**6,973,162**	**5,030,878**	**25,298,304**	**7,013,446**	**2,471,640**	**46,787,429**	**44,112,080**

Breakdown of financial liabilities by maturity is presented using carrying amounts and future interest payments translated into euros using year-end FX rates. Financial liabilities containing a call option are shown in the maturity bucket of the next call date. Based on the current call forecast, about 20–40% of callable liabilities are expected to be called during 2025. In 2024, 23% of callable liabilities were called at the next call date. Line item *Liabilities to credit institutions* contains CSA collateral totalling EUR 716,137 thousand (EUR 81,916 thousand). These are presented in the maturity bucket 0–3 months although their outflow date is not known and is dependent on the development of derivative fair values.

The following tables present the maturity breakdown of MuniFin Group's derivatives.

Breakdown of derivative contracts by maturity 31 Dec 2024 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total	Total carrying amount
Net settled							
Derivative assets	1,081	5,213	238,782	491,360	245,069	**981,505**	1,083,842
Cash flows related to interest	85,762	168,244	665,260	179,800	54,080	**1,153,146**	
Gross settled							
Derivative assets	135,930	32,343	784,503	65,051	108,719	**1,126,546**	1,239,866
Interest flows related to pay leg	-119,229	-245,173	-600,813	-100,390	-58,366	**-1,123,971**	
Interest flows related to receive leg	175,073	432,929	1,180,239	116,364	77,023	**1,981,628**	
Net settled							
Derivative liabilities	59	-21,091	-364,148	-523,716	-334,842	**-1,243,739**	-1,373,766
Cash flows related to interest	-87,744	-294,222	-687,675	-338,504	-73,460	**-1,481,605**	
Gross settled							
Derivative liabilities	-110,383	-40,723	-345,096	-105,326	-625,702	**-1,227,230**	-1,187,952
Interest flows related to pay leg	-94,512	-181,021	-457,102	-224,054	-173,121	**-1,129,810**	
Interest flows related to receive leg	80,475	170,223	444,182	131,329	110,579	**936,787**	

Breakdown of derivative contracts by maturity 31 Dec 2023 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total	Total carrying amount
Net settled							
Derivative assets	970	11,437	229,120	698,922	347,788	**1,288,237**	1,407,632
Cash flows related to interest	84,010	276,219	731,452	251,502	75,133	**1,418,315**	
Gross settled							
Derivative assets	-6,128	48,838	362,242	75,140	88,440	**568,533**	628,581
Interest flows related to pay leg	-62,636	-137,231	-255,866	-99,599	-65,997	**-621,329**	
Interest flows related to receive leg	88,925	189,775	463,961	125,019	88,204	**955,885**	
Net settled							
Derivative liabilities	-11,383	-64,436	-446,627	-686,021	-387,298	**-1,595,766**	-1,764,218
Cash flows related to interest	-76,889	-445,881	-740,765	-436,125	-120,027	**-1,819,686**	
Gross settled							
Derivative liabilities	-194,289	-200,606	-1,012,938	-179,098	-189,817	**-1,776,749**	-1,732,335
Interest flows related to pay leg	-175,564	-404,609	-688,608	-240,300	-162,601	**-1,671,681**	
Interest flows related to receive leg	109,405	294,490	796,749	131,601	99,654	**1,431,899**	

The Group hedges all of its funding to floating rate euros. In addition, almost all lending is hedged to floating rates. The Group has the option to leave part of the fixed-rate or long-term reference rate-linked investment or loan exposures (so-called *strategic mismatch portfolio*) unhedged to stabilise the result when implementing the interest rate risk strategy. The interest cash flows of derivative assets and liabilities are presented on a net basis for those derivative contracts where the counterparty is a central counterparty. For other counterparties, the interest cash flows are presented on a gross basis. The interest cash flows in the previous page have been calculated using FX rates and interest rates as of the balance sheet date. The future interest rates of floating rate legs are based on forward curves. Derivatives containing call option are shown in the table in the maturity bucket during which the derivative can be called on the next call date.

The Group has presented the maturities of financial assets based on their maturity dates in Note *16 Breakdown of financial assets and liabilities at carrying amount by maturity*.

5.2 Market liquidity risk

Market liquidity risk means that the Group would fail to realise or cover its position at the market price, because the market lacks depth or is not functioning due to a disruption.

The Group monitors the liquidity of markets and products on a continuous basis. In addition, established market standards are observed when derivative contracts are transacted. Almost all market values of debt securities valued at fair value are calculated based on quotations received from the market. For the remaining debt securities, the market value is calculated using other market information. The valuation techniques and valuation inputs are described in more detail in Note *15 Fair values of financial assets and liabilities*.

The capital markets remained stable throughout the year 2024, but higher-than-expected credit risk premiums increased funding costs. 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. The strategy of MuniFin Group has proved highly successful during the upheaval of monetary and security policies: the Group had strong access to capital markets throughout the year.

6. Credit risk

Credit risk means the risk of a counterparty defaulting on its commitments to the Group. Credit risk has been identified as a material risk in the RAF but is mitigated by the loan guarantees and/or collaterals as well as the fact that MuniFin only finances public-sector entities or social housing financing with a zero-percent risk weighting. Customer financing is one source of credit risk, but credit risk can also arise from other types of receivables, such as bonds, short-term debt instruments and derivative contracts as well as off-balance sheet items such as unused credit facilities, limits and guarantees. In addition, geographical concentration and settlement risks are considered as credit risks.

The following table presents the Group's maximum exposure to credit risk grouped by the items on the statement of financial position.

	31 Dec 2024			Adjusted 31 Dec 2023		
Maximum exposure to credit risk (EUR 1,000)	**Amortised cost and Fair value through other comprehensive income**	**, of which expected credit losses**	**Fair value through profit or loss**	**Amortised cost and Fair value through other comprehensive income**	**, of which expected credit losses**	**Fair value through profit or loss**
Cash and balances with central banks	2	-	-	2	-	-
Loans and advances to credit institutions	8,566,611	-61	-	9,192,948	-73	-
Loans and advances to the public and public sector entities	35,077,804	-2,569	55,976	31,892,126	-2,235	58,160
, of which loan receivables	*33,757,873*	*-2,561*	*55,976*	*30,725,576*	*-2,207*	*58,160*
, of which property lease receivables	*1,319,931*	*-8*	-	*1,166,550*	*-27*	-
, of which finance lease receivables	*243,128*	*-1*	-	*275,136*	*-2*	-
Debt securities	2,202,891	-46	3,676,021	1,950,025	-43	3,219,979
Derivative contracts	-	-	2,323,708	-	-	2,036,212
Other assets	889,682	-5	-	1,049,735	-6	-
Credit commitments (off-balance sheet item)	2,935,231	-18	-	3,071,228	-15	-
Total	**49,672,221**	**-2,700**	**6,055,705**	**47,156,064**	**-2,373**	**5,314,352**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

The Act on the Municipal Guarantee Board (*MGB Act*) defines for which MuniFin's funding guaranteed by the Municipal Guarantee Board (*MGB*) can be used for and it can also be considered as a credit risk management tool. The MGB is an institution governed by the public law. The MGB can grant guarantees to the funding of credit institutions controlled or owned directly or indirectly by municipalities or wellbeing services counties if the funding is used for financing of municipalities, joint municipal authorities, wellbeing services counties or joint wellbeing services counties authorities as well as entities wholly owned by the aforementioned entities or controlled by them, in addition of non-profit corporations and other non-profit entities nominated by the Housing Finance and Development Centre of Finland (*Ara*). All funding issued by MuniFin has a MGB guarantee. In addition, MuniFin has guarantees granted by the MGB to mitigate the counterparty credit risk of some derivative counterparties.

In addition to the MGB Act, a material credit risk management principle is that all customer financing and the derivatives offered to customers have to obtain the so-called zero risk-weight in MuniFin Group's capital adequacy calculation. As a business model, this zero risk requirement for all customer financing is different from other credit institutions and the credit risk principles inherent and required in their credit risk policies. MuniFin Group's Credit risk policy and credit risk management practices rely significantly on this principle.

MuniFin's customers consist of municipalities, joint municipal authorities, and municipality-controlled entities, 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, as well as non-profit corporations and other non-profit organisations nominated by the Housing Finance and Development Centre of Finland (*Ara*). MuniFin Group may only grant loans and leasing financing without a separate security directly to a municipality, joint municipal authority, wellbeing services county or joint county authority for wellbeing services. For others, loans must be secured with an absolute guarantee issued by a municipality, joint municipal authority, wellbeing services county or joint county authority for wellbeing services or a real estate collateral and a state deficiency guarantee. The guarantee or guarantee together with a real estate collateral has to fully cover the financing provided. Guarantees and the fair value of collateral received are also taken into account in the calculation of expected credit losses. The Group does not bear the residual value risk for the objects of its leasing services. MuniFin Group has not had credit losses from the financing of its customers after the realisation of any real estate collateral and guarantees have taken place.

Municipal customers are divided into three sectors: municipalities, joint municipal authorities and municipal companies. By law, a Finnish municipality cannot default (*Bankruptcy Act 120/2004*). The municipalities have an unlimited right to increase local income tax rates and due to this, together with other elements of autonomy, the Finnish municipal sector has, similar to sovereigns, a zero credit risk weighting in capital adequacy calculation of credit institutions. Finnish municipalities and cities can also establish joint municipal authorities to provide services that they are legally required to provide for their citizens or undertake regional development activities. Municipalities are jointly members of these joint municipal authorities and are commonly responsible for their funding and other liabilities. All loans to municipal companies are guaranteed by municipalities (or joint municipal authorities). Thus, there is always a municipality, that cannot default by law, to carry the risk of default. When a loan has a 100% absolute guarantee from a municipality or a joint municipal authority, MuniFin Group can apply for payment directly from the guarantor in accordance with the terms of the loan. The guarantor is committed based on the guarantee commitment to pay the interest and other ancillary costs in addition to the principal.

The new wellbeing services counties began their operations in the beginning of 2023. The operative work of the wellbeing services counties is being largely funded by the central government, but the counties have government authorisation to acquire long-term funding for their investments. The counties can also independently seek short-term funding. In terms of financing, MuniFin may continue to act as a lender and counterparty to the loans and other liabilities that were transferred to the counties at the start of 2023. The Act on the Municipal Guarantee Board allows MuniFin to also finance new investments and other new financing needs by the wellbeing services counties. According to the Finnish Financial Supervisory Authority (*FIN-FSA*) decision that like the central government and municipalities, wellbeing services counties will also fall in the zero-risk category in the capital adequacy regulation of credit institutions. This decision simplified the counties' financing arrangements because it means that government guarantees are not required.

At this stage, wellbeing services counties are not liable for the guarantees for MuniFin's funding used for wellbeing services counties financing, because unlike municipalities, wellbeing services counties are not members of the Municipal Guarantee Board (*MGB*). For this reason, the MGB has decided to set an annual limit to the amount of new financing MuniFin can grant to wellbeing services counties. The MGB's limit for MuniFin's long-term financing to wellbeing services counties was EUR 400 million in 2024. Because the counties' government-authorised borrowing powers in 2023 were higher than this, the wellbeing services counties' financial needs were higher than the limit. This EUR 400 million limit was reached before the end of the year and after that MuniFin could not give any offers to the funding requests of the wellbeing services counties. The MGB's limit for MuniFin's new short-term financing to wellbeing services counties, i.e. commercial papers to wellbeing services counties, was EUR 900 million in 2024. The limit for the short-term financing for wellbeing services counties was EUR 900 million also in 2023.

The housing customer group consists of different types of housing institutions: institutions owned or controlled by municipalities (or joint municipal authorities) and state-subsidised housing institutions and also the companies that are wholly owned or under control of wellbeing services counties or joint county authorities for wellbeing services. Loans for housing companies owned by municipalities or joint municipal authorities are guaranteed by municipalities, or these loans can also be categorised as state-subsidised housing loans. In such cases there is real estate collateral and a deficiency guarantee from the State of Finland. State-subsidised housing institutions are defined as corporations designated by state authority and engaged in the renting or production and maintenance of housing, or corporations controlled by them. The housing companies are nominated by the Housing Finance and Development Centre of Finland (*Ara*), a governmental agency operating under the supervision of the Ministry of the Environment. In March 2025, the Housing Finance and Development Centre of Finland will cease to operate as an independent government agency and its operations will instead be integrated under the Ministry of the Environment. This change does not mean the end of state-subsidised housing production; rather, it aims to improve the administration of affordable social housing production. According to MuniFin's analysis, the integration will not have a direct effect on MuniFin's business.

Loans for housing companies have a deficiency guarantee from the State of Finland that covers the residual risk over the collateral value of the respective property. When a loan has a deficiency guarantee by the State of Finland, primary pledge of mortgage collateral is mainly required unless the loan is a state-subsidised housing loan granted for a municipality or a joint municipal authority in which case there is no collateral required by law. The amount of the primary pledge must be at least 1.3 times the amount of the loan. Under deficiency guarantee, the State of Finland is responsible for the primary debt in respect of the part that is not covered from the liquidation of the mortgage collateral.

Despite MuniFin Group's business model, which is based on the zero risk-weighting customers, the Group has a risk rating system for all customers, which assigns a risk score to the customer as part of the credit granting process. In addition, independent Risk Management prepares an annual analysis of all customers, which identifies their respective risk rating. The annual analysis and update of the risk rating is based on the financial statements, the report of the board of directors and other available information. The analysis takes into account the environmental, social and governance risks (*ESG*) insofar as information about the customer is available for assessment. The assessment highlights the potential impacts of climate and environmental risks, which may materialise to customers either directly as physical risks or as transition risks related to preparing for climate change. The customer's risk rating will affect the need for further analysis of the customer in the process of granting financing, the financing decisions, decision-making power inside the Group and possibly also the pricing. The Group has customer-specific credit limits in use. In addition, MuniFin Group calculates the loan-to-value (*LTV*) ratio for its loans with real estate collateral and regularly monitors the development of LTV values.

The following table shows the risk rating (of which risk rating 5 represents the best creditworthiness) distribution of the Group's customer financing in relation to total capital, which includes lending, leased assets, municipal certificates and off-balance sheet credit commitments.

Risk rating	31 Dec 2024	31 Dec 2023
5	15.1 %	15.8 %
4	32.1 %	31.5 %
3	30.1 %	41.8 %
2	20.8 %	9.4 %
1	1.9 %	1.6 %
Total	**100.0 %**	**100.0 %**

In addition to the above mentioned, the Group's credit risk management is based on proactive customer relationship management, customer knowledge (*Know Your Customer, KYC*), careful selection of counterparties, credit rating and volume limits for counterparties, trustworthy and professional staff, decision-making powers, comprehensive documentation and ongoing monitoring and reporting.

The Group defines the non-performing exposures (*NPE*) as receivables that fulfil at least one of the criteria below:

- Significant receivables past due more than 90 days;
- MuniFin Group's Credit Group's (*customer financing*) or Capital Markets and Sustainability Management Team's (*liquidity portfolio*) assessment that it is probable that the debtor is not likely to pay its obligation in full without realisation of the collateral, regardless of whether there have been any delays in payments or how many days the payments have been past due.

Non-performing exposures are treated as stage 3 receivables in the calculation of expected credit losses.

Forborne exposures include exposures that have been renegotiated due to the customer's financial difficulties. Details about the principles applied to forborne and modified exposures are described in the accounting policies (Note *1*) in Section *9.3 Forborne and modified loans*. The non-performing and forborne exposures are disclosed in Note *25 Credit risks of financial assets and other commitments* in table *Non-performing and forborne exposures*.

Impairments for loans and other financial assets, which are classified according to IFRS 9 at amortised cost (*AC*) or fair value through other comprehensive income (*FVOCI*), are measured using the expected credit loss model under IFRS 9 standard. In addition, lease agreements and off-balance sheet credit commitments are subject to expected credit loss calculation due to the credit risk involved in the contracts. The methods used for calculating expected credit losses are described in the accounting policies (Note *1*) in Section *9. Impairment on financial assets*. Quantitative information on the Group's expected credit losses and their development during the financial year is presented in the Notes *12 Credit losses on financial assets recognised at amortised cost and at fair value through comprehensive income* and *25 Credit risks of financial assets and other commitments*.

The amount of the Group's expected credit losses in relation to the Group's statement of financial position is very low, 0.005% (0.005%). Expected credit losses in relation to the total assets and commitments included in the calculations are 0.005% (0.005%). The amount of expected credit losses is materially influenced by the Group's conservative risk management principles, in particular the guarantees and collaterals received by the Group, as well as the customer base and the high credit ratings of counterparties.

MuniFin Group updated the macroeconomic scenarios quarterly to take into account forward-looking information. Additionally, the Group revised its probability of default model for calculating the customer finance exposures. Previously 30-day payment delay was the indicator for customer's inability to pay. The model was updated so that the indicator for insolvency observation is either the official definition of default or if customer's exposures are transferred to stage 3.

The Group has assessed the need of additional discretionary provision related to expected credit losses. At the end of December 2023, the Group's management assessed the impact of the rapidly rising interest rate level on customer financing receivables and credit risk and decided to record an additional discretionary provision of EUR 0.6 million based on a group-specific assessment. In June 2024, according to management's assessment, a smaller group of customers, for whom the effects of the increased interest rate level are slightly delayed, will still face challenges in cash flow sufficiency during the rest of 2024, which may be seen as increased payment delays and forbearances. Part of the previous additional discretionary provision has been released during the first half of 2024 as transfers to levels 2 and 3. Thus the Group's management decided to decrease it down to EUR 0.3 million at the end of June 2024.

At the end of December 2024, the Group's management assessed again the need of additional discretionary provision and decided to release the provision in full. The model update in the calculation of probability of default and the resulting increase in excepted credit losses and stage transfers are estimated to take into account the previous additional provision for receivables with increased credit risk. Based on the Group's assessment, some customers may face challenges in the sufficiency of cash flows in 2025, which may cause further payment delays and forbearances for MuniFin Group. However, the declining interest rate environment is expected to gradually ease the financial situation of customers.

MuniFin Group is also exposed to credit risk from its liquidity portfolio investments and derivative instruments. In selecting counterparties, MuniFin evaluates credit risk with principles and limits, approved by the Parent Company's Board of Directors, based on external credit ratings. The credit rating of investments is one of the key indicators used by the Group to make investment decisions concerning its liquidity portfolio. Nominal values of debt securities and equivalent credit values of derivatives (*fair value method*) are used in monitoring credit risk. Counterparties are also regularly subject to an internal risk assessment, which assesses economic and qualitative factors as well as ESG risks by comparing the individual issuer's ESG score with the reference value of the general market index for the asset class.

The following table presents the credit rating breakdown of the liquidity portfolio investments.

Credit rating	31 Dec 2024	31 Dec 2023
AAA	62.4 %	60.2 %
AA+	10.0 %	8.7 %
AA	1.8 %	5.8 %
AA-	14.6 %	16.8 %
A+	6.3 %	4.2 %
A	1.7 %	3.1 %
A-	3.1 %	1.2 %
Total	**100.0 %**	**100.0 %**

In addition, MuniFin Group has central bank receivables in total EUR 7,809 million (EUR 7,991 million) (Note *19 Loans and advances to credit institutions*). The central bank receivables consist of overnight deposits with the central bank and the minimum required reserves.

The Group limits the credit risk arising from its derivative contracts with ISDA Credit Support Annexes. MuniFin Group has 36 (36) derivative counterparties with which it has valid derivative contracts. The Group has the above-mentioned collateral agreement with all of these counterparties.

Breakdown of nominal value of derivative contracts by counterparty credit rating (EUR 1,000)	31 Dec 2024	31 Dec 2023
Finnish municipalities	1,469,799	1,467,896
Central counterparty	50,757,583	46,386,905
AA	14,663,165	15,394,010
A	15,515,641	11,512,902
Total	**82,406,188**	**74,761,713**

Given and received cash collateral based on CSA agreements (EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Given collateral	-608,421	-1,064,764
Given collateral to central counterparty	-889,687	-1,049,741
Given collateral as debt securities	101,703	70,901
Received collateral	716,137	81,916
Received collateral from central counterparty	259,850	392,343
Net collateral	**-420,418**	**-1,569,344**

The Credit Valuation Adjustment (*CVA*) that measures counterparty credit risk and MuniFin Group's own Debt Valuation Adjustment (*DVA*) are both taken into account when calculating credit risk exposures arising from derivative counterparties. The CVA is estimated for each derivative counterparty by calculating the Group's expected positive exposure throughout the maturity of the derivative portfolio, taking into account the probability of default and the estimated amount of loss in the possible event of default. Input data for the calculation is based on the terms of CSA agreements, generally accepted assumptions in the markets on the loss given default and expected probabilities calculated based on credit default swaps (*CDS*). Similarly, the DVA is determined on the basis of MuniFin Group's expected negative exposures, taking into account the probability of MuniFin's own default and the loss given default. In addition, the Group calculates Funding Valuation Adjustment (*FVA*) for those derivative contracts that do not hold cash collateral arrangements (derivatives made with MuniFin Group's customers).

MuniFin Group uses central counterparties (*CCPs*) in the clearing of standard over-the-counter (*OTC*) derivative contracts, as required by the European Markets Infrastructure Regulation (*EMIR*). In this model, at the end of a clearing process, a CCP becomes the counterparty to each cleared trade. The purpose of CCP clearing is to reduce counterparty risk. Two global banks provide clearing broker services to the Group. The variation margin of the derivatives with the CCPs is based on the daily margining of the cash collateral (*Collateralised-to-Market, CTM*). MuniFin uses central counterparties also for the securities collaterals when changing the initial margin.

Since 2022, MuniFin has had the readiness to exchange initial margins of bilateral derivative contracts with securities collateral. So far, the initial margin has not been exchanged with securities, as the threshold values defined in the regulations have not been met.

MuniFin Group may also be exposed to settlement risks in the course of its operations in respect to issued bonds, customer financing, liquidity portfolio investments or derivative transactions. The Group's customer financing transactions are dependent on the operations of domestic payment banks and similarly the capital market transactions are dependent on the operations of the Group's international payment banks and clearing parties. In order to minimise the credit risk associated with clearing and settlement, transactions are in principle carried out through delivery against payment.

Taking into account the nature of MuniFin Group's business model, the Group has acknowledged risk concentration in customer financing in i.e. geographical areas (locally), customer types (municipality sector, state-subsidised housing production) and collaterals (mortgages). The Group's largest subportfolio in the customer financing is for municipality sector. This risk concentration on the municipality sector is unavoidable and inherent to MuniFin's business model. In addition, a considerable portion of the exposure to customers is indirectly related to Finnish sovereign risk due to the deficiency guarantee in loan arrangements for the state-subsidised housing production. This is inextricably linked to MuniFin's business model and to its place in the Finnish social system.

Furthermore, MuniFin has been established specifically to finance the municipal sector and social housing and its operations are limited by the MGB Act. Therefore, the concentration risk inherent in the business model cannot be significantly modified. On the other hand, all of the Group's receivables are in the zero risk weight class in capital adequacy calculations and therefore the concentration risk is acceptable considering the Group's business model and how is it in line with the Group's business strategy. In addition, in the calculation of large exposures, all receivables from customers are zero after mitigation techniques. Due to these factors, the Group accepts the concentration risk in its customer financing as inherent to its business model.

Concentration risk is also inherent in the liquidity portfolio due to investments being made in a narrow selection of high-quality liquid assets. The following table presents the geographical distribution of the liquidity portfolio investments.

Country/counterparty	31 Dec 2024	31 Dec 2023
Finland	19.9%	19.9%
France	16.2%	14.1%
Canada	8.9%	11.7%
Norway	8.6%	9.4%
Germany	7.1%	8.8%
Sweden	7.0%	5.7%
Supranational	6.4%	5.0%
Belgium	5.7%	4.8%
Denmark	3.7%	4.8%
Netherlands	3.5%	3.5%
South Korea	2.8%	3.0%
Australia	2.6%	2.1%
Japan	1.8%	2.0%
Luxembourg	1.7%	1.5%
Great Britain	1.1%	1.4%
New Zealand	0.9%	0.8%
Spain	0.8%	0.6%
Austria	0.7%	0.4%
Latvia	0.4%	0.4%
Switzerland	0.0%	0.1%
Total	**100.0%**	**100.0%**

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

7. Market risk

Market risk is the risk of the Group incurring a loss as a result of an unfavourable change in market price or its volatility.

MuniFin Group has identified under RAF the following sources of material market risks: Interest rate risk (*Interest Rate Risk in the Banking Book, IRRBB*), FX risk and CSRBB risk (*Credit Spread Risk in the Banking Book*) as well as fair valuation risk.

The Group hedges its market risk with derivative contracts. Derivative contracts may only be used for hedging purposes. The Group applies fair value hedge accounting in accordance with IFRS 9 and IAS 39 standards. Fair value hedge accounting is applied to euro-denominated financial assets and liabilities, as well as lease receivables, where the interest rate of the hedged item has been converted to a variable rate with a derivative, and to fixed-rate foreign currency-denominated financial liabilities, where the principal of the hedged item is converted to euros and its interest rate changed to a variable rate with a derivative agreement. The application of hedge accounting is described in more detail in the accounting policies (Note *1*) in Section *10. Hedge* *accounting* and quantitative information on current hedging relationships and their impact on earnings is presented in the Notes *24 Hedge accounting* and *7 Net result on hedge accounting*.

The Group also makes use of the fair value option (*FVO*) allowed by the IFRS 9 standard in hedging relationships that are not in fair value hedge accounting and that eliminate or significantly reduce valuation or accounting inconsistency (*accounting mismatch*) or where the Group manages financial liabilities and evaluates their performance based on fair value, in accordance with the documented risk management or investment strategy. For financial assets, such items include liquidity portfolio debt securities and individual loans whose interest rate risk and/or currency risk is hedged with interest rate and currency derivatives. For financial liabilities, such items include short-term foreign currency-denominated commercial papers and financial liabilities to which IFRS 9 fair value hedge accounting is not applied. The use of fair value option is described in the accounting policies (Note *1*) in Section *7.1.6 and 7.2.3 Designated at fair value through profit or loss.* Quantitative information of the use of fair value option is presented in Note *5 Net result on financial instruments at fair value through profit or loss* and in Note *14 Financial assets and liabilities*.

7.1 Interest rate risk

MuniFin Group's strategy for interest rate risk in the banking book (*IRRBB*) is to ensure sustainable profitability regardless of the level of interest rates. Therefore, the focus is to stabilise earnings by minimising NII risk measure. Economic Value of Equity (*EVE*) of interest rate sensitivity is a secondary measure but also kept within risk appetite. All financial instruments are included in the IRRBB and MuniFin Group does not have a trading book. Interest rate risk arises mainly from the difference in euribor rate terms between assets and liabilities.

MuniFin Group manages the interest rate risk arising from the business operations by means of derivative contracts. The main principle for managing the Group's interest rate risk hedging is to utilise interest rate swaps to hedge fixed rate exposures back-to-back to floating rate. The back-to-back interest rate swaps (*IRS*) replicate all the details of underlying liability, asset or portfolio of assets to offset the risk of the underlying transaction.

Primarily, the Group hedges long-term customer financing linked to a fixed or long reference rate, fixed-rate investments in the liquidity portfolio, and long-term funding with interest rate derivatives, excluding short-term euro-denominated variable-rate funding. Financial receivables in customer financing and the liquidity portfolio linked to a short-term variable rate or short-term euro-denominated debt obligations are not hedged with derivatives.

However, given the strategy of earnings stabilisation, the Group may decide on a strategic mismatch position, i.e. leave fixed rate exposures unhedged in order to steer the Group's net interest income towards the objective of earnings stabilisation. The strategic mismatch position is created using assets only and includes 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.

7.1.1 NII risk

NII risk refers to the negative impact of interest rate changes on the Group's net interest income. Sensitivity of the interest rate risk has been measured by a 50 basis points change either up or down. The impact is examined in relation to the Group's own funds. The Group measures the NII risk both with and without the zero floor option. The following table takes into account the zero floor option in the loans.

NII risk (EUR 1,000)	31 Dec 2024 Impact on NII	31 Dec 2024 In relation to own funds*	31 Dec 2023 Impact on NII	31 Dec 2023 In relation to own funds*
+50 bp parallel up	-7,590	0.5%	-2,110	0.1%
-50 bp parallel down	7,640	-	2,180	-

* Own funds correspond to own funds in regulatory capital.

In addition, the Group measures the NII risk with the following scenarios:

1. Parallel shock up (+50 bp)
2. Parallel shock up (+200bp)
3. Parallel shock down (-50 bp)
4. Parallel shock down (-200bp)
5. Steepener shock (short rates down and long rates up)
6. Flattener shock (short rates up and long rates down)
7. Short rates shock up
8. Short rates shock down.
9. Supervisory Outlier Test (*SOT*), parallel shock up (+200 bp)
10. Supervisory Outlier Test (*SOT*), parallel shock down (-200 bp)

From these scenarios, at the end of 2024 the least favourable scenario was based on the assumption of the short rates shock up, which had an impact of EUR -44.4 million on net interest income and 2.7% in relation to the own funds. At the end of 2023, the most unfavourable scenario was the short rates shock up, which had an impact of EUR -18.4 million on net interest income and 1.2% in relation to the own funds.

7.1.2 Economic Value of Equity

Economic Value of Equity (*EVE*) describes the interest rate sensitivity of the present value of the statement of financial position. It is measured by calculating the change in the present value of interest rate sensitive cash flows for different interest rate curve changes. Several interest rate scenarios are used to measure interest rate risk, the most unfavourable one being considered and its impact on future net interest income, and consequently, partly on equity, is presented in the table below. The impact will be examined in relation to the Group's total own funds. The Group measures the Economic Value of Equity both with and without the zero floor option. The following table below takes into account the zero floor option in the loans.

Economic Value of Equity (EUR 1,000)	Impact on future NII	In relation to own funds*
31 Dec 2024	-120,174	7.3%
31 Dec 2023	-92,760	6.0%

* Own funds correspond to own funds in regulatory capital.

The following scenarios are used in calculating the EVE:

1. Parallel shock up (+50 bp)
2. Parallel shock up (+200bp)
3. Parallel shock down (-50 bp)
4. Parallel shock down (-200bp)
5. Steepener shock (short rates down and long rates up)
6. Flattener shock (short rates up and long rates down)
7. Short rates shock up
8. Short rates shock down.

When calculating EVE at the end of 2024, the most unfavourable scenario was the parallel shock up of 200 basis points, which had an impact of EUR -120.2 million and 7.3 % in relation to own funds. At the end of 2023, the most unfavourable scenario was the parallel shock up of 200 basis points, which had an impact of EUR -92.8 million and 6.0% in relation to the own funds.

7.1.3 Basis risk

The basis risk measure captures interest rate risk that results from narrowing or widening of tenor basis swap spreads. The impact is examined in relation to the Group's own funds. The figures below take into account the zero floor option in the loans.

Basis risk (EUR 1,000)	Impact	In relation to own funds*
31 Dec 2024	-9,136	0.6%
31 Dec 2023	-2,240	0.1%

* Own funds correspond to own funds in regulatory capital.

The worst of four scenarios is used to measure basis risk:

- Narrowing basis swap spreads scenario (ESTER vs. 3-month Euribor and 3-month vs. 6-month Euribor)
- Widening basis swap spreads scenario (ESTER vs. 3-month Euribor and 3-month vs. 6-month Euribor)

When calculating basis risk at the end of 2024, the most adverse scenario was a narrowing basis swap spreads scenario (3-month vs. 6-month Euribor), totalling EUR -9.1 million, which was 0.6% relative to the own funds. At the end of 2023, the most adverse scenario was a narrowing basis swap spreads scenario (from the current level to zero), totalling EUR -2.2 million.

7.2 FX risk

MuniFin Group's FX risk strategy is in line with its conservative market risk management. The Group does not bear any material foreign exchange risk. The Group's lending and other customer finance items are denominated in euros. FX risk is hedged by translating all foreign currency denominated funding and liquidity investments into euros using derivatives. However, due to currency-denominated collateral management (*USD*) related to Central Counterparty clearing (*CCP*) activities, the Group may temporarily incur minor FX risk. The functionality of the cross-currency derivative markets is always assessed before entering into new funding or liquidity investments in order to ensure that currency hedges can be put in place according to hedging strategy in order to hedge all transactions back to euros. Furthermore, all foreign currency denominated funding transactions with early call options are hedged fully for potential call situations.

The currency position in the following table is reported as the difference between assets and liabilities in different currencies, expressed in euros. MuniFin Group estimates that a reasonable change in currency pairs will not have a significant impact on the Group's results.

Currency position (EUR 1,000)

	Net currency position
31 Dec 2024	10,409
31 Dec 2023	4,784

The following tables present the breakdown of the Group's financial assets and liabilities into domestic and foreign currency denominated items.

Financial assets in domestic and foreign currencies 31 Dec 2024 (EUR 1,000)

	Domestic currency	Foreign currency	Total
Cash and balances with central banks	2	-	2
Loans and advances to credit institutions	8,506,362	60,249	8,566,611
Loans and advances to the public and public sector entities	35,133,780	-	35,133,780
Debt securities	5,878,912	-	5,878,912
Other assets	788,401	101,281	889,682
Total	**50,307,457**	**161,530**	**50,468,987**

Adjusted Financial assets in domestic and foreign currencies 31 Dec 2023 (EUR 1,000)

	Domestic currency	Foreign currency	Total
Cash and balances with central banks	2	-	2
Loans and advances to credit institutions	9,131,401	61,547	9,192,948
Loans and advances to the public and public sector entities	31,950,286	-	31,950,286
Debt securities	5,160,117	9,888	5,170,005
Other assets	942,696	107,039	1,049,734
Total	**47,184,503**	**178,472**	**47,362,975**

Financial liabilities in domestic and foreign currencies 31 Dec 2024 (EUR 1,000)	Domestic currency	Foreign currency	Total
Liabilities to credit institutions	883,694	-	883,694
Liabilities to the public and public sector entities	2,442,409	21,465	2,463,874
Debt securities issued	21,208,405	23,325,901	44,534,306
Provisions and other liabilities	267,449	-	267,449
Total	**24,801,957**	**23,347,366**	**48,149,323**

Adjusted Financial liabilities in domestic and foreign currencies 31 Dec 2023 (EUR 1,000)	Domestic currency	Foreign currency	Total
Liabilities to credit institutions	215,552	-	215,552
Liabilities to the public and public sector entities	2,601,955	20,595	2,622,551
Debt securities issued	20,793,369	20,079,428	40,872,798
Provisions and other liabilities	401,180	-	401,180
Total	**24,012,056**	**20,100,024**	**44,112,080**

The following tables present the breakdown of the Group's financial assets and liabilities at their carrying amount and their corresponding hedges.

Distribution of financial assets by currency based on carrying amounts and hedges 31 Dec 2024 (EUR 1,000)	USD	GBP	NOK	CHF	Other currencies	Total
Loans and advances to credit institutions	58,945	366	2	414	521	60,249
Debt securities	-	-	-	-	-	-
Other assets	101,281	-	-	-	-	101,281
Currency risk total	**160,226**	**366**	**2**	**414**	**521**	**161,530**
Hedging derivatives	-151,121	-	-	-	-	-151,121
Total	**9,104**	**366**	**2**	**414**	**521**	**10,409**

Distribution of financial liabilities by currency based on carrying amounts and hedges 31 Dec 2024 (EUR 1,000)	USD	GBP	NOK	CHF	Other currencies	Total
Long-term funding	-10,336,068	-4,949,426	-2,900,566	-950,759	-1,531,670	-20,668,489
Short-term funding	-2,288,070	-372,968	-	-	-17,839	-2,678,877
Provisions and other liabilities	-	-	-	-	-	-
Currency risk total	**-12,624,138**	**-5,322,394**	**-2,900,566**	**-950,759**	**-1,549,509**	**-23,347,366**
Hedging derivatives	12,624,138	5,322,394	2,900,566	950,759	1,549,509	23,347,366
Total	**0**	**0**	**0**	**0**	**0**	**0**
Net currency position	**9,104**	**366**	**2**	**414**	**521**	**10,409**

Adjusted Distribution of financial assets by currency based on carrying amounts and hedges 31 Dec 2023 (EUR 1,000)	USD	GBP	NOK	CHF	Other currencies	Total
Loans and advances to credit institutions	60,460	384	2	417	283	61,547
Debt securities	9,888	-	-	-	-	9,888
Other assets	107,039	-	-	-	-	107,038
Currency risk total	**177,386**	**384**	**2**	**417**	**283**	**178,472**
Hedging derivatives	-173,689	-	-	-	-	-173,689
Total	**3,697**	**384**	**2**	**417**	**283**	**4,784**

Adjusted Distribution of financial liabilities by currency based on carrying amounts and hedges 31 Dec 2023 (EUR 1,000)	USD	GBP	NOK	CHF	Other currencies	Total
Long-term funding	-7,030,010	-3,956,438	-2,676,533	-1,102,064	-1,635,447	-16,400,492
Short-term funding	-3,452,441	-247,091	-	-	-	-3,699,532
Provisions and other liabilities	-	-	-	-	-	-
Currency risk total	**-10,482,451**	**-4,203,529**	**-2,676,533**	**-1,102,064**	**-1,635,447**	**-20,100,024**
Hedging derivatives	10,482,451	4,203,529	2,676,533	1,102,064	1,635,447	20,100,024
Total	**0**	**0**	**0**	**0**	**0**	**0**
Net currency position	**3,697**	**384**	**2**	**417**	**283**	**4,784**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

7.3 CSRBB risk

CSRBB risk (*Credit Spread Risk in the Banking Book*) refers to the possibility of changes in the market values of the prefunding liquidity investments due to a change in the market's required return as a consequence of a change in the investment's risk or in the market's risk sensitivity. The main principle in portfolio management is to guarantee a sufficient amount of earnings within the liquidity requirements, such as LCR, NSFR and Survival horizon.

CSRBB risk (EUR 1,000)	Impact	In relation to own funds*
31 Dec 2024	-38,557	2.3%
31 Dec 2023	-44,200	2.9%

* Own funds correspond to own funds in regulatory capital.

The CSRBB risk model is based on the predicted future loss distribution over a one-year time horizon. The change in required return is calculated at a 99.9% confidence level.

7.4 Fair valuation risk

MuniFin Group has identified fair valuation risk as material risk for its operations. Unrealised fair value changes of financial instruments increase the volatility of profits. In addition to profit, the Group's own funds are also affected by valuations measured at fair value through other comprehensive income (*OCI*). The classification and measurement of financial instruments are described in more detail in the accounting policies (Note *1*) in Section *7. Classification, recognition and measurement of financial instruments*.

The volatility of the fair valued instruments arises from changes in market risk factors, such as tenor basis spreads as the spread between different interest rate curves changes. In accordance with the market practice and IFRS 13 standard, the Group discounts the financial assets and liabilities measured at fair value and the hedged items with the swap curve and the hedging derivatives with the OIS curve, which causes a significant part of the Group's valuation volatility. The unrealised fair value changes of financial instruments are recorded in the income statement under line item *Net result on financial instruments at fair value through profit or loss* and they are specified in Note *5*. In addition, the unrealised fair value changes of financial instruments in hedge accounting (both hedged items and hedging instruments) are recorded under line item *Net result on financial instruments at fair value through profit or loss* and specified in Note *5*. The Group continuously monitors and analyses the volatility arising from valuations and prepares for its potential profitability and solvency impacts. A sensitivity analysis related to valuations is presented in Note *15 Fair values of financial assets and liabilities*.

During the reporting period, unrealised fair value changes of financial instruments caused earnings volatility for the Group. 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 the challenges of 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.

8. Operational risks

Operational risk refers to the risk of loss due to insufficient or failed internal processes, insufficient or failed policies, systems or external factors. Operational risks also include risks arising from failure to comply with internal and external regulation (*compliance risk*) and legal risks. Operational risks may result in expenses, payable compensation, loss of reputation, false information on position, risk and financial results or the interruption of operations.

Operational risks are recognised as part of the Group's operations and processes. This has been implemented with an annual mapping of operational risk, which is carried out by units through a self-assessment. The operational risk management is the responsibility of each division and unit. In addition, the Risk Management and Compliance division supports the other divisions and units and has the responsibility for coordinating the management of operational risks.

MuniFin Group uses various methods for managing operational risks. The Group has internal policies approved by the Board and supplementing internal guidelines approved by the management in order to guide operations. Operational risks are also covered by the RAF approved by the Board of Directors of the Parent Company. Key duties and processes have been charted and described. Internal instructions and processes are updated on a regular basis, and compliance with them is supervised. The tasks related to business activities, risk control and accounting are separated. The Group has adequate substitution systems to ensure the continuity of key functions. The expertise of the personnel is maintained and developed through regular development discussions and training plans. The Group has a contingency plan for situations in which business and IT operations are interrupted. The plan is designed to ensure that the Group is able to continue functioning and to limit its losses in different disruptive scenarios. The annual mapping of operational risks and the operational risk event report process support the Group's continuity planning. In addition, the Group has insurance policies related to its operations and the level of the insurance coverage is assessed on a regular basis.

MuniFin Group's Compliance continuously monitors the development of legislation and regulations issued by authorities relevant to the Group's operations and ensures that any regulatory changes are appropriately responded to. The legislation and regulations concerning the operations of credit institutions have faced significant changes during the past few years and will continue to change in the future, which creates challenges for the Group's compliance. The Group has tried to minimise the risks related to this with an active contact with the authorities and interest groups as well as with organisation of the Group's internal Compliance (incl. system support, evaluation of effects, reporting and implementation).

The Group has significant information system and business process related projects aimed at improving the quality, efficiency and regulatory compliance of current operations. The extent of these projects creates operational risks that the Group strives to minimise by developing and implementing models related to project management and monitoring (incl. regular reporting) and ensuring sufficient resources. The risks related to development projects are surveyed and monitored regularly.

The Group has an approval process for new products and services. The process aims to ensure that all material risks and operational requirements are taken into account when developing new products and services. The Group has outsourcing arrangements of which the most important are IT and infrastructure services and SaaS services. The realisation of operational risks is monitored with systematic operational risk event reporting, which is used to change operating principles or implement other measures to reduce operational risks where necessary. Operational risk events are reported to the Executive Management Team and the Board of Directors of the Parent Company. Material losses have not been realised from the operational risks during 2024.

9. ESG risks

ESG risks include environmental, social and governance risks. There have been no material changes in ESG risks during the financial 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). The Group's customers and, through them, also the Group itself are exposed to both physical and transition risks. 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 incur final credit losses. The Group's investment counterparties are governments, central banks, SSA sector entities and credit institutions, and the 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 considers the environmental and climate risks low, the Group recognises that as the climate change progresses, the risks associated with it increase and the uncertainty rises. The Group assesses its exposure to the environmental and climate risks at least annually.

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.

Notes to the income statement

Note 3. Interest income and expense

(EUR 1,000)	Jan–Dec 2024			Adjusted Jan–Dec 2023		
	Interest income	Interest expense	Net	Interest income	Interest expense	Net
Assets						
Amortised cost						
Cash and balances with central banks	-	-	-	-	-	-
Loans and advances to credit institutions	357,986	-133	357,853	317,664	-29	317,636
Loans and advances to the public and public sector entities	1,078,554	-	1,078,554	809,735	-	809,735
, of which loan receivables	*1,036,790*	-	*1,036,790*	*779,143*	-	*779,143*
, of which property lease receivables	*41,764*	-	*41,764*	*30,591*	-	*30,591*
Debt securities	55,143	-	55,143	46,110	-23	46,087
Other assets	40,375	-	40,375	45,861	-	45,861
Fair value through other comprehensive income						
Debt securities	11,326	-	11,326	6,982	-	6,982
Designated at fair value through profit or loss						
Loans and advances to the public and public sector entities	261	-	261	348	-	348
Debt securities	52,616	-	52,616	27,395	-	27,395
Mandatorily at fair value through profit or loss						
Loans and advances to the public and public sector entities	1,320	-	1,320	1,033	-	1,033
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	124,346	-38,258	86,088	124,222	-31,056	93,166
Derivative contracts in hedge accounting	389,970	-	389,970	356,190	-	356,190
Finance lease agreements	9,359	-	9,359	8,049	-	8,049
Interest on non-financial other assets	4	-	4	2	-	2
Interest on assets	**2,121,260**	**-38,391**	**2,082,870**	**1,743,591**	**-31,108**	**1,712,482**
, of which interest income/expense according to the effective interest rate method	*1,933,354*	*-133*		*1,582,543*	*-52*	
, of which other interest income/expense	*187,906*	*-38,258*		*161,048*	*-31,056*	

(EUR 1,000)	Jan–Dec 2024 Interest income	Jan–Dec 2024 Interest expense	Jan–Dec 2024 Net	Adjusted Jan–Dec 2023 Interest income	Adjusted Jan–Dec 2023 Interest expense	Adjusted Jan–Dec 2023 Net
Liabilities						
Amortised cost						
Liabilities to credit institutions	-	-10,578	-10,578	-	-26,276	-26,276
Liabilities to the public and public sector entities	-	-35,540	-35,540	-	-37,557	-37,557
Debt securities issued	-	-736,334	-736,334	-	-466,008	-466,008
Provisions and other liabilities	-	-13,272	-13,272	-	-17,106	-17,106
Designated at fair value through profit or loss						
Liabilities to credit institutions	-	-1,696	-1,696	-	-1,005	-1,005
Liabilities to the public and public sector entities	-	-38,283	-38,283	-	-37,034	-37,034
Debt securities issued	-	-400,207	-400,207	-	-369,060	-369,060
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	131,213	-93,536	37,677	155,470	-103,215	52,255
Derivative contracts in hedge accounting	-	-624,479	-624,479	-	-551,439	-551,439
Interest on liabilities	**131,213**	**-1,953,927**	**-1,822,714**	**155,470**	**-1,608,699**	**-1,453,229**
, of which interest income/expense according to the effective interest rate method	*-*	*-1,420,204*		*-*	*-1,098,385*	
, of which other interest income/expense	*131,213*	*-533,722*		*155,470*	*-510,313*	
Total interest income and expense	**2,252,474**	**-1,992,317**	**260,156**	**1,899,060**	**-1,639,807**	**259,253**

The Group has updated the presentation of net interest income of derivative contracts that are not designated in hedge accounting during financial year 2024. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

In the line item *Interest income/expense according to the effective interest rate method* the Group presents interest income/expense from financial assets/liabilities at amortised cost or at fair value trough other comprehensive income. In addition in this line item, the Group includes interest income/expense from derivative contracts in hedge accounting.

Interest income on stage 3 financial assets in the expected credit loss (*ECL*) calculations totalled EUR 3,758 thousand (EUR 1,726 thousand) during the financial year. These are included in the line items *Loans and advances to the public and public sector entities*.

Interest expense on provisions and other liabilities includes EUR 116 thousand (EUR 52 thousand) of interest on lease liabilities recognised in accordance with IFRS 16 *Leases* standard.

Interest expenses on financial assets at amortised cost on loans and advances to credit institutions consisted of interest paid on cash collateral receivables. Interest expenses on debt securities consist of interest paid on short-term lending in money market instruments. Interest expenses on derivative contracts at fair value through profit or loss consist of interest 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. Interest income/expense from aforementioned derivative contracts are presented in line item *Other interest income/expense*. Derivative contracts in hedge accounting hedge line items *Loans and advances to the public and public sector entities* and *Leased assets*. Interest income/expense from derivative contracts in hedge accounting are presented in line item *Interest income/expense at effective interest rate method*.

Interest income on derivative contracts at fair value through profit or loss consists of interest 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. Interest income/expense from aforementioned derivative contracts is presented in line item *Other interest income/expense*. 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*. Interest income/expense from derivative contracts in hedge accounting is presented in line item *Interest income/expense at effective interest rate method.*

Note 4. Fee and commission income and expense

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Fee and commission income		
Financial advisory services	401	1,298
Digital services	1,055	971
Other operations	8	6
Total	**1,465**	**2,275**
Fee and commission expense		
Commission fees paid	-329	-264
Guarantee fees paid	-14,413	-13,411
Other	-2,175	-1,963
Total	**-16,917**	**-15,638**
Net fee and commission income	**-15,452**	**-13,363**

Fee and commission income from the contracts with customers are divided by service type. EUR 1,304 thousand (EUR 2,168 thousand) out of fee and commission income from the contracts with customers has been received from municipalities, joint municipal authorities, wellbeing services counties and entities controlled by them.

MuniFin Group does not disclose segment information of IFRS 8 *Operating Segments* standard in the Consolidated Financial Statements as the Group operates in a single segment, which also forms the basis of reporting to the Group's chief operating decision-maker. Information regarding segment reporting can be found in the accounting policies (Note *1*) in Section *5. Segment reporting*.

The fee and commission income for advisory services is mainly charged from the customer after the service has been performed in accordance with the terms of the agreement. The fee and commission income for digital services is charged once a year and recognised over time. Other fee and commission income is charged and recognised at the time of the service is provided. The accounting treatment of the fee and commission income from the contracts with customers is presented in the accounting policies (Note *1*) in Section *20.2 Commission income and expense*.

In fee and commission expense, line item *Other* includes i.e. paid custody fees and funding programme update costs.

Note 5. Net result on financial instruments at fair value through profit and loss

Jan–Dec 2024 (EUR 1,000)	Capital gains	Capital losses	Unrealised fair value changes	Total
Financial assets				
Designated at fair value through profit or loss				
Loans and advances to the public and public sector entities	-	-	1,142	1,142
Debt securities	377	-	65,637	66,013
Mandatorily at fair value through profit or loss				
Loans and advances to the public and public sector entities	-	-	145	145
Financial liabilities				
Designated at fair value through profit or loss				
Liabilities to credit institutions	-	-	-1,147	-1,147
Liabilities to the public and public sector entities	-	-	-38,572	-38,572
Debt securities issued: commercial papers	-	-	-1,841	-1,841
Debt securities issued: bonds	-	-	-26,040	-26,040
Derivative contracts at fair value through profit or loss	557	-913	-3,163	-3,519
Day 1 gain or loss	-	-	41	41
Net result on financial assets and liabilities through profit or loss	**933**	**-913**	**-3,798**	**-3,777**
Net result from FX differences	**49,511**	**-45,509**	**-3,548**	**455**
Net result on hedge accounting	**-**	**-**	**-11,763**	**-11,763**
Total	**50,445**	**-46,422**	**-19,109**	**-15,086**

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 on hedge accounting* is presented in Note *24 Hedge accounting*. The reconciliation for Day 1 gain or loss is presented in Note 15 *Fair values of financial assets and liabilities.*

Jan–Dec 2023 (EUR 1,000)	Capital gains	Capital losses	Unrealised fair value changes	Total
Financial assets				
Designated at fair value through profit or loss				
Loans and advances to the public and public sector entities	-	-	2,592	2,592
Debt securities	-	-	120,709	120,709
Mandatorily at fair value through profit or loss				
Loans and advances to the public and public sector entities	-	-	-827	-827
Financial liabilities				
Designated at fair value through profit or loss				
Liabilities to credit institutions	-	-	-1,212	-1,212
Liabilities to the public and public sector entities	-	-	-76,384	-76,384
Debt securities issued: commercial papers	-	-	1,937	1,937
Debt securities issued: bonds	-	-	-309,603	-309,603
Derivative contracts at fair value through profit or loss	123	-211	252,443	252,354
Day 1 gain or loss	-	-	42	42
Net result on financial assets and liabilities through profit or loss	**123**	**-211**	**-10,303**	**-10,391**
Net result from FX differences	**108,801**	**-102,714**	**-8,009**	**-1,923**
Net result on hedge accounting	**-**	**-260**	**-26,887**	**-27,147**
Total	**108,924**	**-103,186**	**-45,199**	**-39,461**

The following tables present carrying amounts of financial assets and liabilities designated at fair value through profit or loss and their fair value changes recognised during the reporting period in the income statement under *Net result on financial instruments at fair value through profit or loss* and in the other comprehensive income under C*hange 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 31 Dec 2024	Carrying amount 31 Dec 2024	Nominal value 31 Dec 2023	Adjusted Carrying amount 31 Dec 2023
Financial assets				
Loans and advances to the public and public sector entities	30,000	30,940	30,000	30,497
Debt securities	3,670,119	3,676,021	3,284,881	3,219,979
Total financial assets*	**3,700,119**	**3,706,961**	**3,314,881**	**3,250,476**
Financial liabilities				
Liabilities to credit institutions	79,000	79,315	44,000	43,971
Liabilities to the public and public sector entitities	1,456,192	1,334,136	1,449,753	1,322,866
Debt securities issued	9,546,266	9,198,104	9,870,880	9,530,487
Total financial liabilities	**11,081,458**	**10,611,555**	**11,364,633**	**10,897,323**

* Financial assets designated at fair value through profit or loss are exposed to credit risk up to the carrying amounts of those securities at 31 Dec 2024 and 31 Dec 2023.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Change in fair value of financial assets designated at fair value through profit or loss (EUR 1,000)	31 Dec 2024	1 Jan 2024	Fair value change recognised in the income statement Jan–Dec 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	-6,847	-7,988	1,142	96	1,046
Debt securities	-29,152	-94,789	65,637	-12,116	77,753
Total financial assets	**-35,999**	**-102,777**	**66,778**	**-12,020**	**78,799**

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 an interest rate swap. 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.

During the financial year 2024, the fair value change of debt securities was EUR 65,637 thousand (EUR 120,709 thousand). This was affected by a decrease in EUR market interest rates. The general increase in credit spreads in the markets had a negative impact on valuations, but the impact of lower interest rates was greater and thus the change in the fair value change is clearly positive for 2024. Considering the change in the fair value of hedging instruments of EUR -77,753 thousand euros (EUR -127,202 thousand), the net change in fair value in 2024 is EUR -12,116 thousand (EUR -6,494 thousand) after the hedging impact.

Change in fair value of financial liabilities designated at fair value through profit or loss (EUR 1,000)	31 Dec 2024	1 Jan 2024	Fair value change recognised in the income statement Jan–Dec 2024	Change in own credit risk recognised in the other comprehensive income Jan–Dec 2024	Total fair value change in Jan–Dec 2024
Financial liabilities					
Liabilities to credit institutions	-652	495	-1,147	1,099	-48
Liabilities to the public and public sector entitities	130,527	169,099	-38,572	52,862	14,290
Debt securities issued	397,708	425,589	-27,881	83,240	55,360
Total financial liabilities	**527,583**	**595,183**	**-67,600**	**137,202**	**69,602**

During the financial year 2024, the change in fair value of financial liabilities designated at fair value through profit or loss of EUR -67,600 thousand (EUR -385,262 thousand) was particularly affected by the decrease in EUR market interest rates. The change in the fair value of hedging instruments was EUR 77,900 thousand (EUR 397,646 thousand). The change in own credit risk amounted to EUR 137,202 thousand (EUR 75,401 thousand) during the financial year. The change was affected by an increase in the Group's funding costs due to a general increase in market credit spreads.

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 31 Dec 2024	Fair value change recognised in the income statement Jan–Dec 2024
Financial liabilities designated at fair value through profit or loss	527,583	-67,600
Derivative contracts at fair value through profit or loss hedging financial liabilities	-514,225	77,900
Net change in fair value	**13,358**	**10,300**

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 assets and liabilities 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 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)	31 Dec 2023	1 Jan 2023	Fair value change recognised in the income statement Jan–Dec 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	-7,988	-10,581	2,592	151	2,441
Debt securities	-94,789	-215,498	120,709	-6,493	127,202
Total financial assets	**-102,777**	**-226,078**	**123,301**	**-6,342**	**129,643**

Change in fair value of financial liabilities designated at fair value through profit or loss (EUR 1,000)	31 Dec 2023	1 Jan 2023	Fair value change recognised in the income statement Jan–Dec 2023	Change in own credit risk recognised in the other comprehensive income Jan–Dec 2023	Total fair value change in Jan–Dec 2023
Financial liabilities					
Liabilities to credit institutions	495	1,708	-1,212	514	-698
Liabilities to the public and public sector entitities	169,099	245,483	-76,384	30,218	-46,167
Debt securities issued	425,589	733,254	-307,666	44,669	-262,997
Total financial liabilities	**595,183**	**980,445**	**-385,262**	**75,401**	**-309,862**

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 31 Dec 2023	Fair value change recognised in the income statement Jan–Dec 2023
Financial liabilities designated at fair value through profit or loss	595,183	-385,262
Derivative contracts at fair value through profit or loss hedging financial liabilities	-592,125	397,646
Net change in fair value	**3,058**	**12,384**

Note 6. Net result on financial assets at fair value through other comprehensive income

(EUR 1,000)	Jan–Dec 2024	Jan-Dec 2023
Capital gains from financial assets	-	30
Capital losses from financial assets	-122	-
Unrealised gains transferred from fair value reserve	124	-
Unrealised losses transferred from fair value reserve	-	-287
Total	**3**	**-257**

Note 7. Net result on hedge accounting

(EUR 1,000)	Jan–Dec 2024	Jan-Dec 2023
Unrealised gains from hedging instruments	534,256	1,188,433
Unrealised losses from hedging instruments	-338,542	-599,048
Net result from hedging instruments	**195,714**	**589,385**
Unrealised gains from hedged items	311,346	588,283
Unrealised losses from hedged items	-518,824	-1,204,554
Net result from hedged items	**-207,478**	**-616,271**
IBOR reform related compensations*	-	-260
Net result from hedge accounting	**-11,763**	**-27,147**

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

Unrealised gains and losses from hedged items include fair value of the risks to which fair value hedge accounting is applied and which are measured at fair value. The foreign exchange difference of both hedging instruments and hedged items are presented on line item *Net income from FX differences* in Note *5 Net result on financial instruments at fair value through profit or loss.*
A specification of the net income from hedge accounting is presented in Note *24 Hedge accounting*.

Note 8. Other operating income

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Capital gains from sold tangible assets	19	125
Other income from credit institution operations	12	14
Total	**31**	**139**

Note 9. HR and administrative expenses

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Personnel expenses		
Salaries and remuneration	-17,482	-16,943
Pension costs	-3,015	-2,916
Other social security expenses	-388	-617
Total HR expenses	**-20,885**	**-20,475**
Other HR related costs	-2,011	-1,850
Marketing and communication expenses	-1,096	-1,142
IT and information expenses	-19,131	-16,788
Other administrative expenses	-501	-456
Total	**-43,624**	**-40,711**

	2024		2023	
Personnel	Average	End of year	Average	End of year
Permanent full-time	174	168	168	169
Permanent part-time	1	1	3	3
Fixed term	12	9	12	13
Total	**187**	**178**	**183**	**185**

Note 10. Depreciation and impairment on tangible and intangible assets

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Depreciation		
Depreciation on tangible assets	-2,201	-3,083
Depreciation on intangible assets	-3,830	-3,460
Total depreciation	**-6,031**	**-6,543**
Total depreciation and impairment	**-6,031**	**-6,543**

Note 11. Other operating expenses

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Regulatory expenses		
Contributions to the Single Resolution Fund	-	-7,353
Other administrative and supervisory fees	-2,974	-2,832
Rental expenses	-313	-439
External services	-8,087	-6,723
Credit rating fees	-862	-905
Audit fees*	-735	-470
Insurances	-915	-850
Other expenses from credit institution operations	-179	300
Total	**-14,064**	**-19,271**

* Paid fees to the auditor (PricewaterhouseCoopers Oy) in 2024 totalled EUR 455 thousand and EUR 299 thousand for other services.

Paid fees to the auditor (KPMG Oy Ab) in 2024 totalled EUR 280 thousand (EUR 456 thousand) for audit, EUR 11 thousand (EUR 9 thousand) for tax services and EUR 223 thousand (EUR 211 thousand) for other services. Assigments as referred to in chapter 1, section 1, subsection 1, paragraph 2 of the Auditing Act in 2024 totalled EUR 8 thousand (EUR 14 thousand). Audit and other fees paid to the audit firm are specified in Note *47 Audit and other fees paid to the audit firm* of the Parent Company's Financial Statements.

Note 12. Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income

MuniFin Group's credit risks are described in Note *2 Risk management principles and the Group's risk position* in Section *6. Credit Risk*. The accounting policies of the expected credit loss calculations and impairment stages are described in the accounting policies (Note *1*) in Section *9. Impairment on financial assets.*

Credit losses and impairments Jan–Dec 2024 (EUR 1,000)	Expected credit losses			Realised credit losses		
	Additions	Subtractions	Recognised in the income statement	Additions	Subtractions	Recognised in the income statement
Expected credit losses on financial assets at amortised cost						
Loans and advances to credit institutions	-50	63	12	-	-	-
Loans and advances to the public and public sector entities	-1,518	1,164	-354	-	-	-
Lease receivables in Loans and advances to the public and public sector entities*	-2	22	20	-	-	-
Debt securities	-1	1	0	-	-	-
Cash collateral to CCPs in Other assets	-1	2	1	-	-	-
Total expected credit losses on financial assets at amortised cost	**-1,572**	**1,251**	**-321**	**-**	**-**	**-**
Expected credit losses and impairments on other financial assets						
Debt securities at fair value through other comprehensive income	-13	10	-2	-	-	-
Total expected credit losses and impairments on other financial assets	**-13**	**10**	**-2**	**-**	**-**	**-**
Credit commitments (off-balance sheet)	**-14**	**11**	**-3**	**-**	**-**	**-**
Total	**-1,599**	**1,273**	**-326**	**-**	**-**	**-**

* Expected credit losses on lease receivables include expected credit loss on both property lease receivables that are treated as financial receivables and financial lease receivables (equipment leases) according to IFRS 16 standard.

MuniFin Group has assessed the impact of general cost inflation and increased interest rates on customer financing receivables and credit risk. As a result, MuniFin Group recorded the additional discretionary provision based on a group-specific assessment. Part of the previous additional discretionary provision was realised as transitions to stages 2 and 3 during the first half of 2024, leading to a release of EUR 375 thousand of the provision during the first half of the year. At the end of June 2024, the group-specific additional discretionary provision was EUR 250 thousand. During the financial year, the Group updated the model used for estimating the probability of default, which increased the amount of expected credit losses. Most of the contracts subject to the additional discretionary provision were realised as stage 2 transfers due to the model change, so the additional discretionary provision was fully released at the end of December 2024. The release of the additional provision is reflected in larger substrations in receivables from the public and public sector entities compared to the previous year. Negative impact on the results remained low.

	Expected credit losses			Realised credit losses		
Credit losses and impairments Jan–Dec 2023 (EUR 1,000)	**Additions**	**Subtractions**	**Recognised in the income statement**	**Additions**	**Subtractions**	**Recognised in the income statement**
Expected credit losses on financial assets at amortised cost						
Loans and advances to credit institutions	-10	46	36	-	-	-
Loans and advances to the public and public sector entities	-1,559	123	-1,436	-	-	-
Lease receivables in Loans and advances to the public and public sector entities	-18	17	-1	-	-	-
Debt securities	-1	1	0	-	-	-
Cash collateral to CCPs in Other assets	-	197	197	-	-	-
Total expected credit losses on financial assets at amortised cost	**-1,589**	**385**	**-1,204**	**-**	**-**	**-**
Expected credit losses and impairments on other financial assets						
Debt securities at fair value through other comprehensive income	-25	27	2	-	-	-
Total expected credit losses and impairments on other financial assets	**-25**	**27**	**2**	**-**	**-**	**-**
Credit commitments (off-balance sheet)	**-13**	**11**	**-2**	**-**	**-**	**-**
Total	**-1,627**	**423**	**-1,203**	**-**	**-**	**-**

Note 13. Income tax expense

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Tax based on the profit for the financial year	-18,383	-16,877
Tax based on the profit for previous financial years	342	-418
Deferred tax	-14,872	-10,763
Total	**-32,913**	**-28,058**

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Profit before tax	165,606	138,583
Taxes at domestic tax rate	-33,121	-27,717
Other deductibles	14	114
Non-deductible expenses	-40	-37
Taxes for previous financial years	342	-418
Losses of group companies	-108	-
Total	**-32,913**	**-28,058**
Income tax percentage	20.0%	20.0%
Effective tax base	19.9%	20.2%

Notes to the statement of financial position

Note 14. Financial assets and liabilities

Financial assets 31 Dec 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	8,566,611	-	-	-	-	8,566,611	8,566,611
Loans and advances to the public and public sector entities	35,077,804	-	30,940	25,036	-	35,133,780	37,248,151
, of which loan receivables	*33,757,873*	-	*30,940*	*25,036*	-	*33,813,849*	*35,826,784*
*, of which property lease receivables**	*1,319,931*	-	-	-	-	*1,319,931*	*1,421,367*
Debt securities	1,825,411	377,480	3,676,021	-	-	5,878,912	5,879,660
Derivative contracts at fair value through profit or loss	-	-	-	-	451,480	451,480	451,480
Derivative contracts in hedge accounting	-	-	-	-	1,872,228	1,872,228	1,872,228
Other assets**	889,682	-	-	-	-	889,682	889,682
Total	**46,359,510**	**377,480**	**3,706,961**	**25,036**	**2,323,708**	**52,792,695**	**54,907,814**

* Line item includes property lease receivables that the Group has granted to customers and which are classified as financial assets in the Consolidated financial statements. Equipment leases the Group has granted to customers are classified as finance lease receivables and are presented in the Note *21 Finance lease receivables.* Property lease receivables and equipment lease receivables for which the Group applies fair value hedge accounting are presented in the Note *24 Hedge accounting*.

** Line item includes cash collateral given to central counterparties.

Financial liabilities

31 Dec 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	804,380	79,315	-	883,694	883,627
Liabilities to the public and public sector entities	1,129,737	1,334,136	-	2,463,874	2,475,335
Debt securities issued	35,336,202	9,198,104	-	44,534,306	44,345,120
Derivative contracts at fair value through profit or loss	-	-	1,073,936	1,073,936	1,073,936
Derivative contracts in hedge accounting	-	-	1,487,782	1,487,782	1,487,782
Other liabilities*	267,449	-	-	267,449	267,449
Total	**37,537,768**	**10,611,555**	**2,561,718**	**50,711,041**	**50,533,249**

* Line item includes EUR 259,850 thousand of cash collateral received from central counterparties and EUR 7,599 thousand of lease liabilities in accordance with IFRS 16 standard.

Adjusted 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	9,192,948	-	-	-	-	9,192,948	9,192,948
Loans and advances to the public and public sector entities*	31,892,126	-	30,497	27,663	-	31,950,286	33,807,764
, of which loan receivables	*30,725,576*	-	*30,497*	*27,663*	-	*30,783,736*	*32,605,180*
*, of which property lease receivables**	*1,166,550*	-	-	-	-	*1,166,550*	*1,202,584*
Debt securities	1,574,954	375,072	3,219,979	-	-	5,170,005	5,170,117
Derivative contracts at fair value through profit or loss	-	-	-	-	353,731	353,731	353,731
Derivative contracts in hedge accounting	-	-	-	-	1,682,481	1,682,481	1,682,481
Other assets**	1,049,735	-	-	-	-	1,049,735	1,049,735
Total	**43,709,765**	**375,072**	**3,250,476**	**27,663**	**2,036,212**	**49,399,188**	**51,256,777**

* Line item includes property lease receivables that the Group has granted to customers and which are classified as financial assets in the Consolidated financial statements. Equipment leases that the Group has granted are classified as finance lease receivables are presented in the Note *21 Finance lease receivables.* Property lease receivables and equipment lease receivables for which the Group applies fair value hedge accounting are presented in the Note *24 Hedge accounting*.

** Line item includes cash collateral given to central counterparties.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Adjusted 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	171,581	43,971	-	215,552	215,510
Liabilities to the public and public sector entities	1,299,685	1,322,866	-	2,622,551	2,635,500
Debt securities issued	31,342,311	9,530,487	-	40,872,798	40,837,530
Derivative contracts at fair value through profit or loss	-	-	1,194,531	1,194,531	1,194,531
Derivative contracts in hedge accounting	-	-	2,302,023	2,302,023	2,302,023
Other liabilities*	401,180	-	-	401,180	401,180
Total	**33,214,757**	**10,897,323**	**3,496,553**	**47,608,633**	**47,586,273**

* Line item includes EUR 392,342 thousand of cash collateral received from central counterparties and EUR 8,837 thousand of lease liabilities in accordance with IFRS 16 standard.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 15. Fair values of financial assets and liabilities

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.

Determination of fair value

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 best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the fair value on initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value and adjusted to defer the difference between the fair value on initial recognition and the transaction price (*Day 1 gain or loss*). The difference is amortized on a straight-line basis throughout the lifetime of the contract. Day 1 gain or loss for MuniFin Group is presented in the adjacent table.

Day 1 gain or loss (EUR 1,000)	Jan–Dec 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	494	512
Total at the end of the reporting period	**-309**	**-350**

The fair values of financial instruments are determined on the basis of either price quotations obtained from functioning markets or, if such markets do not exist, by applying valuation methods. The Group measures fair values using the fair value hierarchy by dividing fair value into level 1, 2 and 3 inputs, which reflects the significance of the inputs used in making the measurements.

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.

All valuation models, both complex and simple models, use market prices and other inputs. These market prices and inputs comprise for example interest rates, FX rates, volatilities and correlations. 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. This approach is decribed in more detail in section *Sensitivity analysis of unobservable inputs*.

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 (*FVA*) for those derivative contracts that do not hold cash collateral arrangements (derivatives made with MuniFin Group's customers).

The following table presents financial instruments by the level of the fair value hierarchy into which the fair value measurement is categorised. 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

Level 3 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. 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.

Financial assets 31 Dec 2024 (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	377,480	357,349	20,131	-	377,480
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	30,940	-	30,940	-	30,940
Debt securities	3,676,021	3,666,033	9,988	-	3,676,021
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	25,036	-	-	25,036	25,036
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	451,480	-	445,149	6,331	451,480
Derivative contracts in hedge accounting	1,872,228	-	1,871,295	934	1,872,228
Total at fair value	**6,433,185**	**4,023,383**	**2,377,502**	**32,301**	**6,433,185**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	11,014,235	-	11,529,258	-	11,529,258
, of which loan receivables	*10,633,372*	-	*11,128,949*	-	*11,128,949*
, of which property lease receivables	*380,863*	-	*400,309*	-	*400,309*
Total in fair value hedge accounting	**11,014,235**	**-**	**11,529,258**	**-**	**11,529,258**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	8,566,611	7,958,203	608,408	-	8,566,611
Loans and advances to the public and public sector entities	24,063,569	-	25,662,917	-	25,662,917
, of which loan receivables	*23,124,500*	-	*24,641,859*	-	*24,641,859*
, of which property lease receivables	*939,068*	-	*1,021,058*	-	*1,021,058*
Debt securities	1,825,411	-	1,826,159	-	1,826,159
Other assets	889,682	-	889,682	-	889,682
Total at amortised cost	**35,345,275**	**7,958,205**	**28,987,166**	**-**	**36,945,371**
Total financial assets	**52,792,695**	**11,981,588**	**42,893,925**	**32,301**	**54,907,814**

Financial liabilities 31 Dec 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	79,315	-	79,315	-	79,315
Liabilities to the public and public sector entities	1,334,136	-	1,293,774	40,363	1,334,136
Debt securities issued	9,198,104	-	9,002,575	195,529	9,198,104
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,073,936	-	988,985	84,950	1,073,936
Derivative contracts in hedge accounting	1,487,782	-	1,481,145	6,636	1,487,782
Total at fair value	**13,173,273**	**-**	**12,845,795**	**327,478**	**13,173,273**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	88,243	-	88,175	-	88,175
Liabilities to the public and public sector entities	1,129,737	-	1,141,199	-	1,141,199
Debt securities issued*	34,570,729	-	34,092,128	289,415	34,381,544
Total in fair value hedge accounting	**35,788,709**	**-**	**35,321,502**	**289,415**	**35,610,917**
At amortised cost					
Liabilities to credit institutions	716,137	-	716,137	-	716,137
Debt securities issued	765,473	-	765,473	-	765,473
Other liabilities	267,449	-	267,449	-	267,449
Total at amortised cost	**1,749,059**	**-**	**1,749,059**	**-**	**1,749,059**
Total financial liabilities	**50,711,041**	**-**	**49,916,355**	**616,894**	**50,533,249**

* 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 Financial Statements, 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.

Adjusted Financial assets 31 Dec 2023 (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	375,072	375,072	-	-	375,072
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	30,497	-	30,497	-	30,497
Debt securities	3,219,979	3,172,048	47,931	-	3,219,979
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	27,663	-	-	27,663	27,663
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	353,731	-	344,696	9,036	353,731
Derivative contracts in hedge accounting	1,682,481	-	1,682,481	-	1,682,481
Total at fair value	**5,689,423**	**3,547,120**	**2,105,605**	**36,699**	**5,689,423**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	11,292,747	-	11,839,926	-	11,839,926
, of which loan receivables	*10,963,049*	-	*11,491,485*	-	*11,491,485*
, of which property lease receivables	*329,698*	-	*348,441*	-	*348,441*
Total in fair value hedge accounting	**11,292,747**	**-**	**11,839,926**	**-**	**11,839,926**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	9,192,948	8,128,211	1,064,737	-	9,192,948
Loans and advances to the public and public sector entities	20,599,380	-	21,909,678	-	21,909,678
, of which loan receivables	*19,762,528*	-	*21,055,535*	-	*21,055,535*
, of which property lease receivables	*836,852*	-	*854,143*	-	*854,143*
Debt securities	1,574,954	-	1,575,066	-	1,575,066
Other assets	1,049,735	-	1,049,735	-	1,049,735
Total at amortised cost	**32,417,018**	**8,128,213**	**25,599,215**	**-**	**33,727,428**
Total financial assets	**49,399,188**	**11,675,333**	**39,544,746**	**36,699**	**51,256,777**

Adjusted 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	43,971	-	43,971	-	43,971
Liabilities to the public and public sector entities	1,322,866	-	1,223,599	99,266	1,322,866
Debt securities issued	9,530,487	-	9,234,376	296,110	9,530,487
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,194,531	-	1,077,062	117,469	1,194,531
Derivative contracts in hedge accounting	2,302,023	-	2,290,304	11,719	2,302,023
Total at fair value	**14,393,876**	**-**	**13,869,312**	**524,564**	**14,393,876**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	87,488	-	87,446	-	87,446
Liabilities to the public and public sector entities	1,299,685	-	1,312,634	-	1,312,634
Debt securities issued	31,054,516	-	30,832,056	187,193	31,019,249
Total in fair value hedge accounting	**32,441,689**	**-**	**32,232,137**	**187,193**	**32,419,329**
At amortised cost					
Liabilities to credit institutions	84,093	-	84,093	-	84,093
Debt securities issued	287,794	-	287,794	-	287,794
Other liabilities	401,180	-	401,180	-	401,180
Total at amortised cost	**773,068**	**-**	**773,068**	**-**	**773,068**
Total financial liabilities	**47,608,633**	**-**	**46,874,516**	**711,757**	**47,586,273**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Sensitivity analysis of unobservable inputs

Sensitivity analysis illustrates the impact of the reasonably possible assumptions on the fair value of financial instruments for which valuation is dependent on unobservable inputs. In order to assess the significance of the level 3 valuation inputs to the fair value of an instrument, MuniFin has defined a materiality (*significance*) threshold to the fair value of an instrument and pre-defined stress levels which are assessed to be reasonable possible alternative assumptions to the valuation input. In addition, in order to assess the significance, the Group uses materiality threshold by comparing the impact of the unobservable input (level 3) to the notional. If the impact is below threshold, the financial instrument is classified as a level 2 instrument. The assessment of the fair value hierarchy classification will be performed using a *Waterfall principle* meaning that the input which is assumed to be the most material valuation input, in combination with the complexity of the model, will be assessed first. As a result of such assessments, the Group is aware of financial instruments for which level 3 input data has a significant impact on the fair value of the financial instrument.

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

The 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 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 financial statement date. However, it is unlikely in practice that all unobservable inputs would simultaneously move to extremes of reasonably possible alternatives used in the sensitivity analysis. Hence, the impact of the sensitivity analysis disclosed in this Note is likely to be greater than the true uncertainty in the fair values at the financial statement 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 31 December 2024, these assumptions could have increased fair values by EUR 13.6 million (EUR 21.2 million) or decreased fair values by EUR 13.4 million (EUR 21.1 million).

Sensitivity analysis of unobservable inputs 31 Dec 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	25,036	Stochastic model	Volatility – Extrapolated or Illiquid	24	-19
Derivative contracts					
Equity-linked derivatives	-6,715	Stochastic model	Correlation parameters	2	-7
			Volatility – Extrapolated or Illiquid	26	-52
			Dividend yield	2	-1
FX-linked cross currency and interest rate derivatives	-836	Stochastic model	Correlation parameters	116	-87
			Volatility – Extrapolated or Illiquid	703	-761
			Interest rates – Extrapolated or Illiquid	0	0
Other interest rate derivatives	-76,772	Stochastic model	Correlation parameters	0	-1
			Volatility – Extrapolated or Illiquid	6,056	-6,097
			Interest rates – Extrapolated or Illiquid	969	-969
Debt securities issued and Liabilities to the public and public sector entities					
Equity-linked liabilities	9,373	Stochastic model	Correlation parameters	2	0
			Volatility – Extrapolated or Illiquid	51	-34
			Dividend yield	1	-1
FX-linked liabilities	82,047	Stochastic model	Correlation parameters	54	-44
			Volatility – Extrapolated or Illiquid	624	-608
			Interest rates – Extrapolated or Illiquid	0	0
Other liabilities	433,887	Stochastic model	Correlation parameters	1	-1
			Volatility – Extrapolated or Illiquid	4,969	-4,737
			Interest rates – Extrapolated or Illiquid	21	-21
Total				**13,619**	**-13,440**

Sensitivity analysis of significant unobservable inputs by instrument type 31 Dec 2023 (EUR 1,000)	Adjusted 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	27,663	Stochastic model	Volatility – Extrapolated or Illiquid	-26	-81
Derivative contracts					
Equity-linked derivatives	-21,298	Stochastic model	Correlation parameters	7	-20
			Volatility – Extrapolated or Illiquid	627	-607
			Dividend yield	34	-14
FX-linked cross currency and interest rate derivatives	591	Stochastic model	Correlation parameters	125	-111
			Volatility – Extrapolated or Illiquid	735	-859
			Interest rates – Extrapolated or Illiquid	0	0
Other interest rate derivatives	-99,445	Stochastic model	Correlation parameters	0	0
			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					
Equity-linked liabilities	80,242	Stochastic model	Correlation parameters	24	8
			Volatility – Extrapolated or Illiquid	658	-562
			Dividend yield	44	-36
FX-linked liabilities	108,722	Stochastic model	Correlation parameters	80	-73
			Volatility – Extrapolated or Illiquid	657	-577
			Interest rates – Extrapolated or Illiquid	0	0
Other liabilities	393,605	Stochastic model	Correlation parameters	2	-2
			Volatility – Extrapolated or Illiquid	8,277	-8,060
			Interest rates – Extrapolated or Illiquid	31	-31
Total				**21,250**	**-21,141**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

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 2024, transfers totalling EUR 9,988 thousand have been made from level 1 to level 2 and EUR 31,470 thousand from level 2 to level 1 in the line item *Debt securities*. During 2024, there were no transfers from level 2 to level 3.

Level 3 transfers 2024 (EUR 1,000)	Adjusted 1 Jan 2024	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in the other comprehensive income	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	31 Dec 2024
Financial assets										
At fair value										
Mandatorily at fair value through profit or loss										
Loans and advances to the public and public sector entities	27,663	-	-2,627	-	-	-	-	-	-	25,036
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	9,036	-202	-2,444	-	-	-261	202	-	-	6,331
Derivative contracts in hedge accounting	-	680	706	-	228	-	-680	-	-	934
Financial assets in total	**36,699**	**478**	**-4,365**	**-**	**228**	**-261**	**-478**	**-**	**-**	**32,301**

Level 3 transfers 2024 (EUR 1,000)	Adjusted 1 Jan 2024	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in the other comprehensive income	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	31 Dec 2024
Financial liabilities										
At fair value										
Designated at fair value through profit or loss										
Liabilities to the public and public sector entities	99,266	-901	1,611	-2,579	-	-	901	-	-57,935	40,363
Debt securities issued	296,110	-3,997	-1,351	-9,594	-	-89,637	3,997	-	-	195,529
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	117,469	-6,555	-5,128	-	-	-18,480	6,555	-	-8,910	84,950
Derivative contracts in hedge accounting	11,719	2,900	-6,357	309	1,703	-	-2,900	-	-738	6,636
In fair value hedge accounting										
Amortised cost										
Debt securities issued	187,193	-11,498	12,213	-	101,052	-	11,498	-	-11,042	289,415
Financial liabilities in total	**711,757**	**-20,049**	**987**	**-11,863**	**102,754**	**-108,116**	**20,049**	**-**	**-78,625**	**616,894**
Level 3 financial assets and liabilities in total*	**748,456**	**-19,571**	**-3,377**	**-11,863**	**102,982**	**-108,377**	**19,571**	**-**	**-78,625**	**649,194**

* 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. The fair value change due to changes in own credit risk of financial liabilities is presented in Note *5 Net result on financial instruments at fair value through profit or loss*. For cross currency swaps in hedge accounting, the cross currency basis spread is separated and excluded from the designation and accounted for as Cost-of-Hedging in the other comprehensive income.

During 2023, transfers totalling EUR 72,008 thousand were made to level 1 from level 2 in the line item *Debt securities*. During 2023, total of EUR 2,443 thousand were transferred from level 2 to level 3 financial instruments.

Level 3 transfers 2023 (EUR 1,000)	Adjusted 1 Jan 2023	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in the other comprehensive income	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	Adjusted 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	31,219	-	-3,556	-	-	-	-	-	-	27,663
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	15,999	649	-4,041	-	-	-2,922	-649	-	-	9,036
Derivative contracts in hedge accounting	752	-	-	-	-	-	-	-	-752	0
Financial assets in total	**47,970**	**649**	**-7,597**	**-**	**-**	**-2,922**	**-649**	**-**	**-752**	**36,699**

Level 3 transfers 2023 (EUR 1,000)	Adjusted 1 Jan 2023	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in the other comprehensive income	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	Adjusted 31 Dec 2023
Financial liabilities										
At fair value										
Designated at fair value through profit or loss										
Liabilities to the public and public sector entities	152,910	-901	7,594	-3,612	-	-57,626	901	-	-	99,266
Debt securities issued	982,846	-7,911	-27	-5,883	-	-680,825	7,911	-	-	296,110
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	337,031	-4,415	-10,658	-	-	-208,904	4,415	-	-	117,469
Derivative contracts in hedge accounting	5,546	559	628	139	7,411	-	-559	640	-2,645	11,719
In fair value hedge accounting										
Amortised cost										
Debt securities issued	57,413	-2,789	2,915	-	155,169	-	2,789	1,803	-30,107	187,193
Financial liabilities in total	**1,535,746**	**-15,456**	**452**	**-9,356**	**162,580**	**-947,355**	**15,456**	**2,443**	**-32,753**	**711,757**
Level 3 financial assets and liabilities in total	**1,583,716**	**-14,808**	**-7,145**	**-9,356**	**162,580**	**-950,277**	**14,808**	**2,443**	**-33,505**	**748,456**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 16. Breakdown of financial assets and liabilities at carrying amount by maturity

Financial assets 31 Dec 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	8,513,965	38,140	14,507	-	-	8,566,611
Loans and advances to the public and public sector entities	637,205	1,804,583	8,205,406	7,994,389	16,492,198	35,133,780
, of which loan receivables	*627,997*	*1,774,531*	*8,023,430*	*7,734,269*	*15,653,621*	*33,813,849*
*, of which property lease receivables**	*9,208*	*30,051*	*181,975*	*260,119*	*838,578*	*1,319,931*
Debt securities	1,891,929	626,689	2,540,252	820,042	-	5,878,912
Derivative contracts	152,633	57,431	1,161,155	613,963	338,525	2,323,708
Other assets**	889,682	-	-	-	-	889,682
Total	**12,085,416**	**2,526,842**	**11,921,319**	**9,428,394**	**16,830,724**	**52,792,695**

Maturities for contractual future cashflows for financial liabilities and derivative contracts are presented in Note *2 Risk management principles and the Group's risk position.*

* Line item includes property lease receivables that the Group has granted to customers and which are classified as financial assets in the Consolidated Financial Statements. Equipment leases that the Group has granted to customers are classified as finance lease receivables are presented in the Note *21 Finance lease receivables*.

** Line item includes cash collateral given to central counterparties.

Financial liabilities 31 Dec 2024 (EUR 1,000)	**0–3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Liabilities to credit institutions	716,137	3,486	74,105	56,548	33,419	883,694
Liabilities to the public and public sector entities	38,133	233,195	894,643	595,550	702,353	2,463,874
Debt securities issued	4,757,279	6,110,628	25,545,532	6,494,648	1,626,218	44,534,306
Derivative contracts	164,955	190,266	959,624	729,648	517,223	2,561,718
Other liabilities	260,177	964	5,531	778	-	267,449
, of which lease liabilities	*327*	*964*	*5,531*	*778*	-	*7,599*
Total	**5,936,681**	**6,538,539**	**27,479,435**	**7,877,172**	**2,879,214**	**50,711,041**

* 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. The Group estimates it will call 20–40% of its callable liabilities in 2025. In 2024, the Group called 23% of its callable liabilities.

Adjusted 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	9,138,549	25,051	29,348	-	-	9,192,948
Loans and advances to the public and public sector entities	561,300	1,584,078	7,715,022	7,172,752	14,917,134	31,950,286
, of which loan receivables	*553,220*	*1,558,950*	*7,563,119*	*6,951,263*	*14,157,184*	*30,783,736*
, of which property lease receivables	*8,080*	*25,128*	*151,903*	*221,489*	*759,951*	*1,166,550*
Debt securities	1,712,062	522,874	2,434,360	500,709	-	5,170,005
Derivative contracts	25,993	66,502	655,747	834,431	453,540	2,036,212
Other assets	1,049,735	-	-	-	-	1,049,735
Total	**12,487,640**	**2,198,505**	**10,834,476**	**8,507,892**	**15,370,674**	**49,399,188**

Adjusted 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	84,093	-	56,472	57,009	17,977	215,552
Liabilities to the public and public sector entities	87,266	139,849	984,422	558,808	852,205	2,622,551
Debt securities issued	6,198,915	4,416,282	22,699,700	6,092,857	1,465,043	40,872,798
Derivative contracts	215,477	276,181	1,512,104	904,057	588,733	3,496,553
Other liabilities	392,789	1,142	5,374	1,876	-	401,180
, of which lease liabilities	*446*	*1,142*	*5,374*	*1,876*	-	*8,837*
Total	**6,978,540**	**4,833,455**	**25,258,073**	**7,614,608**	**2,923,958**	**47,608,633**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Liabilities and hedging derivatives that may be called before maturity have been classified in the maturity class corresponding to the first possible call date. In 2023, the Group called 32% of its callable liabilities.

Note 17. Offsetting financial assets and liabilities

The following financial assets and liabilities are subject to enforceable master netting agreements:

Cash given as collateral is included on the Consolidated statement of financial position on line *Loans and advances to credit institutions*, excluding cash given as collateral to central counterparties, which is presented on line *Other assets*. Cash received as collateral is included on the Consolidated statement of financial position on line *Liabilities to credit institutions*, excluding cash received from central counterparties, which is presented on line *Other liabilities.*

31 Dec 2024 (EUR 1,000)	Carrying amount, gross	Offset in the statement of financial position, gross	Carrying amount, net	Amounts not offset in the statement of financial position		
				Received cash collateral*	Given cash collateral**	Net
Financial assets						
Derivative contracts	2,323,708	-	2,323,708	975,987	-	1,347,721
Total	**2,323,708**	**-**	**2,323,708**	**975,987**	**-**	**1,347,721**
Financial liabilities						
Derivative contracts	2,561,718	-	2,561,718	-	1,498,108	1,063,610
Total	**2,561,718**	**-**	**2,561,718**	**-**	**1,498,108**	**1,063,610**

* Includes EUR 259,850 thousand of cash collateral received from central counterparties.

** Includes EUR 889,687 thousand of cash collateral given to central counterparties. In addition, the Group has given debt securities as collateral to central counterparty, in total nominal value of EUR 100,000 thousand.

The Group has not offset any financial assets or liabilities in its statement of financial position in 2024.

Adjusted 31 Dec 2023 (EUR 1,000)				Amounts not offset in the statement of financial position		
	Carrying amount, gross	Offset in the statement of financial position, gross	Carrying amount, net	Received cash collateral*	Given cash collateral**	Net
Financial assets						
Derivative contracts	2,036,212	-	2,036,212	474,259	-	1,561,953
Total	**2,036,212**	**-**	**2,036,212**	**474,259**	**-**	**1,561,953**
Financial liabilities						
Derivative contracts	3,496,553	-	3,496,553	-	2,114,505	1,382,049
Total	**3,496,553**	**-**	**3,496,553**	**-**	**2,114,505**	**1,382,049**

* Includes EUR 392,342 thousand of cash collateral received from central counterparties.

** Includes EUR 1,049,741 thousand of cash collateral given to central counterparties. In addition, the Group has given debt securities as collateral to central counterparty, in total nominal value of EUR 70,000 thousand.

The Group has not offset any financial assets or liabilities in its statement of financial position in 2023.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 18. Cash and cash equivalents

31 Dec 2024 (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	61,494	61,494	0
Total cash and cash equivalents	**61,496**	**61,496**	**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 19. Loans and advances to credit institutions

31 Dec 2024 (EUR 1,000)	Payable on demand	Other than payable on demand	Expected credit losses	Total
Receivables from central bank	-	7,808,867	0	7,808,867
Domestic credit institutions	59,933	199,245	-50	259,129
Foreign credit institutions	1,561	497,066	-11	498,616
Total	**61,494**	**8,505,178**	**-61**	**8,566,611**

Adjusted 31 Dec 2023 (EUR 1,000)	Payable on demand	Other than payable on demand	Expected credit losses	Total
Receivables from central bank	-	7,990,560	-1	7,990,560
Domestic credit institutions	61,552	224,948	-49	286,451
Foreign credit institutions	1,659	914,301	-23	915,937
Total	**63,212**	**9,129,809**	**-73**	**9,192,948**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 20. Loans and advances to the public and public sector entities

(EUR 1,000)	31 Dec 2024 Total	31 Dec 2024 , of which expected credit losses	Adjusted 31 Dec 2023 Total	Adjusted 31 Dec 2023 , of which expected credit losses
Enterprises and housing corporations	18,586,481	-2,350	16,495,443	-2,051
Public sector entities	14,877,043	-117	13,941,191	-136
Non-profit organisations	350,325	-95	347,102	-20
Leased assets*	1,563,060	-9	1,441,686	-29
Total	**35,376,909**	**-2,571**	**32,225,422**	**-2,237**

* Leased assets related to property lease receivables are presented in Note *14 Financial assets and liabilities*. Equipment leases are presented in Note *21 Finance lease receivables*.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 21. Finance lease receivables

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Breakdown of finance lease receivables by maturity		
0–12 months	81,777	87,139
1-2 years	68,448	60,801
2-3 years	36,908	62,668
3–4 years	31,505	30,084
4–5 years	18,581	25,860
Over 5 years	21,112	29,292
Future cashflows	258,331	295,843
Unearned finance income (-)	-15,203	-20,707
Carrying amount	**243,128**	**275,136**

Interest income from finance lease receivables is presented in Note *3 Interest income and expenses* on row *Finance lease contracts*. During 2024 or 2023, there were no capital gains or losses from finance lease agreements.

Note 22. Debt securities

Debt securities issued by public sector entities 31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses*
Amortised cost	**-**	**1,599,849**	**1,599,849**	**-1**
Commercial papers issued by other public sector entities	-	1,599,849	1,599,849	-1
Fair value through other comprehensive income	**25,773**	**-**	**25,773**	**-1**
Government bonds	-	-	-	-
Bonds issued by other public sector entities	25,773	-	25,773	-1
Designated at fair value through profit or loss	**1,673,477**	**-**	**1,673,477**	**-**
Government bonds	221,193	-	221,193	-
Bonds issued by other public sector entities	1,452,284	-	1,452,284	-
Total	**1,699,250**	**1,599,849**	**3,299,099**	**-2**
, of which eligible for central bank refinancing	*1,524,558*	-	*1,524,558*	*-1*

Debt securities issued by other than public sector entities 31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses*
Amortised cost	**-**	**225,562**	**225,562**	**0**
Commercial papers	-	225,562	225,562	0
Fair value through other comprehensive income	**351,707**	**-**	**351,707**	**-44**
Bank bonds	351,707	-	351,707	-44
Designated at fair value through profit or loss	**2,002,544**	**-**	**2,002,544**	**-**
Bank bonds	2,002,544	-	2,002,544	-
Total	**2,354,251**	**225,562**	**2,579,813**	**-44**
, of which eligible for central bank refinancing	*2,075,542*	-	*2,075,542*	*-42*

31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses*
Debt securities total	**4,053,501**	**1,825,411**	**5,878,912**	**-46**

* Expected credit losses have been recognised on debt securities which have been classified at fair value through other comprehensive income. Therefore, the expected credit losses are not recognised as a deduction from the gross carrying amount of the debt securities in the Consolidated statement of financial position, but through other comprehensive income to the fair value reserve as described in the accounting policies (Note 1) in Section *9.4 Presentation of allowance for ECL in the statement of financial position.*

At the financial statement date 31 Dec 2024, the Group has given debt securities as collateral to central counterparty, in total nominal value of EUR 100,000 thousand (EUR 70,000 thousand).

At the financial statement date 31 Dec 2024 or at the comparison date, MuniFin Group has no debt securities measured mandatorily at fair value through profit or loss.

Adjusted Debt securities issued by public sector entities 31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses
Amortised cost	**-**	**1,317,912**	**1,317,912**	**-1**
Commercial paper issued by other public sector entities	-	1,317,912	1,317,912	-1
Fair value through other comprehensive income	**15,513**	**-**	**15,513**	**0**
Bonds issued by other public sector entities	15,513	-	15,513	0
Designated at fair value through profit or loss	**1,453,782**	**-**	**1,453,782**	**-**
Government bonds	158,819	-	158,819	-
Bonds issued by other public sector entities	1,294,963	-	1,294,963	-
Total	**1,469,295**	**1,317,912**	**2,787,207**	**-1**
, of which eligible for central bank refinancing	*1,286,423*	-	*1,286,423*	*0*

Adjusted Debt securities issued by other than public sector entities 31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses
Amortised cost	**-**	**257,042**	**257,042**	**0**
Commercial papers	-	257,042	257,042	0
Fair value through other comprehensive income	**359,559**	**-**	**359,559**	**-42**
Bank bonds	359,559	-	359,559	-42
Designated at fair value through profit or loss	**1,766,198**	**-**	**1,766,198**	**-**
Bank bonds	1,766,198	-	1,766,198	-
Total	**2,125,756**	**257,042**	**2,382,798**	**-42**
, of which eligible for central bank refinancing	*1,877,378*	-	*1,877,378*	*-37*

31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses
Debt securities total	**3,595,051**	**1,574,954**	**5,170,005**	**-43**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements*.

Note 23. Derivative contracts

	Nominal value of underlying instrument					
	Remaining maturity				Fair value	
31 Dec 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	2,227,956	15,950,911	18,107,614	36,286,482	987,920	-1,262,963
, of which cleared by the central counterparty	*2,128,956*	*15,899,304*	*17,428,936*	*35,457,197*	*963,973*	*-1,250,839*
Currency derivatives						
Cross currency interest rate swaps	3,250,510	13,479,274	369,119	17,098,903	884,308	-224,818
Total derivative contracts in hedge accounting	**5,478,466**	**29,430,185**	**18,476,733**	**53,385,385**	**1,872,228**	**-1,487,782**
Derivative contracts at fair value through profit or loss						
Interest rate derivatives						
Interest rate swaps	8,364,980	9,253,147	4,885,876	22,504,004	224,609	-800,655
, of which cleared by the central counterparty	*6,584,200*	*6,806,285*	*1,909,901*	*15,300,387*	*119,869*	*-122,927*
Currency derivatives						
Cross currency interest rate swaps	1,107,136	2,491,716	64,207	3,663,059	95,498	-265,805
Forward exchange contracts	2,840,260	-	-	2,840,260	131,373	-761
Equity derivatives	12,572	-	-	12,572	-	-6,715
Total derivative contracts at fair value through profit or loss	**12,324,948**	**11,744,863**	**4,950,083**	**29,019,895**	**451,480**	**-1,073,936**
Total derivative contracts	**17,803,414**	**41,175,049**	**23,426,816**	**82,405,280**	**2,323,708**	**-2,561,718**

Line item *Derivative contracts at fair value through profit or loss* contains all derivatives of the Group which are not included in hedge accounting, even if they are entered into for risk management purposes. The category contains derivative contracts used for hedging financial assets and liabilities designated at fair value through profit or loss, all derivative contracts with municipal sector and all derivative contracts hedging derivatives with municipal sector. 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.

Adjusted 31 Dec 2023 (EUR 1,000)	Nominal value of underlying instrument				Fair value	
	Remaining maturity					
	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	1,244,663	-1,692,231
, of which cleared by the central counterparty	*3,967,376*	*11,288,451*	*18,280,451*	*33,536,278*	*1,207,369*	*-1,676,456*
Currency derivatives						
Cross currency interest rate swaps	1,838,537	10,963,203	479,835	13,281,574	437,818	-609,792
Total derivative contracts in hedge accounting	**5,920,868**	**22,431,503**	**19,471,342**	**47,823,713**	**1,682,481**	**-2,302,023**
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	294,754	-892,723
, of which cleared by the central counterparty	*3,211,225*	*8,099,203*	*1,540,172*	*12,850,600*	*200,263*	*-87,761*
Currency derivatives						
Cross currency interest rate swaps	335,671	2,845,363	69,179	3,250,213	56,183	-193,110
Forward exchange contracts	3,890,874	-	-	3,890,874	2,770	-87,375
Equity derivatives	85,340	-	-	85,340	24	-21,323
Total derivative contracts at fair value through profit or loss	**8,699,063**	**13,869,624**	**4,369,313**	**26,938,000**	**353,731**	**-1,194,531**
Total derivative contracts	**14,619,930**	**36,301,128**	**23,840,655**	**74,761,713**	**2,036,212**	**-3,496,553**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 24. Hedge accounting

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

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

Hedge accounting 31 Dec 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	11,209,584	10,633,372	10,573,458	59,914	-
Loans and advances to the public and public sector entities – Property lease receivables	380,946	380,863	-	380,863	-
Loans and advances to the public and public sector entities – Finance lease receivables	41,013	42,930	-	42,930	-
Total assets	**11,631,544**	**11,057,166**	**10,573,458**	**483,708**	**-**
Liabilities					
Liabilities to credit institutions	95,000	88,243	-	88,243	-
Liabilities to the public and public sector entities	1,107,710	1,129,737	-	1,129,737	-
Debt securities issued	35,414,736	34,570,729	-	17,595,169	16,975,560
Total liabilities	**36,617,446**	**35,788,709**	**-**	**18,813,149**	**16,975,560**

Adjusted 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	10,963,049	10,902,352	60,696	-
Loans and advances to the public and public sector entities – Property lease receivables	336,947	329,698	-	329,698	-
Loans and advances to the public and public sector entities – Finance lease receivables	58,470	59,705	-	59,705	-
Total assets	**12,239,288**	**11,352,451**	**10,902,352**	**450,099**	**-**
Liabilities					
Liabilities to credit institutions	95,000	87,488	-	87,488	-
Liabilities to the public and public sector entities	1,287,710	1,299,685	-	1,299,685	-
Debt securities issued	32,537,103	31,054,516	-	18,047,332	13,007,184
Total liabilities	**33,919,813**	**32,441,689**	**-**	**19,434,505**	**13,007,184**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements*.

The figures presented in the following table contain the cumulative fair value change at the beginning and end of the financial year, in addition to the fair value change of the hedged risk and the hedging instrument during the financial year. 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 *23 Derivative contracts* 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 *5*.

In accordance with the market practice and IFRS 13 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.

Net result from hedge accounting from the financial year was EUR -11,763 thousand (EUR - 27,147 thousand). Change in net result on hedge accounting was mainly due to changes in EUR interest rate curves.

Value of hedged risk (EUR 1,000)	31 Dec 2024	1 Jan 2024	Recognised in the income statement Jan–Dec 2024	31 Dec 2023	1 Jan 2023	Recognised in the income statement Jan–Dec 2023
Assets						
IAS 39 portfolio hedge accounting						
Loans and advances to the public and public sector entities	-604,957	-907,319	302,362	-907,319	-1,476,553	569,233
Derivative contracts in hedge accounting	658,479	969,754	-311,275	969,754	1,549,315	-579,561
Accumulated fair value accrual from the termination of hedge accounting	-1,411	-1,652	240	-1,652	-1,721	69
IAS 39 portfolio hedge accounting, net	**52,111**	**60,783**	**-8,672**	**60,783**	**71,041**	**-10,258**
IFRS 9 fair value hedge accounting						
Loans and advances to the public and public sector entities	-2,213	-10,422	8,209	-10,422	-29,402	18,980
, of which loans	*2,214*	*1,829*	*385*	*1,829*	*-595*	*2,424*
, of which property and finance lease receivables	*-4,427*	*-12,251*	*7,825*	*-12,251*	*-28,808*	*16,557*
Derivative contracts in hedge accounting	828	9,060	-8,232	9,060	28,548	-19,488
IFRS 9 fair value hedge accounting, net	**-1,385**	**-1,362**	**-23**	**-1,362**	**-855**	**-507**
Liabilities						
IFRS 9 fair value hedge accounting						
Liabilities to credit institutions	7,357	8,111	-754	8,111	10,108	-1,997
Liabilities to the public and public sector entities	-7,263	4,425	-11,688	4,425	54,570	-50,145
Debt securities issued	901,690	1,407,537	-505,847	1,407,537	2,559,950	-1,152,413
Derivative contracts in hedge accounting	-927,435	-1,442,656	515,221	-1,442,656	-2,631,089	1,188,433
IFRS 9 fair value hedge accounting, net	**-25,651**	**-22,583**	**-3,068**	**-22,583**	**-6,461**	**-16,122**
IBOR reform related compensations*	-3,603	-3,603	0	-3,603	-3,343	-260
Total hedge accounting	**21,471**	**33,235**	**-11,763**	**33,235**	**60,382**	**-27,147**

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

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

The difference between the changes in fair value of the actual derivative and the designated portion of the derivative are recorded in other comprehensive income as Cost-of-Hedging to the Cost-of-Hedging reserve. Thus, changes in cross currency basis spreads will impact other comprehensive income and do not create ineffectiveness in the hedge relationship.

Hedging impact on equity (EUR 1,000)	31 Dec 2024	1 Jan 2024	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	45,714	21,821	23,892
Total	**45,714**	**21,821**	**23,892**

Hedging impact on equity (EUR 1,000)	31 Dec 2023	1 Jan 2023	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	21,821	1,488	20,334
Total	**21,821**	**1,488**	**20,334**

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 31 Dec 2024 (EUR 1,000)

Hedged item	Hedging instrument	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	-604,957	658,479	53,522
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	2,214	-2,132	82
Fixed rate and revisable rate leased assets	Interest rate derivatives	-4,427	2,960	-1,467
Assets total		**-607,170**	**659,307**	**52,137**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	653,000	-685,882	-32,882
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	248,784	-241,553	7,231
Liabilities total		**901,784**	**-927,435**	**-25,651**

Effectiveness of hedge accounting 31 Dec 2023 (EUR 1,000)

		Gains/losses attributable to the hedged risk		
Hedged item	**Hedging instrument**	**Hedged items**	**Hedging instruments**	**Hedge ineffectiveness**
Assets				
IAS 39 portfolio hedge accounting				
Fixed rate and revisable rate loans	Interest rate derivatives	-907,319	969,754	62,435
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	1,829	-1,608	222
Fixed rate and revisable rate leased assets	Interest rate derivatives	-12,251	10,668	-1,584
Assets total		**-917,742**	**978,814**	**61,072**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	1,105,788	-1,132,380	-26,592
Financial liabilities denominated in foreign currencies	Currency derivatives (Cross currency interest rate swaps) Interest rate derivatives	314,285	-310,277	4,009
Liabilities total		**1,420,073**	**-1,442,656**	**-22,583**

Note 25. Credit risks of financial assets and other commitments

MuniFin Group's credit risks are described in Note *2 Risk management principles and the Group's risk position* in Section *6. Credit Risk*. The accounting policies of the expected credit loss calculations and impairment stages are described in the accounting policies (Note *1*) in Section *9. Impairment on 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*			
31 Dec 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
Loans and advances to credit institutions at amortised cost	8,566,672	-61	-	-	-	-	8,566,672	-61
Loans and advances to the public and public sector entities at amortised cost	31,381,806	-142	2,086,923	-2,103	291,705	-316	33,760,434	-2,561
Lease receivables in Loans and advances to the public and public sector entities at amortised cost	1,561,931	-9	1,139	0	-	-	1,563,069	-9
Debt securities at amortised cost	1,824,426	-1	986	0	-	-	1,825,412	-1
Debt securities at fair value through other comprehensive income	377,480	-45	-	-	-	-	377,480	-45
Cash collateral to CCPs in Other assets at amortised cost	889,687	-5	-	-	-	-	889,687	-5
Credit commitments (off-balance sheet)	2,864,012	-16	71,219	-2	-	-	2,935,231	-18
Total	**47,466,014**	**-280**	**2,160,266**	**-2,105**	**291,705**	**-316**	**49,917,986**	**-2,701**

* The Group has collateral and guarantee arrangements that fully cover the stage 3 receivables as described in Note *2 Risk management principles and the Group's risk position* in Section *6. 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 1,926 thousand (EUR 2,031 thousand) of originated credit impaired receivables (P*urchased or Originated Credit Impaired, POCI*). Expected credit losses for the POCI receivables amount to EUR 3 thousand (EUR 3 thousand).

The increase in stage 3 receivables during the financial year was mainly due to the transition of one medium-sized entity to stage 3.

Adjusted 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
Loans and advances to credit institutions at amortised cost	9,193,021	-73	-	-	-	-	9,193,021	-73
Loans and advances to the public and public sector entities at amortised cost	29,024,906	-122	1,560,904	-1,872	141,974	-214	30,727,784	-2,207
Lease receivables 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	375,072	-42	-	-	-	-	375,072	-42
Cash collateral to CCPs in Other assets at amortised cost	1,049,741	-6	-	-	-	-	1,049,741	-6
Credit commitments (off-balance sheet)	3,017,822	-15	53,406	0	-	-	3,071,212	-15
Total	**45,654,535**	**-267**	**1,637,008**	**-1,894**	**141,974**	**-214**	**47,433,502**	**-2,375**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

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

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	-92	-92	-69	-253
Assets derecognised or repaid (excluding write-offs)	93	121	67	282
Transfers to Stage 1	-2	361	-	359
Transfers to Stage 2	4	-158	-	-154
Transfers to Stage 3	0	1	-65	-64
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	-16	-1,070	-35	-1,122
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Total 31 Dec 2024	**-280**	**-2,105**	**-316**	**-2,701**

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

MuniFin Group updated the macroeconomic scenarios quarterly to take into account forward-looking information. Additionally, the Group revised its probability of default model for calculating the customer finance exposures. Previously 30-day payment delay was the indicator for customer's inability to pay. The model was updated so that the indicator for insolvency observation is either the official definition of default or if customer's exposures are transferred to stage 3. The amount of expected credit losses increased by EUR 1,122 thousand due to changes made in the models and parameters.

The Group has assessed the impact of general cost inflation and increased interest rates on customer financing receivables and credit risk. At the end of December 2023, the Group's management assessed that some customers may face challenges in the sufficiency of cash flows during the first half of 2024 and decided to increase the additional discretionary provision recognised in June 2023 up to EUR 625 thousand.

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 continue to face challenges in the sufficiency of cash flows in the latter part of the year. 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 decided to release it by EUR 375 thousand, making the additional discretionary provision based on a group-specific assessment EUR 250 thousand at the end of June 2024.

At the end of December 2024, the Group's management assessed again the need of additional discretionary provision and decided to release the provision in full. The model update in the calculation of probability of default and the resulting increase in expected credit losses and stage transfers are estimated to take into account the previous additional provision for receivables with increased credit risk. Based on the Group's assessment, some customers may face challenges in the sufficiency of cash flows in 2025, which may cause further payment delays and forbearances for MuniFin Group. However, the declining interest rate environment is expected to gradually ease the financial situation of customers.

The total credit risk of MuniFin Group has remained low, and the amount of expected credit losses is still at low level. The rising interest rate levels and inflation weakened the housing sector customers' ability to pay, which showed a slight increase in payment delays, forbearance measures and in the weakening of creditworthiness. 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 or 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 31 December 2024, the Group had EUR 13,449 thousand in receivables due to the insolvency of customers, for which the collateral realisation process is ongoing or where credit receivables are 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 financial year.

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	-50	-	-	-50
Assets derecognised or repaid (excluding write-offs)	63	-	-	63
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-1	-	-	-1
Total 31 Dec 2024	**-61**	**-**	**-**	**-61**

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	-16	-90	-69	-175
Assets derecognised or repaid (excluding write-offs)	6	121	67	194
Transfers to Stage 1	-2	340	-	338
Transfers to Stage 2	4	-157	-	-154
Transfers to Stage 3	0	1	-65	-64
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	-13	-1,070	-35	-1,119
Write-offs	-	-	-	-
Total 31 Dec 2024	**-142**	**-2,103**	**-316**	**-2,561**

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 Lease receivables 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	-	21	-	21
Transfers to Stage 2	0	0	-	0
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-1	0	-	-1
Total 31 Dec 2024	**-9**	**0**	**-**	**-9**

Expected credit losses on Lease receivables 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	-1	0	-	-1
Assets derecognised or repaid (excluding write-offs)	1	0	-	1
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	0	-	0
Total 31 Dec 2024	**-1**	**0**	**-**	**-1**

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	-12	-	-	-12
Assets derecognised or repaid (excluding write-offs)	10	-	-	10
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 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 the 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	0	-	-	0
Assets derecognised or repaid (excluding write-offs)	2	-	-	2
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 2024	**-5**	**-**	**-**	**-5**

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	-12	-2	-	-14
Assets derecognised or repaid (excluding write-offs)	11	0	-	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 2024	**-16**	**-2**	**-**	**-18**

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

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 described in the adjacent table.

	31 Dec 2024			31 Dec 2023		
Scenario	**2025**	**2026**	**2027**	**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 European Central Bank are employed in the model and scenario parameters. Each variable covers an estimate over a period of three years. The following table presents the macroeconomic variables and their forecasts over the three-year forecast period.

		31 Dec 2024			31 Dec 2023		
Macroeconomic variables	**Scenario**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**
10Y Fin Government rate, %	Adverse	5.0	4.2	3.5	3.8	3.7	3.7
	Base	2.8	2.8	2.8	3.5	3.5	3.4
	Optimistic	3.2	3.2	3.1	3.3	3.2	3.2
Residential Real Estate (selling price, YoY change), %	Adverse	-10.0	0.0	4.0	-13.0	-2.0	3.0
	Base	4.0	3.0	2.0	-1.0	4.0	2.5
	Optimistic	4.0	2.5	2.5	2.5	4.0	2.5
Unemployment rate, %	Adverse	10.8	10.2	9.2	9.9	9.6	8.5
	Base	8.3	7.5	6.9	7.7	7.4	7.0
	Optimistic	6.5	6.0	5.7	7.1	6.1	5.8

Scenario descriptions

Base scenario

The global macroeconomic environment remains challenging. The significant tightening of monetary policy in 2022–2023 continues to negatively impact demand factors. In the United States, the controlled cooling of the economy has been successful so far, but Donald Trump's inflationary economic policy could complicate the implementation of monetary policy. Growth in the euro area is gradually recovering, but the recovery is slow, particularly due to severe structural problems in Germany's industrial sector. In China, the trend of slowing growth continues. The potential for a trade war between major powers and the escalating risk of regional military conflicts heighten economic uncertainty.

Inflation has significantly slowed down during 2024. As a result, both the U.S. Federal Reserve and the European Central Bank have been able to start easing monetary policy. In 2025, the main focus of central banks will shift from combating inflation to supporting economic growth. The ECB is expected to lower the deposit rate to 2.00% by the end of 2025, which will also be the bottom level of the rate-cutting cycle.

Finland has particularly suffered from past interest rate hikes and has gone through a rather deep recession. Conversely, Finland's economy will benefit from interest rate cuts more than average. Finland's GDP is expected to still contract by 0.3% in 2024. Cyclical recovery will accelerate economic growth to 2% in 2025–2026, after which the economy will grow according to its long-term potential. Average yearly unemployment rate is expected to peak at 8.4% in 2024 and remain elevated at 8.3% in 2025.

The prices of owner-occupied apartments in major cities, on average, are still expected to decrease by 3.0% in 2024. The recovery of the real estate market begins in 2025. Both residential and commercial real estate markets are expected to see price increases in 2025.

Optimistic scenario

In the optimistic scenario, the economy is expected to recover faster than in the baseline scenario. The Finnish GDP is projected to grow 3.5% in 2025 and 2.5% in 2026. Unemployment is expected to begin declining by the end of 2024 and fall below 7% already in 2025. Consumer price inflation is expected to be cooled down to 2.0% in 2024 and remain at or just below 2% over the subsequent three years. Housing demand is seen to be recovered towards the end of 2024. 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 much more gradually than in baseline scenario.

Adverse scenario

The adverse scenario describes a situation where geopolitical tensions escalate due to the conflict between China and Taiwan. Trade relations of the USA and the EU with China deteriorate, and global supply chains are disrupted, leading to a significant increase in the cost of industrial raw materials and intermediate goods. The volatile situation in the Middle East expands into a conflict between Israel and Iran, causing strong upward pressure on energy prices.

Inflation begins to accelerate sharply again. The ECB is forced to halt its rate-cutting cycle and raise rates above 4%. The difficulties in the private sector lead to a significant increase in banks' credit losses. Risk premiums in financial markets widen considerably.

The abrupt slowdown of foreign trade and the new rise in interest rates push Finland's economy back into a deep recession. GDP contracts by 3.5% in 2025 and only begins to gradually recover in late 2026. Unemployment rises sharply and remains above 10% even in 2026. The USA's hesitation in defending Taiwan also calls NATO's security guarantees into question, significantly widening the risk premiums on Finnish government bonds. The rise in living costs and interest rates deepens the distress of Finnish households. The slump in the housing market and construction continues, and the decline in housing prices intensifies.

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 (EUR 1,000)	31 Dec 2024			31 Dec 2023		
	Weighted scenario	Adverse scenario (100%)	Excluding weighted scenario	Weighted scenario	Adverse scenario (100%)	Excluding weighted scenario
ECL	2,701	4,765	2,578	1,750	2,414	1,618
Proportion of the exposure in Stage 2 and 3	5.21%	11.26%	5.17%	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 31 Dec 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	-	8,535	8,535	-85	8,451
Unlikely to be paid	-	152,231	152,231	-137	152,094
Forborne exposures	430,479	130,939	561,418	-352	561,066
Total	**430,479**	**291,705**	**722,184**	**-573**	**721,610**

Adjusted 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	-	7,676	7,676	-36	7,639
Unlikely to be paid	-	19,266	19,266	-59	19,207
Forborne exposures	382,211	115,032	497,243	-570	496,673
Total	**382,211**	**141,974**	**524,185**	**-666**	**523,519**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Forbearances are concessions to the original contractual payment terms agreed upon at the customer's initiative, aimed at helping the customer cope with temporary payment difficulties. Performing forborne exposures are those that have recovered from non-performing status during the trial period or forbearance measures made into a performing loan. All performing forborne exposures are classified on stage 2. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures. Such receivables are classified on stage 1. The Group considers a loan forborne when such concessions or modifications are provided because of the borrower's present or expected financial difficulties, and the Group would not have agreed to them if the borrower had been in good financial condition. All such receivables are classified on stage 3.

In 2024, loan forbearance measures were granted particularly to customers in the housing sector, whose underutilisation of the premises has increased because of intensified competition for tenants. Forbearance measures were also granted due to the increased interest rate level. As a result of the granted repayment deferrals, the unpaid installments have mostly been deferred to the end of the loan maturity, to be paid with the final installment, or to the current 5-year period if the loan is a state deficiency guaranteed interest subsidised loan. Forbearance measures were not applied to leasing receivables.

Geopolitical uncertainties have had no direct impact on MuniFin's customers or receivables. The inflation and rising interest rate levels appeared, 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 financial year or the comparison year.

Note 26. Intangible assets

(EUR 1,000)	31 Dec 2024	31 Dec 2023
IT systems	2,720	6,311
, of which assets not yet available for use	-	*432*
Total	**2,720**	**6,311**

The intangible assets not yet available for use consisted of ongoing development projects of IT systems. The principles of MuniFin Group's impairment testing for intangible assets not yet available for use are described in the accounting policies (Note *1*) in Section *15. Intangible assets.*

Note 27. Tangible assets

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Real estate	299	299
Office renovation expenses	-	2
Right-of-use assets	7,548	8,792
Other tangible assets	389	555
Total	**8,236**	**9,648**

Note 28. Changes in intangible and tangible assets during the financial year

	Intangible assets	Tangible assets			
Jan–Dec 2024 (EUR 1,000)	Total	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	-	386	656	1,042
- Disposals	-	-	-29	-7,530	-7,560
Acquisition cost 31 Dec	29,253	299	6,835	8,532	15,665
Accumulated depreciation and impairment charges 1 Jan	22,703	-	5,920	6,614	12,535
- Accumulated depreciation on disposals	-	-	-29	-7,277	-7,306
+ Depreciation according to plan	3,830	-	554	1,646	2,201
Accumulated depreciation and impairment charges 31 Dec	26,533	-	6,445	984	7,429
Carrying amount 31 Dec	**2,720**	**299**	**389**	**7,548**	**8,236**

	Intangible assets	Tangible assets			
Jan–Dec 2023 (EUR 1,000)	**Total**	**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 according to plan	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 29. Other assets

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Invoiced leasing payments	23,305	23,506
Given cash collateral to CCPs*	889,682	1,049,735
Other	2,925	1,966
Total	**915,913**	**1,075,207**

* Cash collaterals include expected credit losses amounting to EUR 5 thousand (EUR 6 thousand).

The Group did not have receivables related to payment transfers as at 31 Dec 2024 or at 31 Dec 2023.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 30. Accrued income and prepayments

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Tax income	16,577	18,095
Prepayments	2,220	2,499
Total	**18,797**	**20,595**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements*.

Note 31. Deferred tax

MuniFin Group has applied the transitional rule for large scale domestic groups regarding the international tax reform Pillar 2 since December 31, 2023. As a result, the potential top-up tax due to the tax reform has been set to zero. Therefore, the Group has not recorded any deferred tax assets or liabilities related to the reform for the financial year ending December 31, 2024.

Deferred tax assets (EUR 1,000)	1 Jan 2024	Recognised in the income statement	Recognised in the other comprehensive income	Recognised in equity	31 Dec 2024
On fair value reserve	-	-	-	-	-
On right-of-use assets	1,767	-248	-	-	1,520
Netting between deferred tax assets and liabilities	-1,758	249	-	-	-1,510
Total	**9**	**1**	**-**	**-**	**10**

Deferred tax assets (EUR 1,000)	1 Jan 2023	Recognised in the income statement	Recognised in the other comprehensive income	Recognised in equity	31 Dec 2023
On fair value reserve	763	-	-763	-	-
On right-of-use assets	-	1,767	-	-	1,767
Netting between deferred tax assets and liabilities	-	-1,758	-	-	-1,758
Total	**763**	**9**	**-763**	**-**	**9**

Deferred tax liabilities (EUR 1,000)	1 Jan 2024	Recognised in the income statement	Recognised in the other comprehensive income	Recognised in equity	31 Dec 2024
On fair value reserve*	21,028	-	33,736	-	54,763
On change in cumulative depreciation difference	18,353	3,673	-	-	22,027
On change in voluntary provisions	284,136	11,200	-	-	295,336
On right-of-use assets	1,758	-249	-	-	1,510
Netting between deferred tax assets and liabilities	-1,758	249	-	-	-1,510
Total	**323,517**	**14,873**	**33,736**	**-**	**372,126**

* Line item *On fair value reverse* consists of deferred tax liabilities related to the fair value reserve of investments, own credit valuation reserve, cost-of-hedging reserve and expected credit losses.

Deferred tax liabilities (EUR 1,000)	1 Jan 2023	Recognised in the income statement	Recognised in the other comprehensive income	Recognised in equity	31 Dec 2023
On fair value reserve	-	-	21,028	-	21,028
On change in cumulative depreciation difference	12,582	5,771	-	-	18,353
On change in voluntary provisions	279,136	5,000	-	-	284,136
On right-of-use assets	-1	1,759	-	-	1,758
Netting between deferred tax assets and liabilities	-	-1,758	-	-	-1,758
Total	**291,717**	**10,772**	**21,028**	**-**	**323,517**

Note 32. Liabilities to credit institutions

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Bilateral loans to credit institutions	167,558	131,458
Liabilities to credit institutions, payable on demand	-	2,177
Received collateral on derivatives	716,137	81,916
Total	**883,694**	**215,552**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements*.

Note 33. Liabilities to the public and public sector entities

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Notes to the public and public sector entities	2,463,874	2,622,551
Total	**2,463,874**	**2,622,551**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements*.

Note 34. Debt securities issued

(EUR 1,000)	31 Dec 2024 Carrying amount	31 Dec 2024 Nominal value	31 Dec 2023 Adjusted Carrying amount	31 Dec 2023 Nominal value
Bonds	41,125,457	42,306,455	36,885,471	38,680,909
Other*	3,408,849	3,421,647	3,987,327	4,017,074
Total	**44,534,306**	**45,728,102**	**40,872,798**	**42,697,983**

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

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

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

Benchmark issuances during the year 2024	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
Fixed rate benchmark bond, issued under the MTN programme	29 Aug 2024	29 Aug 2029	2.500%	1,000,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	9 Oct 2024	9 Oct 2029	3.625%	1,000,000	USD

In the above table, the benchmark issuances are included by the settlement date.

Note 35. Reconciliation of the carrying amount of the issued debt

	2024			Adjusted 2023		
(EUR 1,000)	Liabilities to credit institutions	Liabilities to the public and public sector entities	Debt securities issued	Liabilities to credit institutions	Liabilities to the public and public sector entities	Debt securities issued
Carrying amount 1 Jan	**131,458**	**2,622,551**	**40,872,798**	**2,060,128**	**2,561,084**	**35,730,888**
Cash flow changes from operating activities						
Additions to long-term funding	51,008	30,713	9,131,597	40,458	26,293	10,160,007
Additions to short-term funding	-	-	19,510,198	-	-	24,054,315
Additions total	**51,008**	**30,713**	**28,641,795**	**40,458**	**26,293**	**34,214,321**
Deductions to long-term funding	-15,346	-207,008	-5,754,758	-1,971,315	-91,944	-5,183,507
Deductions to short term funding	-	-	-20,088,676	-	-	-24,716,820
Deductions total	**-15,346**	**-207,008**	**-25,843,434**	**-1,971,315**	**-91,944**	**-29,900,327**
Cash flow changes from operating activities in total	**35,662**	**-176,295**	**2,798,361**	**-1,930,857**	**-65,651**	**4,313,995**
Changes in the balance sheet value including valuations and FX revaluations	437	17,618	863,147	2,187	127,118	827,915
Carrying amount 31 Dec	**167,558**	**2,463,874**	**44,534,306**	**131,458**	**2,622,551**	**40,872,798**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 36. Other liabilities

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Other liabilities		
Lease liabilities	7,599	8,837
Cash collateral taken from CCPs	259,850	392,343
Other	17,732	17,265
Total	**285,181**	**418,445**

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 37. Accrued expenses and deferred income

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Accrued interest expenses	-	-
Other accrued expenses	12,496	11,736
Deferred income*	32,989	31,392
Total	**45,485**	**43,128**

* Item consists mainly of leasing income.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Note 38. Equity

(1,000 EUR)	31 Dec 2024	31 Dec 2023
Share capital	42,583	42,583
Reserve fund	277	277
Fair value reserve of investments	3,340	2,052
Own credit revaluation reserve	169,999	60,238
Cost-of-Hedging reserve	45,714	21,821
Reserve for invested non-restricted equity	40,366	40,366
Retained earnings	1,643,155	1,576,480
Total equity attributable to parent company equity holders	**1,945,435**	**1,743,817**
Total equity	**1,945,435**	**1,743,817**

Share capital and reserve for invested non-restricted equity

The shares of the Parent Company, Municipality Finance Plc, are divided into A and B shares. The two types are equal in terms of voting rights and the distribution of profit. Each share entitles its holder to one vote. The shares have no nominal value. The acquisition of shares is restricted through the consent and redemption clauses of the Articles of Association. All issued shares have been paid in full. Since September 2009, the amount of shares of the Parent Company has been 39,063,798.

The proportion of payment made for shares, which is not recorded in the share capital, is entered in the Reserve for invested non-restricted equity. In accordance with the terms of the Parent Company's 2009 share issue, the funds received from MuniFin's share issue in 2009 have been recorded in the Reserve for invested non-restricted equity. The Reserve for invested non-restricted equity, recognised based on the share issue, is considered as a return of capital at the time of possible distribution of profits, and therefore MuniFin does not count the Reserve for invested non-restricted equity as an item for distributable funds. Based on Article 4 of CRR, the Reserve for invested non-restricted equity is also considered a non-distributable item.

The Share capital and Reserve for invested non-restricted equity are classified as restricted equity.

Other reserves in equity

Reserve fund is restricted equity referred to in Chapter 8, Section 1 of the Limited Liability Companies Act. *Fair value reserve of investments* contains the fair value changes of financial instruments at fair value through other comprehensive income. *Own credit risk revaluation reserve* contains the changes in own credit risk of financial liabilities designated at fair value through profit or loss. *Cost-of-Hedging reserve* contains the impact of Cost-of-Hedging of derivatives in fair value hedge accounting. Fair value reserve of investments, Own credit risk revaluation reserve and Cost-of-hedging reserve are classified as restricted equity.

Retained earnings contain the profit of previous periods and profit for the period. Retained earnings are classified as unrestricted equity.

Note 39. Contingent assets and liabilities

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

Note 40. Collateral given

Given collaterals on behalf of own liabilities and commitments (EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Loans and advances to credit institutions to the counterparties of derivative contracts*	608,408	1,064,737
Loans and advances to credit institutions to the central bank**	31,980	35,152
Loans and advances to the public and public sector entities to the central bank***	4,814,713	4,615,648
Loans and advances to the public and public sector entities to the Municipal Guarantee Board****	13,705,743	12,765,959
Debt securities to the central counterparty clearing	101,703	70,901
Other assets to the counterparties of derivative contracts*	889,682	1,049,735
Total	**20,152,229**	**19,602,132**

* MuniFin Group has pledged cash collateral to the counterparties of derivative contracts.

** Item consists of minimum reserve requirement 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.

During the financial year, the Group corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Summary of material accounting policies and corrections to previous Financial Statements.*

Collateral given is presented at the carrying amounts of the financial statement date.

Note 41. Off-balance-sheet commitments

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Credit commitments	2,935,231	3,071,228
Total	**2,935,231**	**3,071,228**

Note 42. 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.

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.

Note 43. Remuneration of key management personnel

Employee benefits for management

Salaries and remuneration paid to MuniFin's CEO, Deputy to the CEO and other members of the Executive Management Team subject to withholding tax:

Salaries and remuneration (EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
President and CEO	-454	-451
Deputy to the CEO	-258	-239
Other members of the Executive Management Team in total	-1,604	-1,424
Total	**-2,316**	**-2,114**

MuniFin has paid the following statutory pension contributions related to the CEO, the Deputy to the CEO and other members of the Executive Management Team.

Statutory pension contributions (EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
President and CEO	-77	-76
Deputy to the CEO	-43	-40
Other members of the Executive Management Team in total	-270	-239
Total	**-390**	**-354**

The salaries and remuneration shown in the table include both the fixed remuneration and paid variable remuneration. According to regulation on credit institutions, the payment of variable remuneration earned each year is delayed and paid over the following years if a person's remuneration exceeds EUR 50,000. The salaries and remuneration consist of short-term employee benefits excluding termination benefits. Such termination benefits have not occurred in 2024 or 2023.

The Group has provided to those members of the Executive Management Team (*EMT*) that have been appointed as members (including CEO and the Deputy to the CEO) before 21 Dec 2017 with a contribution-based group pension insurance. Members of the EMT are entitled to pension from the insurance after they have turned 63 years.

In the event of a termination of the employment on MuniFin's initiative, the CEO and Deputy to the CEO are entitled to a severance payment of six times the total monthly salary. The period of notice for termination of employment is six months for the CEO and the Deputy to the CEO. Employee benefits for the CEO and the Deputy to the CEO are terminated at the end of the period of notice.

The CEO of MuniFin is Mr Esa Kallio and Executive Vice President Ms Mari Tyster acts as a Deputy to the CEO. Figures reported in this note include remuneration paid to Esa Kallio under President and CEO and respectively remuneration paid to Mari Tyster under Deputy to the CEO. The retirement age for the CEO and the Deputy to the CEO is stipulated by the Employees Pensions Act.

Remuneration of the Board of Directors

During the term 2024–2025, the members of the Board of Directors of the Parent Company are paid an annual remuneration as well as remuneration for each meeting in accordance with the decision of the Annual General Meeting. The annual remuneration is EUR 45,000 for the Chair of the Board, EUR 29,000 for the Vice Chair, EUR 31,000 for the Chairs of Committees and EUR 25,000 for the other members of the Board. The remuneration paid for Board and Committee meetings is EUR 950 per meeting for the Chair of the Board and the Chairs of Committees and EUR 600 per meeting for the other members. In addition, meeting remuneration is paid for the meetings required by the supervisory authorities.

During the term 2023–2024, the members of the Board of Directors of the Parent Company were paid an annual remuneration as well as remuneration for each meeting in accordance with the decision of the Annual General Meeting. The annual remuneration was EUR 42,000 for the Chair of the Board, EUR 27,500 for the Vice Chair, EUR 29,500 for the Chairs of Committees and EUR 24,000 for the other members of the Board. The remuneration paid for Board and Committee meetings was EUR 950 per meeting for the Chair of the Board and the Chairs of Committees and EUR 600 per meeting for the other members. In addition, meeting remuneration was paid for the meetings required by the supervisory authorities.

Salaries and remuneration

The remuneration paid to the management and employees of MuniFin Group consists of a fixed remuneration (base salary and fringe benefits) and a variable remuneration based on the conditions of the remuneration system. Principles of the remuneration system are confirmed by the Board of Directors on an annual basis. The Remuneration Committee of the Board of Directors is responsible for preparatory work concerning the matters of the remuneration system.

Salaries and remuneration (EUR 1,000) Members of the Board of Directors	Jan–Dec 2024	Jan–Dec 2023
Kari Laukkanen, the Chair	-65	-63
Maaria Eriksson, the Vice Chair	-43	-42
Markku Koponen	-47	-45
Vivi Marttila, member until 28 March 2023	-	-9
Tuomo Mäkinen	-38	-36
Minna Smedsten, member until 17 May 2024	-14	-36
Denis Strandell	-37	-34
Elina Stråhlman, member since 17 May 2024	-23	-
Leena Vainiomäki	-49	-46
Arto Vuojolainen, member since 28 March 2023	-38	-27
Total	**-354**	**-339**

Note 44. 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 financial year that would have a material effect on the Group's financial standing.

Parent Company's Financial Statements

MuniFin

Parent Company's income statement

(EUR 1,000)	Note	Jan–Dec 2024	Adjusted Jan–Dec 2023
Interest income	(2)	2,201,328	1,860,393
Net income from leasing operations	(3)	51,123	38,640
Interest expense	(2)	-1,992,315	-1,639,803
Net interest income		**260,135**	**259,230**
Commission income	(5)	1,064	977
Commission expense	(5)	-16,912	-15,634
Net income on financial instruments at fair value through profit and loss	(6)	-15,086	-39,461
Net income on financial assets at fair value through fair value reserve	(7)	3	-257
Other operating income	(8)	45	171
HR and administrative expenses		-42,772	-39,522
Personnel expenses	(44)	-20,073	-19,381
Salaries and fees		-16,755	-16,037
Personnel-related costs		-3,318	-3,344
Pension costs		-2,904	-2,752
Other personnel-related costs		-414	-591
Other administrative expenses		-22,700	-20,141
Depreciation and impairment on tangible and intangible assets and on shares	(9)	-5,970	-6,398
Other operating expenses	(10)	-14,037	-19,350
Credit loss and impairments on financial assets	(11)	-326	-1,203
Net operating profit		**166,144**	**138,552**
Appropriations		-74,367	-53,855
Income taxes		-18,039	-17,281
Profit for the financial year		**73,737**	**67,416**

During the financial year 2024, MuniFin has updated the presentation of net interest income of derivative contracts that are not designated in hedge accounting.

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

The accompanying notes are an integral part of the Financial Statements.

Parent Company's Balance sheet

(EUR 1,000)	Note	31 Dec 2024	Adjusted 31 Dec 2023
Assets			
Cash and balances with central banks	(14)	2	2
Cash		2	2
Central bank receivables payable on demand		0	0
Debt securities eligible for central bank refinancing	(17)	3,600,100	3,163,801
Other		3,600,100	3,163,801
Loans and advances to credit institutions	(15)	8,566,382	9,191,853
Payable on demand		61,265	62,117
Other		8,505,117	9,129,736
Loans and advances to the public and public sector entities	(16)	33,813,849	30,783,736
Leased assets	(18)	1,563,060	1,441,686
Debt securities	(17)	2,278,812	2,006,203
From public sector entities		1,599,851	1,317,913
From others		678,961	688,291
Shares and participations in Group companies	(20)	656	656
Derivative contracts	(21)	2,323,708	2,036,212
Intangible assets	(23, 25)	2,720	6,314
Tangible assets	(24, 25)	8,236	9,354
Other tangible assets		8,236	9,354
Other assets	(26)	915,913	1,075,087
Accrued income and prepayments	(27)	18,797	20,578
Deferred tax assets	(28)	10	8
Total assets	**(13, 33, 34, 36, 37)**	**53,092,244**	**49,735,492**

(EUR 1,000)	Note	31 Dec 2024	Adjusted 31 Dec 2023
Liabilities and equity			
Liabilities			
Liabilities to credit institutions and central banks		883,694	215,552
To central banks		-	-
To credit institutions		883,694	215,552
Payable on demand		-	2,177
Other		883,694	213,375
Liabilities to the public and public sector entities		2,463,874	2,622,551
Other liabilities		2,463,874	2,622,551
Other		2,463,874	2,622,551
Debt securities issued	(29)	44,534,306	40,872,798
Bonds		41,125,457	36,885,471
Other		3,408,849	3,987,327
Derivative contracts	(21)	2,561,718	3,496,553
Other liabilities	(30)	285,181	418,053
Other liabilities		285,181	418,053
Accrued expenses and deferred income	(31)	45,485	42,764
Deferred tax liabilities	(28)	54,763	21,028
Total liabilities	**(13, 33, 34, 36, 37)**	**50,829,021**	**47,689,297**

(EUR 1,000)	Note	31 Dec 2024	Adjusted 31 Dec 2023
Appropriations			
Depreciation difference		110,133	91,765
Taxation based provisions		1,476,680	1,420,680
Total appropriations		**1,586,813**	**1,512,445**
Equity	**(38, 39, 40)**		
Share capital		43,008	43,008
Other restricted reserves		219,330	84,388
Reserve fund		277	277
Fair value reserve		219,053	84,111
Change in fair value		219,053	84,111
Non-restricted reserves		40,743	40,743
Reserve for invested non-restricted equity		40,743	40,743
Retained earnings		299,593	298,194
Profit for the financial year		73,737	67,416
Total equity		**676,411**	**533,750**
Total liabilities and equity		**53,092,244**	**49,735,492**
Off-balance sheet commitments			
Irrevocable commitments given in favour of customer		2,935,231	3,071,228
Other	(43)	2,935,231	3,071,228

MuniFin has updated the presentation of the balance sheet during the financial year 2024. Comparative information has been adjusted accordingly.
More detailed information about the change can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements*.

The accompanying notes are an integral part of the Financial Statements.

Parent Company's Statement of Cash Flows

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Cash flow from operating activities	**67,450**	**84,680**
Net change in long-term funding	2,848,288	2,782,391
Net change in short-term funding	-796,013	-719,460
Net change in long-term loans	-2,880,469	-2,305,076
Net change in short-term loans	-249,895	-107,788
Net change in investments	-204,315	2,566
Net change in collaterals	1,115,556	166,962
Interest on assets	2,097,945	1,517,884
Interest on liabilities	-1,814,456	-1,196,347
Other income	45,961	61,460
Payments of operating expenses	-78,282	-82,793
Taxes paid	-16,871	-35,120
Cash flow from investing activities	**-590**	**-545**
Acquisition of tangible assets	-386	-7
Proceeds from sale of tangible assets	19	138
Acquisition of intangible assets	-223	-676
Cash flow from financing activities	**-67,712**	**-69,622**
Dividends paid	-66,018	-67,580
Total cash flow from leases	-1,694	-2,042
Change in cash and cash equivalents	**-852**	**14,513**
Cash and cash equivalents at 1 January	**62,119**	**47,606**
Cash and cash equivalents at 31 December	**61,267**	**62,119**

The accompanying notes are an integral part of the Financial Statements.

Notes to the Parent Company's Financial Statements

Notes to the Parent Company's accounting policies

Note 1. Significant accounting policies and corrections to previous Parent Company's Financial Statements

Municipality Finance Plc (MuniFin) prepares its Financial Statements in accordance with the Act on Credit Institutions, the Ministry of Finance Decree on Credit Institutions and the Financial Supervisory Authority Regulations and Guidelines 2/2016. The Company reports regularly on its operations to the European Central Bank, the Finnish Financial Supervisory Authority, the Bank of Finland, the Municipal Guarantee Board and Statistics Finland. Municipality Finance Plc is the Parent Company of Municipality Finance Group (MuniFin Group). The significant accounting policies and the presentation of the Financial Statements of the Parent Company, MuniFin, correspond to the accounting policies of the Consolidated Financial Statements (Note 1) with the exceptions described below.

Change in the presentation of the Parent Company's financial position:
The Parent Company has corrected the presentation of the balance sheet during the second half of 2024.

The changes have been made retrospectively to the year end of 2023. Amendment was made to transfer accrued interest from line items *Accrued income and prepayments/ Accrued expenses and deferred income* to the line item where accrued interest arises.

Changes correspond to the accounting policies of the Consolidated Financial Statements (Note 1) with the exceptions described below.

Unreceived interest from *Debt securities* is presented in the following line items in the Parent Company's financial position:
- *Debt securities eligible for central bank refinancing, Other* EUR 22,029 thousand
- *Debt securities, from others* EUR 3,013 thousand

Unreceived interest from *Loans and advances to credit institutions* is presented in the following line item in the Parent Company's financial position:
- *Loans and advances to credit institutions, Other* EUR 5,876 thousand

Unpaid interest from *Liabilities to credit institutions* is presented in the following line item in the Parent Company's financial position:
- *Liabilities to credit institutions and central banks, To credit institutions, Other* EUR 1,857 thousand

Unpaid interest from *Liabilities to the public and public sector entities* is presented in the following line item in the Parent Company's financial position:
- *Liabilities to the public and public sector entities, Other* EUR 34,276 thousand

Unpaid interest from *Debt securities issued* is presented in the following line item in the Parent Company's financial position:
- *Debt securities issued, bonds* EUR 271,151 thousand

Change in the presentation of the Parent Company's income statement
MuniFin has updated the presentation of net interest income of derivative contracts that are not designated in hedge accounting during financial year 2024. Starting from 2024,

net interest income of derivative contracts is presented on a same line item.

The changes made in the presentation of the income statement for the reporting period ended at 31 Dec 2023 are as following:

Income statement (EUR 1,000)	Jan–Dec 2023	Adjustment	Adjusted Jan–Dec 2023
Interest income	2,678,852	-818,459	1,860,393
Net income from leasing operations	38,640	-	38,640
Interest expense	-2,458,262	818,459	-1,639,803
Net interest income	**259,230**	**0**	**259,230**

Debt securities

Debt securities are presented in the Parent Company's Financial Statements under two balance sheet items: *Debt securities eligible for central bank refinancing* and *Debt securities*, so that *Debt securities eligible for central bank refinancing* contains, as the name implies, debt securities eligible for central bank refinancing.

Leases

Leases in which MuniFin acts as the lessee are treated in the Parent Company in accordance with the accounting policies described in the Consolidated Financial Statements.

Leases in which MuniFin is a lessor, are classified as finance leases in the Parent Company. The finance lease agreements are recognised in the balance sheet as a finance lease receivable at an amount corresponding to the MuniFin's net investment in the lease. The proceeds from the leases are divided into repayments and interest. Finance lease agrements are presented on line *Leased assets*. Income related to leasing operations is presented under the income statement item *Net income from leasing operations*.

Other long-term expenses

Other long-term expenses include expenses intended to generate income in several financial years that are not objects, separately transferable rights or other assets. MuniFin's other long-term expenses consist of renovation expenses for leased premises. These items are presented in the Parent Company's Financial Statements as part of *Intangible assets* under item *Other intangible assets* and in the Consolidated Financial Statements as part of *Tangible assets* under item *Office renovation expenses*. The depreciation period for the renovation expenses of the leased premises is consistent with the lease term.

Appropriations

The difference between the depreciation according to plan and the depreciation of assets in taxation (*Depreciation difference*), and the voluntary credit loss provision (*Taxation based provisions*) are presented under *Total appropriations* in the balance sheet of the Parent Company. In the income statement, the change in depreciation difference and credit loss provision is shown on line *Appropriations*. The voluntary credit loss provision and depreciation difference recognised under the Finnish Accounting Standards do not meet the recognition criteria set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and the credit loss provision and depreciation difference are thus released in the Consolidated Financial Statements into equity and deferred tax liability in accordance with IAS 12 *Income Tax*. The Parent Company's credit loss provisions are recognised in accordance with tax law (Act on the Taxation of Business Income 46 §).

Fair value reserve

According to the Act on Credit Institutions certain fair value changes are required to be recorded in the fair value reserve within equity. The fair value reserve corresponds to term other comprehensive income used in IFRS 9 and in the Note *1 Summary of material accounting policies and corrections to previous Financial Statements* of the Consolidated Financial Statements. The following fair value changes are presented in fair value reserve: fair value changes of financial assets at fair value through other comprehensive income, changes in fair value due to changes in own credit risk of financial liabilities designated at fair value through profit or loss and Cost-of-Hedging from fair value hedge accounting, consisting of cross currency basis spread which has been separated and excluded from the hedge relationship.

Notes to the income statement

The Company has not combined any items in the income statement under Chapter 2, Section 14(4), of the Ministry of Finance Decree.

Note 2. Interest income and expense

	Jan–Dec 2024			Adjusted Jan–Dec 2023		
(EUR 1,000)	Interest income	Interest expense	Net	Interest income	Interest expense	Net
Assets						
Amortised cost						
Loans and advances to credit institutions	357,963	-133	357,831	317,637	-29	317,608
Loans and advances to the public and public sector entities	1,036,790	-	1,036,790	779,143	-	779,143
Debt securities	55,143	-	55,143	46,110	-23	46,087
Other assets	40,375	-	40,375	45,861	-	45,861
Fair value through fair value reserve						
Debt securities	11,326	-	11,326	6,982	-	6,982
Designated at fair value through profit or loss						
Loans and advances to the public and public sector entities	261	-	261	348	-	348
Debt securities	52,616	-	52,616	27,395	-	27,395
Mandatorily at fair value through profit or loss						
Loans and advances to the public and public sector entities	1,320	-	1,320	1,033	-	1,033
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	124,346	-38,258	86,088	124,222	-31,056	93,166
Derivative contracts in hedge accounting	389,970	-	389,970	356,190	-	356,190
Leased assets	51,123	-	51,123	38,640	-	38,640
Interest on non-financial other assets	4	-	4	2	-	2
Interest on assets	**2,121,238**	**-38,391**	**2,082,847**	**1,743,563**	**-31,108**	**1,712,454**
, of which interest income/expense according to the effective interest method	*1,891,567*	*-133*		*1,195,733*	*-52*	
, of which other interest income/expense	*229,670*	*-38,258*		*547,830*	*-31,056*	

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(EUR 1,000)	Jan–Dec 2024 Interest income	Interest expense	Net	Adjusted Jan–Dec 2023 Interest income	Interest expense	Net
Liabilities						
Amortised cost						
Liabilities to credit institutions	-	-10,578	-10,578	-	-26,276	-26,276
Liabilities to the public and public sector entities	-	-35,540	-35,540	-	-37,557	-37,557
Debt securities issued	-	-736,334	-736,334	-	-466,008	-466,008
Other liabilities	-	-13,271	-13,271	-	-17,102	-17,102
Designated at fair value through profit or loss						
Liabilities to credit institutions	-	-1,696	-1,696	-	-1,005	-1,005
Liabilities to the public and public sector entities	-	-38,283	-38,283	-	-37,034	-37,034
Debt securities issued	-	-400,207	-400,207	-	-369,060	-369,060
Fair value through profit or loss						
Derivative contracts at fair value through profit or loss	131,213	-93,536	37,677	155,470	-103,215	52,255
Derivative contracts in hedge accounting	-	-624,479	-624,479	-	-551,439	-551,439
Interest on liabilities	**131,213**	**-1,953,925**	**-1,822,712**	**155,470**	**-1,608,695**	**-1,453,225**
, of which interest income/expense according to the effective interest method	-	*-1,420,203*		-	*-546,943*	
, of which other interest income/expense	*131,213*	*-533,722*		*155,470*	*-1,061,752*	
Total interest income and expense	**2,252,451**	**-1,992,315**	**260,135**	**1,899,033**	**-1,639,803**	**259,230**
, of which interest income from leasing operations	*51,123*	-	-	*38,640*	-	-
Total interest income excluding interest income from leasing operations	**2,201,328**	**-**	**-**	**1,860,393**	**-**	**-**

MuniFin has updated the presentation of net interest income of derivative contracts that are not designated in hedge accounting during financial year 2024. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Interest income on stage 3 financial assets in the expected credit loss (*ECL*) calculations totalled EUR 3,758 thousand (EUR 1,726 thousand) during the financial year. These are included in the line items *Loans and advances to the public and public sector entities*.

Interest expense on other liabilities includes EUR 114 thousand (EUR 48 thousand) of interest on lease liabilities recognised in accordance with IFRS 16 *Leases* standard.

Interest expenses on financial assets at amortised cost on loans and advances to credit institutions consisted of interest paid on cash collateral receivables. Interest expenses on debt securities consist of interest paid on short-term lending in money market instruments. Interest expenses on derivative contracts at fair value through profit or loss consist of interest 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 interest on derivatives that are not included in hedge accounting. Derivative contracts contained in this line item hedge financial liabilities which are designated at fair value through profit or loss. Derivative contracts in hedge accounting are used as hedges for line items *Liabilities to credit institutions, Liabilities to the public and public sector entities* and *Debt securities issued*.

Note 3. Net income from leasing operations

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Leasing income	139,158	121,158
Depreciation on leased assets according to plan	-88,051	-82,518
Capital gains on leased assets	15	0
Total	**51,123**	**38,640**

Note 4. Income from equity investments

The Company has not received dividend income from its subsidiary in financial years 2024 and 2023.

Note 5. Commission income and expense

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Commission income		
Digital services	1,055	971
Other operations	8	6
Total	**1,064**	**977**
Commission expense		
Commission fees paid	-324	-260
Guarantee fees paid	-14,413	-13,411
Other	-2,175	-1,963
Total	**-16,912**	**-15,634**
Net commission income	**-15,848**	**-14,657**

In commission expense line item *Other* includes i.e. paid custody fees and funding programme update costs.

Note 6. Net income on financial instruments at fair value through profit and loss

Jan–Dec 2024 (EUR 1,000)	Capital gains and losses (net)	Changes in fair value	Total
Derivative contracts at fair value through profit or loss	-356	-3,163	-3,519
Designated at fair value through profit or loss	377	-822	-445
Mandatorily at fair value through profit or loss	-	145	145
Day 1 gain or loss	-	41	41
Net result on financial assets and liabilities through profit or loss	**21**	**-3,798**	**-3,777**
Net result from FX differences	**4,002**	**-3,548**	**455**
Net result on hedge accounting	**-**	**-11,763**	**-11,763**
Total	**4,023**	**-19,109**	**-15,086**

Jan–Dec 2023 (EUR 1,000)	Capital gains and losses (net)	Changes in fair value	Total
Derivative contracts at fair value through profit or loss	-88	252,443	252,354
Designated at fair value through profit or loss	-	-261,961	-261,961
Mandatorily at fair value through profit or loss	-	-827	-827
Day 1 gain or loss	-	42	42
Net result on financial assets and liabilities through profit or loss	**-88**	**-10,303**	**-10,391**
Net result from FX differences	**6,086**	**-8,009**	**-1,923**
Net result on hedge accounting	**-260**	**-26,887**	**-27,147**
Total	**5,738**	**-45,199**	**-39,461**

Financial assets and liabilities designated at fair value through profit or loss (EUR 1,000)	Nominal value 31 Dec 2024	Carrying amount 31 Dec 2024	Nominal value 31 Dec 2023	Adjusted Carrying amount 31 Dec 2023
Financial assets				
Loans and advances to the public and public sector entities	30,000	30,940	30,000	30,497
Debt securities	3,670,119	3,676,021	3,284,881	3,219,979
Total financial assets*	**3,700,119**	**3,706,961**	**3,314,881**	**3,250,476**
Financial liabilities				
Liabilities to credit institutions	79,000	79,315	44,000	43,971
Liabilities to the public and public sector entitities	1,456,192	1,334,136	1,449,753	1,322,866
Debt securities issued	9,546,266	9,198,104	9,870,880	9,530,487
Total financial liabilities	**11,081,458**	**10,611,555**	**11,364,633**	**10,897,323**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

* Financial assets designated at fair value through profit or loss are exposed to credit risk up to the carrying amounts of those securities at 31 Dec 2024 and 31 Dec 2023.

Change in fair value of financial assets designated at fair value through profit or loss (EUR 1,000)	31 Dec 2024	1 Jan 2024	Fair value change recognised in the income statement Jan–Dec 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	-6,847	-7,988	1,142	96	1,046
Debt securities	-29,152	-94,789	65,637	-12,116	77,753
Total financial assets	**-35,999**	**-102,777**	**66,778**	**-12,020**	**78,799**

Financial assets that MuniFin 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. 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 fair value reserve and lending agreements at amortised cost based on the IFRS 9 business model. MuniFin does not have credit derivatives hedging these financial assets.

During the financial year 2024, the fair value change of debt securities was EUR 65,637 thousand (EUR 120,709 thousand). This was affected by a decrease in EUR market interest rates. The general increase in the markets credit spreads had a negative impact on valuations, but the impact of lower interest rates was greater and thus the change in the fair value change was clearly positive for 2024. Considering the change in the fair value of hedging instruments of EUR -77,753 thousand euros (EUR -127,202 thousand), the change in the fair value for 2024 is EUR -12,116 thousand (EUR -6,494 thousand).

Change in fair value of financial liabilities designated at fair value through profit or loss (EUR 1,000)	31 Dec 2024	1 Jan 2024	Fair value change recognised in the income statement Jan–Dec 2024	Change in own credit risk recognised in fair value reserve Jan–Dec 2024	Total fair value change in Jan–Dec 2024
Financial liabilities					
Liabilities to credit institutions	-652	495	-1,147	1,099	-48
Liabilities to the public and public sector entitities	130,527	169,099	-38,572	52,862	14,290
Debt securities issued	397,708	425,589	-27,881	83,240	55,360
Total financial liabilities	**527,583**	**595,183**	**-67,600**	**137,202**	**69,602**

During the financial year 2024, the change in fair value of financial liabilities designated at fair value through profit of EUR -67,600 thousand (EUR -385,262 thousand) was particularly affected by the decrease in EUR market interest rates. The change in the fair value of hedging instruments was EUR 77,900 thousand (EUR 397,646 thousand). The change in own credit risk amounted to EUR 137,202 thousand (EUR 75,401 thousand) during the financial year. The change was affected by an increase in MuniFin's funding costs due to a general increase in market credit spreads.

Net change in fair value in Net result on financial assets and liabilities through profit or loss (EUR 1,000)	Cumulative change in fair value 31 Dec 2024	Fair value change recognised in the income statement Jan–Dec 2024
Financial liabilities designated at fair value through profit or loss	527,583	-67,600
Derivative contracts at fair value through profit or loss hedging financial liabilities	-514,225	77,900
Net change in fair value	**13,358**	**10,300**

MuniFin 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's 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 as a change of the *Own credit revaluation reserve*, is presented in the PnL in *Net income on financial instruments at fair value through profit or loss*.

MuniFin 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 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)	31 Dec 2023	1 Jan 2023	Fair value change recognised in the income statement Jan–Dec 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	-7,988	-10,581	2,592	151	2,441
Debt securities	-94,789	-215,498	120,709	-6,493	127,202
Total financial assets	**-102,777**	**-226,078**	**123,301**	**-6,342**	**129,643**

Change in fair value of financial liabilities designated at fair value through profit or loss (EUR 1,000)	31 Dec 2023	1 Jan 2023	Fair value change recognised in the income statement Jan–Dec 2023	Change in own credit risk recognised in fair value reserve Jan–Dec 2023	Total fair value change in Jan–Dec 2023
Financial liabilities					
Liabilities to credit institutions	495	1,708	-1,212	514	-698
Liabilities to the public and public sector entitities	169,099	245,483	-76,384	30,218	-46,167
Debt securities issued	425,589	733,254	-307,666	44,669	-262,997
Total financial liabilities	**595,183**	**980,445**	**-385,262**	**75,401**	**-309,862**

Net change in fair value in Net result on financial assets and liabilities through profit or loss (EUR 1,000)	Cumulative change in fair value 31 Dec 2023	Fair value change recognised in the income statement Jan–Dec 2023
Financial liabilities designated at fair value through profit or loss	595,183	-385,262
Derivative contracts at fair value through profit or loss hedging financial liabilities	-592,125	397,646
Net change in fair value	**3,058**	**12,384**

Net result on hedge accounting (EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Net result on hedging instruments	195,714	589,385
Net result on hedged items	-207,478	-616,271
IBOR reform related compensations*	-	-260
Total	**-11,763**	**-27,147**

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

Unrealised gains and losses from hedged items include fair value of the risks to which fair value hedge accounting is applied and which are measured at fair value. The foreign exchange difference of both hedging instruments and hedged items are presented on line item *Net income from FX differences.* A specification of the net income from hedge accounting is presented in Note *22 Hedge accounting*.

Note 7. Net income on financial assets at fair value through fair value reserve

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Capital gains from financial assets	-	30
Capital losses from financial assets	-122	-
Unrealised gains transferred from fair value reserve	124	-
Unrealised losses transferred from fair value reserve	-	-287
Total	**3**	**-257**

Note 8. Other operating income

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Other income from credit institution operations	45	171
Total	**45**	**171**

Note 9. Depreciation and impairment on tangible and intangible assets and on shares

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Depreciation		
Depreciation on tangible assets	-2,137	-2,935
Depreciation on intangible assets	-3,833	-3,463
Total depreciation	**-5,970**	**-6,398**
Total depreciation and impairment	**-5,970**	**-6,398**

MuniFin does not have depreciation or impairments on shares at 31 Dec 2024 or 31 Dec 2023.

Note 10. Other operating expenses

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
Regulatory expenses		
Contributions to the Single Resolution Fund	-	-7,353
Other administrative and supervisory fees	-2,974	-2,832
Rental expenses	-316	-442
External services	-8,089	-6,835
Credit rating fees	-862	-905
Audit fees*	-729	-463
Insurances	-905	-834
Other expenses from credit institution operations	-163	315
Total	**-14,037**	**-19,350**

* Paid fees to the auditor (PricewaterhouseCoopers Oy) in 2024 totalled EUR 455 thousand and EUR 299 thousand for other services. PricewaterhouseCoopers Oy has been the auditor of MuniFin since the Annual General Meeting held on 17 May 2024.

Paid fees to the auditor (KPMG Oy Ab) in 2024 totalled EUR 273 thousand (EUR 450 thousand) for audit, EUR 11 thousand (EUR 9 thousand) for tax services and EUR 223 thousand (EUR 211 thousand) for other services. Assigments as referred to in chapter 1, section 1, subsection 1, paragraph 2 of the Auditing Act in 2024 totalled EUR 8 thousand (EUR 14 thousand). KPMG Oy AB has been the auditor of MuniFin until 17 May 2024.

Audit and other fees paid to the audit firm are specified in Note *47*.

Note 11. Credit losses and impairments on financial assets

MuniFin's credit risks are described in the Consolidated Financial Statements Note 2 *Risk management principles and the Group's risk position* in Section 6. *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 (Note 1) in Section 9. *Impairment of financial assets*.

Credit losses and impairments Jan–Dec 2024 (EUR 1,000)	Expected credit losses			Realised credit losses		
	Additions	Subtractions	Recognised in the income statement	Additions	Subtractions	Recognised in the income statement
Expected credit losses on financial assets at amortised cost						
Loans and advances to credit institutions	-50	63	12	-	-	-
Loans and advances to the public and public sector entities	-1,518	1,164	-354	-	-	-
Finance lease receivables	-2	22	20	-	-	-
Debt securities	-1	1	0	-	-	-
Cash collateral to CCPs in Other assets	-1	2	1	-	-	-
Total expected credit losses on financial assets at amortised cost	**-1,572**	**1,251**	**-321**	**-**	**-**	**-**
Expected credit losses and impairments on other financial assets						
Debt securities at fair value through fair value reserve	-13	10	-2	-	-	-
Total expected credit losses and impairments on other financial assets	**-13**	**10**	**-2**	**-**	**-**	**-**
Credit commitments (off-balance sheet)	**-14**	**11**	**-3**	**-**	**-**	**-**
Total	**-1,599**	**1,273**	**-326**	**-**	**-**	**-**

MuniFin has assessed the impact of general cost inflation and increased interest rates on customer financing receivables and credit risk. As a result, MuniFin recorded the additional discretionary provision based on a group-specific assessment. Part of the previous additional discretionary provision was realised as transitions to stages 2 and 3 during the first half of 2024, leading to a release of EUR 375 thousand of the provision during the first half of the year. At the end of June 2024, the group-specific additional discretionary provision was EUR 250 thousand. During the financial year, MuniFin updated the model used for estimating the probability of default, which increased the amount of expected credit losses. Most of the contracts subject to the additional discretionary provision were realised as stage 2 transfers due to the model change, so the additional discretionary provision was fully released at the end of December 2024. The release of the additional provision is reflected in larger subtractions in receivables from the public and public sector entities compared to the previous year. The negative impact on the results remained low.

Credit losses and impairments Jan–Dec 2023 (EUR 1,000)	Expected credit losses			Realised credit losses		
	Additions	Subtractions	Recognised in the income statement	Additions	Subtractions	Recognised in the income statement
Expected credit losses on financial assets at amortised cost						
Loans and advances to credit institutions	-10	46	36	-	-	-
Loans and advances to the public and public sector entities	-1,559	123	-1,436	-	-	-
Finance lease receivables	-18	17	-1	-	-	-
Debt securities	-1	1	0	-	-	-
Cash collateral to CCPs in Other assets	-	197	197	-	-	-
Total expected credit losses on financial assets at amortised cost	**-1,589**	**385**	**-1,204**	**-**	**-**	**-**
Expected credit losses and impairments on other financial assets						
Debt securities at fair value through fair value reserve	-25	27	2	-	-	-
Total expected credit losses and impairments on other financial assets	**-25**	**27**	**2**	**-**	**-**	**-**
Credit commitments (off-balance sheet)	**-13**	**11**	**-2**	**-**	**-**	**-**
Total	**-1,627**	**423**	**-1,203**	**-**	**-**	**-**

Note 12. Information on business areas and geographical market

Municipality Finance Plc's operating segment is credit institution operations and the market for lending is Finland.

Notes to the balance sheet

The Company has not combined any items on the balance sheet under Chapter 2, Section 14(4), of the Ministry of Finance Decree.

Note 13. Financial assets and liabilities

Financial assets 31 Dec 2024 (EUR 1,000)	Amortised cost	Fair value through fair value reserve	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	8,566,382	-	-	-	-	8,566,382	8,566,382
, of which unreceived interest	1,741	-	-	-	-	1,741	
Loans and advances to the public and public sector entities	33,757,873	-	30,940	25,036	-	33,813,849	35,826,784
, of which unreceived interest	203,433	-	169	191	-	203,793	
Debt securities	1,825,411	377,480	3,676,021	-	-	5,878,912	5,879,660
, of which unreceived interest	9,451	5,352	32,616	-	-	47,419	
Shares and participations in Group companies	-	-	-	656	-	656	656
Derivative contracts at fair value through profit or loss	-	-	-	-	451,480	451,480	451,480
, of which unreceived interest	-	-	-	-	56,465	56,465	
Derivative contracts in hedge accounting	-	-	-	-	1,872,228	1,872,228	1,872,228
, of which unreceived interest	-	-	-	-	175,755	175,755	
Other assets*	889,682	-	-	-	-	889,682	889,682
, of which unreceived interest	868	-	-	-	-	868	
Total	**45,039,350**	**377,480**	**3,706,961**	**25,692**	**2,323,708**	**51,473,191**	**53,486,874**

* Line item includes cash collateral given to central counterparties.

Financial liabilities 31 Dec 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	804,380	79,315	-	883,694	883,627
, of which unpaid interest	2,417	1,278	-	3,694	
Liabilities to the public and public sector entities	1,129,737	1,334,136	-	2,463,874	2,475,335
, of which unpaid interest	19,873	12,250	-	32,123	
Debt securities issued	35,336,202	9,198,104	-	44,534,306	44,345,120
, of which unpaid interest	325,887	105,270	-	431,157	
Derivative contracts at fair value through profit or loss	-	-	1,073,936	1,073,936	1,073,936
, of which unpaid interest	-	-	60,451	60,451	
Derivative contracts in hedge accounting	-	-	1,487,782	1,487,782	1,487,782
, of which unpaid interest	-	-	33,126	33,126	
Other liabilities*	267,449	-	-	267,449	267,449
, of which unpaid interest	42	-	-	42	
Total	**37,537,768**	**10,611,555**	**2,561,718**	**50,711,041**	**50,533,249**

* Line item includes EUR 259,850 thousand of cash collateral received from central counterparties and EUR 7,599 thousand of lease liabilities in accordance with IFRS 16 standard.

Adjusted Financial assets 31 Dec 2023 (EUR 1,000)	Amortised cost	Fair value through fair value reserve	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	9,191,853	-	-	-	-	9,191,853	9,191,853
, of which unreceived interest	5,876	-	-	-	-	5,876	
Loans and advances to the public and public sector entities	30,725,576	-	30,497	27,663	-	30,783,736	32,605,180
, of which unreceived interest	203,353	-	170	181	-	203,705	
Debt securities	1,574,954	375,072	3,219,979	-	-	5,170,005	5,170,117
, of which unreceived interest	8,410	5,402	19,639	-	-	33,451	
Shares and participations in Group companies	-	-	-	656	-	656	656
Derivative contracts at fair value through profit or loss	-	-	-	-	353,731	353,731	353,731
, of which unreceived interest	-	-	-	-	40,775	40,775	
Derivative contracts in hedge accounting	-	-	-	-	1,682,481	1,682,481	1,682,481
, of which unreceived interest	-	-	-	-	138,668	138,668	
Other assets*	1,049,735	-	-	-	-	1,049,735	1,049,735
, of which unreceived interest	1,322	-	-	-	-	1,322	
Total	**42,542,120**	**375,072**	**3,250,476**	**28,319**	**2,036,212**	**48,232,199**	**50,053,755**

* Line item includes cash collateral given to central counterparties.

During the financial year, MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Adjusted 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	171,581	43,971	-	215,552	215,510
, of which unpaid interest	875	981	-	1,857	
Liabilities to the public and public sector entities	1,299,685	1,322,866	-	2,622,551	2,635,500
, of which unpaid interest	22,584	11,691	-	34,276	
Debt securities issued	31,342,311	9,530,487	-	40,872,798	40,837,530
, of which unpaid interest	213,051	58,100	-	271,151	
Derivative contracts at fair value through profit or loss	-	-	1,194,531	1,194,531	1,194,531
, of which unpaid interest	-	-	37,389	37,389	
Derivative contracts in hedge accounting	-	-	2,302,023	2,302,023	2,302,023
, of which unpaid interest	-	-	86,650	86,650	
Other liabilities*	400,885	-	-	400,885	400,885
, of which unpaid interest	170	-	-	170	
Total	**33,214,462**	**10,897,323**	**3,496,553**	**47,608,338**	**47,585,978**

* Line item includes EUR 392,342 thousand of cash collateral received from central counterparties and EUR 8,837 thousand of lease liabilities in accordance with IFRS 16 standard.

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 14. Cash and cash equivalents

Cash and cash equivalents include the following balance sheet items:
Cash and balances with central banks and *Loans and advances to credit institutions payable on demand.*

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Cash and balances with central banks	2	2
Loans and advances to credit institutions payable on demand	61,265	62,117
Total cash and cash equivalents	**61,267**	**62,119**

Note 15. Loans and advances to credit institutions

31 Dec 2024 (EUR 1,000)	Payable on demand	Other than payable on demand	Expected credit losses	Total
Receivables from central bank	-	7,808,867	0	7,808,867
Domestic credit institutions	59,704	199,245	-50	258,900
Foreign credit institutions	1,561	497,066	-11	498,616
Total	**61,265**	**8,505,178**	**-61**	**8,566,382**

Adjusted 31 Dec 2023 (EUR 1,000)	Payable on demand	Other than payable on demand	Expected credit losses	Total
Receivables from central bank	-	7,990,560	-1	7,990,560
Domestic credit institutions	60,458	224,948	-49	285,357
Foreign credit institutions	1,659	914,301	-23	915,937
Total	**62,117**	**9,129,809**	**-73**	**9,191,853**

During the financial year, MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 16. Loans and advances to the public and public sector entities

	31 Dec 2024		Adjusted 31 Dec 2023	
(EUR 1,000)	Total	, of which expected credit losses	Total	, of which expected credit losses
Enterprises and housing corporations	18,586,481	-2,350	16,495,443	-2,051
Public sector entities	14,877,043	-117	13,941,191	-136
Non-profit organisations	350,325	-95	347,102	-20
Total	**33,813,849**	**-2,561**	**30,783,736**	**-2,207**

During the financial year, MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 17. Debt securities

Debt securities issued by public sector entities 31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses*
Amortised cost	**-**	**1,599,849**	**1,599,849**	**-1**
Commercial papers	-	1,599,849	1,599,849	-1
Fair value through fair value reserve	**25,773**	**-**	**25,773**	**-1**
Bonds issued by other public sector entities	25,773	-	25,773	-1
Designated at fair value through profit or loss	**1,673,477**	**-**	**1,673,477**	**-**
Government bonds	221,193	-	221,193	-
Bonds issued by other public sector entities	1,452,284	-	1,452,284	-
Total	**1,699,250**	**1,599,849**	**3,299,099**	**-2**
, of which eligible for central bank refinancing	*1,524,558*	-	*1,524,558*	*-1*

Debt securities issued by other than public sector entities 31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses*
Amortised cost	**-**	**225,562**	**225,562**	**0**
Commercial papers	-	225,562	225,562	0
Fair value through fair value reserve	**351,707**	**-**	**351,707**	**-44**
Bank bonds	351,707	-	351,707	-44
Designated at fair value through profit or loss	**2,002,544**	**-**	**2,002,544**	**-**
Bank bonds	2,002,544	-	2,002,544	-
Total	**2,354,251**	**225,562**	**2,579,813**	**-44**
, of which eligible for central bank refinancing	*2,075,542*	-	*2,075,542*	*-42*

31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses*
Debt securities total	**4,053,501**	**1,825,411**	**5,878,912**	**-46**

* Expected credit losses have been recognised on debt securities, which have been classified at fair value through fair value reserve. Therefore, the expected credit loss is not recognised as a deduction from the gross carrying amount of the debt securities in the balance sheet, but from fair value reserve as described in the accounting policies of the Consolidated Financial Statements (Note 1) in Section 9.4 *Presentation of allowance for ECL in the statement of financial position.*

At the financial statement date 31 Dec 2024, the Company has given debt securities as collateral to central counterparty, in total nominal value of EUR 100,000 thousand (EUR 70,000 thousand).

At the financial statement date 31 Dec 2024 or at the comparison date, MuniFin has no debt securities measured mandatorily at fair value through profit or loss.

Adjusted Debt securities issued by public sector entities 31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses
Amortised cost	**-**	**1,317,912**	**1,317,912**	**1**
Commercial papers	-	1,317,912	1,317,912	1
Fair value through fair value reserve	**15,513**	**-**	**15,513**	**0**
Bonds issued by other public sector entities	15,513	-	15,513	0
Designated at fair value through profit or loss	**1,453,782**	**-**	**1,453,782**	**-**
Government bonds	158,819	-	158,819	-
Bonds issued by other public sector entities	1,294,963	-	1,294,963	-
Total	**1,469,295**	**1,317,912**	**2,787,207**	**1**
, of which eligible for central bank refinancing	*1,286,423*	-	*1,286,423*	*0*

Adjusted Debt securities issued by other than public sector entities 31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses
Amortised cost	**-**	**257,042**	**257,042**	**0**
Commercial papers	-	257,042	257,042	0
Fair value through fair value reserve	**359,559**	**-**	**359,559**	**42**
Bank bonds	359,559	-	359,559	42
Designated at fair value through profit or loss	**1,766,198**	**-**	**1,766,198**	**-**
Bank bonds	1,766,198	-	1,766,198	-
Total	**2,125,756**	**257,042**	**2,382,798**	**42**
, of which eligible for central bank refinancing	*1,877,378*	-	*1,877,378*	*37*

Adjusted 31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	Expected credit losses
Debt securities total	**3,595,051**	**1,574,954**	**5,170,005**	**43**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 18. Finance lease receivables

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Breakdown of finance lease receivables by maturity		
0–12 months	179,285	173,842
1–2 years	141,780	127,442
2–3 years	113,546	127,178
3–4 years	108,772	96,520
4–5 years	98,506	92,364
Over 5 years	1,404,030	1,293,083
Future cashflows	2,045,919	1,910,430
Unearned finance income (-)	-482,859	-468,744
Carrying amount	**1,563,060**	**1,441,686**

Note 19. Credit risks of financial assets and other commitments

MuniFin's credit risks are described in the Consolidated Financial Statements' Note 2 *Risk management principles and the Group's risk position* in Section 6. *Credit Risk*. The expected credit loss calculation method and impairment stages are described in the accounting policies of the Consolidated Financial Statements (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*			
31 Dec 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
Loans and advances to credit institutions at amortised cost	8,566,443	-61	-	-	-	-	8,566,443	-61
Loans and advances to the public and public sector entities at amortised cost	31,381,806	-142	2,086,923	-2,103	291,705	-316	33,760,434	-2,561
Finance lease receivables at amortised cost	1,561,931	-9	1,139	0	-	-	1,563,069	-9
Debt securities at amortised cost	1,824,426	-1	986	0	-	-	1,825,412	-1
Debt securities at fair value through fair value reserve	377,480	-45	-	-	-	-	377,480	-45
Cash collateral to CCPs in Other assets at amortised cost	889,687	-5	-	-	-	-	889,687	-5
Credit commitments (off-balance sheet)	2,864,012	-16	71,219	-2	-	-	2,935,231	-18
Total	**47,465,785**	**-280**	**2,160,266**	**-2,105**	**291,705**	**-316**	**49,917,756**	**-2,701**

* MuniFin has collateral and guarantee arrangements that fully cover the stage 3 receivables as described in Note *2 Risk management principles and the Group's risk position* in Section 6. *Credit risk*. MuniFin's management expects that all the stage 3 receivables will be recovered and no final credit loss will emerge. Stage 3 receivables include EUR 1,926 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). The increase in stage 3 receivables during the financial year was mainly due to the transition of one medium-sized entity to stage 3.

Adjusted 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
Loans and advances to credit institutions at amortised cost	9,186,050	-73	-	-	-	-	9,186,050	-73
Loans and advances to the public and public sector entities at amortised cost	29,024,906	-122	1,560,904	-1,872	141,974	-214	30,727,784	-2,207
Finance lease receivables 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 fair value reserve	375,072	-42	-	-	-	-	375,072	-42
Cash collateral to CCPs in Other assets at amortised cost	1,049,741	-6	-	-	-	-	1,049,741	-6
Credit commitments (off-balance sheet)	3,017,822	-15	53,406	0	-	-	3,071,212	-15
Total	**45,647,565**	**-267**	**1,637,008**	**-1,894**	**141,974**	**-214**	**47,426,531**	**-2,375**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

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

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	-92	-92	-69	-253
Assets derecognised or repaid (excluding write-offs)	93	121	67	282
Transfers to Stage 1	-2	361	-	359
Transfers to Stage 2	4	-158	-	-154
Transfers to Stage 3	0	1	-65	-64
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	-16	-1,070	-35	-1,122
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Total 31 Dec 2024	**-280**	**-2,105**	**-316**	**-2,701**

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

MuniFin updated the macroeconomic scenarios quarterly to take into account forward-looking information. Additionally, the Company revised its probability of default model for calculating the customer finance exposures. Previously 30-day payment delay was the indicator for customer's inability to pay. The model was updated so that the indicator for insolvency observation is either the official definition of default or if customer's exposures are transferred to stage 3. The amount of expected credit losses increased by EUR 1,122 thousand due to changes made in the models and parameters.

The Company has assessed the impact of general cost inflation and increased interest rates on customer financing receivables and credit risk. At the end of December 2023, MuniFin's management assessed that some customers may face challenges in the sufficiency of cash flows during the first half of 2024 and decided to increase the additional discretionary provision recognised in June 2023 up to EUR 625 thousand.

At the end of June 2024, the Company'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 continue to face challenges in the sufficiency of cash flows in the latter part of the year. Part of the previous additional discretionary provision has been realised during the first half of 2024 as transfers to levels 2 and 3. Thus MuniFin's management 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 2024.

At the end of December 2024, MuniFin's management assessed again the need of additional discretionary provision and decided to release the provision in full. The model update in the calculation of probability of default and the resulting increase in expected credit losses and stage transfers are estimated to take into account the previous additional provision for receivables with increased credit risk. Based on the Company's assessment, some customers may face challenges in the sufficiency of cash flows in 2025, which may cause further payment delays and forbearances for MuniFin. However, the declining interest rate environment is expected to gradually ease the financial situation of customers.

The total credit risk of MuniFin has remained low, and the amount of expected credit losses is still at low level. The rising interest rate levels and inflation weakened the housing sector customers' ability to pay, which showed a slight increase in payment delays, forbearance measures and in the weakening of creditworthiness. MuniFin'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 Company's management estimates that all receivables will be recovered in full and therefore no final credit loss will arise. On 31 December 2024, MuniFin had EUR 13,449 thousand in receivables due to the insolvency of customers, for which the collateral realisation process is ongoing or where credit receivables are 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	-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 financial year.

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	-50	-	-	-50
Assets derecognised or repaid (excluding write-offs)	63	-	-	63
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-1	-	-	-1
Total 31 Dec 2024	**-61**	**-**	**-**	**-61**

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	-16	-90	-69	-175
Assets derecognised or repaid (excluding write-offs)	6	121	67	194
Transfers to Stage 1	-2	340	-	338
Transfers to Stage 2	4	-157	-	-154
Transfers to Stage 3	0	1	-65	-64
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	-13	-1,070	-35	-1,119
Write-offs	-	-	-	-
Total 31 Dec 2024	**-142**	**-2,103**	**-316**	**-2,561**

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 Finance lease receivables 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	-	21	-	21
Transfers to Stage 2	0	0	-	0
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	-1	0	-	-1
Total 31 Dec 2024	**-9**	**0**	**-**	**-9**

Expected credit losses on Finance lease receivables 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	-1	0	-	-1
Assets derecognised or repaid (excluding write-offs)	1	0	-	1
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculations	0	0	-	0
Total 31 Dec 2024	**-1**	**0**	**-**	**-1**

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 fair value reserve 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	-12	-	-	-12
Assets derecognised or repaid (excluding write-offs)	10	-	-	10
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 2024	**-45**	**-**	**-**	**-45**

The loss allowance on debt instruments classified at fair value through fair value reserve is recognised in fair value reserve. The accumulated loss allowance is recognised to the profit or loss upon derecognition of the assets. More details regarding presentation of allowance for expected credit losses is presented in the accounting policies of the Consolidated Financial Statements (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 fair value reserve 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	0	-	-	0
Assets derecognised or repaid (excluding write-offs)	2	-	-	2
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 2024	**-5**	**-**	**-**	**-5**

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	-12	-2	-	-14
Assets derecognised or repaid (excluding write-offs)	11	0	-	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 2024	**-16**	**-2**	**-**	**-18**

The loss allowance on credit commitments is recognised under *Other liabilities*. More details regarding presentation of allowance for expected credit losses is presented in the accounting policies of the Consolidated Financial Statements (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 as follows:

	31 Dec 2024			31 Dec 2023		
Scenario	**2025**	**2026**	**2027**	**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 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 European Central Bank 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.

		31 Dec 2024			31 Dec 2023		
Macroeconomic variables	**Scenario**	**2025**	**2026**	**2027**	**2024**	**2025**	**2026**
10Y Fin Government rate, %	Adverse	5.0	4.2	3.5	3.8	3.7	3.7
	Base	2.8	2.8	2.8	3.5	3.5	3.4
	Optimistic	3.2	3.2	3.1	3.3	3.2	3.2
Residential Real Estate (selling price, YoY change), %	Adverse	-10.0	0.0	4.0	-13.0	-2.0	3.0
	Base	4.0	3.0	2.0	-1.0	4.0	2.5
	Optimistic	4.0	2.5	2.5	2.5	4.0	2.5
Unemployment rate, %	Adverse	10.8	10.2	9.2	9.9	9.6	8.5
	Base	8.3	7.5	6.9	7.7	7.4	7.0
	Optimistic	6.5	6.0	5.7	7.1	6.1	5.8

Scenario descriptions

Base scenario

The global macroeconomic environment remains challenging. The significant tightening of monetary policy in 2022–2023 continues to negatively impact demand factors. In the United States, the controlled cooling of the economy has been successful so far, but Donald Trump's inflationary economic policy could complicate the implementation of monetary policy. Growth in the euro area is gradually recovering, but the recovery is slow, particularly due to severe structural problems in Germany's industrial sector. In China, the trend of slowing growth continues. The potential for a trade war between major powers and the escalating risk of regional military conflicts heighten economic uncertainty.

Inflation has significantly slowed down during 2024. As a result, both the U.S. Federal Reserve and the European Central Bank have been able to start easing monetary policy. In 2025, the main focus of central banks will shift from combating inflation to supporting economic growth. The ECB is expected to lower the deposit rate to 2.00% by the end of 2025, which will also be the bottom level of the rate-cutting cycle.

Finland has particularly suffered from past interest rate hikes and has gone through a rather deep recession. Conversely, Finland's economy will benefit from interest rate cuts more than average. Finland's GDP is expected to still contract by 0.3% in 2024. Cyclical recovery will accelerate economic growth to 2% in 2025–2026, after which the economy will grow according to its long-term potential. Average yearly unemployment rate is expected to peak at 8.4% in 2024 and remain elevated at 8.3% in 2025.

The prices of owner-occupied apartments in major cities, on average, are still expected to decrease by 3.0% in 2024. The recovery of the real estate market begins in 2025. Both residential and commercial real estate markets are expected to see price increases in 2025.

Optimistic scenario

In the optimistic scenario, the economy is expected to recover faster than in the baseline scenario. The Finnish GDP is projected to grow 3.5% in 2025 and 2.5% in 2026. Unemployment is expected to begun declining by the end of 2024 and fall below 7% already in 2025. Consumer price inflation cools down to 2.0% in 2024 and remains at or just below 2% over the subsequent three years. Housing demand is seen to recover towards the end of 2024. 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 much more gradually than in our baseline scenario.

Adverse scenario

The adverse scenario describes a situation where geopolitical tensions escalate due to the conflict between China and Taiwan. Trade relations between the USA and the EU with China deteriorate, and global supply chains are disrupted, leading to a significant increase in the cost of industrial raw materials and intermediate goods. The volatile situation in the Middle East expands into a conflict between Israel and Iran, causing strong upward pressure on energy prices.

Inflation begins to accelerate sharply again. The ECB is forced to halt its rate-cutting cycle and raise rates above 4%. The difficulties in the private sector lead to a significant increase in banks' credit losses. Risk premiums in financial markets widen considerably.

The abrupt slowdown of foreign trade and the new rise in interest rates push Finland's economy back into a deep recession. GDP contracts by 3.5% in 2025 and only begins to gradually recover in late 2026. Unemployment rises sharply and remains above 10% even in 2026. The USA's hesitation in defending Taiwan also calls NATO's security guarantees into question, significantly widening the risk premiums on Finnish government bonds. The rise in living costs and interest rates deepens the distress of Finnish households. The slump in the housing market and construction continues, and the decline in housing prices intensifies.

The following table presents the sensitivity of the expected credit losses to the forward-looking information assuming 100% weight for adverse scenario until 2025 (2024).

	31 Dec 2024			31 Dec 2023		
Sensitivity analysis (EUR 1,000)	**Weighted scenario**	**Adverse scenario (100%)**	**Excluding weighted scenario**	**Weighted scenario**	**Adverse scenario (100%)**	**Excluding weighted scenario**
ECL	2,701	4,765	2,578	1,750	2,414	1,618
Proportion of the exposure in Stage 2 and 3	5.21%	11.26%	5.17%	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 31 Dec 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	-	8,535	8,535	-85	8,451
Unlikely to be paid	-	152,231	152,231	-137	152,094
Forborne exposures	430,479	130,939	561,418	-352	561,066
Total	**430,479**	**291,705**	**722,184**	**-573**	**721,610**

Adjusted 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	-	7,676	7,676	-36	7,639
Unlikely to be paid	-	19,266	19,266	-59	19,207
Forborne exposures	382,211	115,032	497,243	-570	496,673
Total	**382,211**	**141,974**	**524,185**	**-666**	**523,519**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Forbearances are concessions to the original contractual payment terms agreed upon at the customer's initiative, aimed at helping the customer cope with temporary payment difficulties. Performing forborne exposures are those that have recovered from non-performing status during the trial period or forbearance measures made into a performing loan. All performing forborne exposures are classified on stage 2. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures. Such receivables are classified on stage 1. MuniFin considers a loan forborne when such concessions or modifications are provided because of the borrower's present or expected financial difficulties, and MuniFin would not have agreed to them if the borrower had been in good financial condition. All such receivables are classified on stage 3.

In 2024, loan forbearance measures were granted particularly to customers in the housing sector, whose underutilisation of the premises has increased because of intensified competition for tenants. Forbearance measures were also granted due to the increased interest rate level. As a result of the granted repayment deferrals, the unpaid installments have mostly been deferred to the end of the loan maturity, to be paid with the final installment, or to the current 5-year period if the loan is a state deficiency guaranteed interest subsidised loan. Forbearance measures were not applied to leasing receivables.

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

Realised credit losses

MuniFin has not had any final realised credit losses during the financial year or the comparison year.

Note 20. Shares and participations

31 Dec 2024 (EUR 1,000)	Publicly quoted	Other	Total	, of which in credit institutions
Shares and participations in Group companies	-	656	656	-
Total	**-**	**656**	**656**	**-**
, of which at acquisition cost	*-*	*656*	*656*	*-*

MuniFin does not have equity instruments valued at fair value through fair value reserve. MuniFin does not have shares and participations subject to securities lending.

31 Dec 2023 (EUR 1,000)	Publicly quoted	Other	Total	, of which in credit institutions
Shares and participations in Group companies	-	656	656	-
Total	**-**	**656**	**656**	**-**
, of which at acquisition cost	*-*	*656*	*656*	*-*

Note 21. Derivative contracts

	Nominal value of underlying instrument				Fair value	
	Remaining maturity					
31 Dec 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	2,227,956	15,950,911	18,107,614	36,286,482	987,920	-1,262,963
, of which cleared by the central counterparty	*2,128,956*	*15,899,304*	*17,428,936*	*35,457,197*	*963,973*	*-1,250,839*
Currency derivatives						
Cross currency interest rate swaps	3,250,510	13,479,274	369,119	17,098,903	884,308	-224,818
Total derivative contracts in hedge accounting	**5,478,466**	**29,430,185**	**18,476,733**	**53,385,385**	**1,872,228**	**-1,487,782**
Derivative contracts at fair value through profit or loss						
Interest rate derivatives						
Interest rate swaps	8,364,980	9,253,147	4,885,876	22,504,004	220,007	-797,908
, of which cleared by the central counterparty	*6,584,200*	*6,806,285*	*1,909,901*	*15,300,387*	*119,869*	*-122,927*
Currency derivatives						
Cross currency interest rate swaps	1,107,136	2,491,716	64,207	3,663,059	100,100	-268,552
Forward exchange contracts	2,840,260	-	-	2,840,260	131,373	-761
Equity derivatives	12,572	-	-	12,572	-	-6,715
Total derivative contracts at fair value through profit or loss	**12,324,948**	**11,744,863**	**4,950,083**	**29,019,895**	**451,480**	**-1,073,936**
Total derivative contracts	**17,803,414**	**41,175,049**	**23,426,816**	**82,405,280**	**2,323,708**	**-2,561,718**

Derivative contracts at fair value through profit or loss contains all derivatives of the Company 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.

Adjusted 31 Dec 2023 (EUR 1,000)	Nominal value of underlying instrument – Remaining maturity: Less than 1 year	1–5 years	Over 5 years	Total	Fair value: 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	1,244,663	-1,692,231
, of which cleared by the central counterparty	*3,967,376*	*11,288,451*	*18,280,451*	*33,536,278*	*1,207,369*	*-1,676,456*
Currency derivatives						
Cross currency interest rate swaps	1,838,537	10,963,203	479,835	13,281,574	437,818	-609,792
Total derivative contracts in hedge accounting	**5,920,868**	**22,431,503**	**19,471,342**	**47,823,713**	**1,682,481**	**-2,302,023**
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	294,754	-892,723
, 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	56,183	-193,110
Forward exchange contracts	3,890,874	-	-	3,890,874	2,770	-87,375
Equity derivatives	85,340	-	-	85,340	24	-21,323
Total derivative contracts at fair value through profit or loss	**8,699,063**	**13,869,624**	**4,369,313**	**26,938,000**	**353,731**	**-1,194,531**
Total derivative contracts	**14,619,930**	**36,301,128**	**23,840,655**	**74,761,713**	**2,036,212**	**-3,496,553**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 22. Hedge accounting

The interest rate and foreign exchange rate risk of the Company are managed by entering into derivative transactions. According to the Market Risk Policy, the Company's hedging strategy is mainly to hedge all material foreign exchange and interest rate risks of financial assets and liabilities with maturities exceeding one year. As a result, foreign currency denominated items are translated into euros, fixed rate and long-term reference rates are swapped to floating interest rates with shorter terms. The risk management principles related to the Company's hedging of market risk are described in more detail in the Consolidated Financial Statements' Note *2 Risk Management principles and the Group's risk position.*

The Company applies both fair value hedge accounting according to IFRS 9 standard and fair value portfolio hedge accounting according to IAS 39 standard. The Company does not apply cash flow hedge accounting. Accounting policies related to hedge accounting are described in the accounting polices of the Consolidated Financial Statements (Note 1) in Section *10. Hedge accounting*.

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

Hedge accounting 31 Dec 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	11,209,584	10,633,372	10,573,458	59,914	-
Finance lease receivables	421,960	423,793	-	423,793	-
Total assets	**11,631,544**	**11,057,166**	**10,573,458**	**483,708**	**-**
Liabilities					
Liabilities to credit institutions	95,000	88,243	-	88,243	-
Liabilities to the public and public sector entities	1,107,710	1,129,737	-	1,129,737	-
Debt securities issued	35,414,736	34,570,729	-	17,595,169	16,975,560
Total liabilities	**36,617,446**	**35,788,709**	**-**	**18,813,149**	**16,975,560**

Adjusted
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	11,843,871	10,963,049	10,902,352	60,696	-
Finance lease receivables	395,417	389,403	-	389,403	-
Total assets	**12,239,288**	**11,352,451**	**10,902,352**	**450,099**	**-**
Liabilities					
Liabilities to credit institutions	95,000	87,488	-	87,488	-
Liabilities to the public and public sector entities	1,287,710	1,299,685	-	1,299,685	-
Debt securities issued	32,537,103	31,054,516	-	18,047,332	13,007,184
Total liabilities	**33,919,813**	**32,441,689**	**-**	**19,434,505**	**13,007,184**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

The figures presented in the following table contain the cumulative fair value change at the beginning and end of the financial year, in addition to the fair value change of the hedged risk and the hedging instrument during the financial year. The figures presented in the table do not include the change in fair value due to foreign exchange differences of hedging instruments and the hedged items. Due to the above mentioned reason, the total amount of the hedging instruments does not correspond to the fair value presented in Note *21 Derivative contracts* on line *Total derivative contracts in hedge accounting*. The fair value changes of the hedged risk of the hedged items and all other fair value changes of the hedging instruments are recognised in the income statement under *Net income on financial instruments at fair value through profit or loss*. The ineffective portion of the hedging relationship is thus shown on this line in the income statement. Net income on financial instruments at fair value through profit or loss is specified in Note *6*.

In accordance with the market practice and IFRS 13 *Fair value measurement* standard, MuniFin discounts hedged items with the swap curve and the hedging derivatives with the OIS curve, which causes a significant part of the MuniFin'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.

Net result from hedge accounting from the financial year was EUR -11,763 thousand (EUR -27,147 thousand). Change in net result from hedge accounting was mainly due to changes in EUR interest rate curves.

Value of hedged risk (EUR 1,000)	31 Dec 2024	1 Jan 2024	Recognised in the income statement Jan–Dec 2024	31 Dec 2023	1 Jan 2023	Recognised in the income statement Jan–Dec 2023
Assets						
IAS 39 portfolio hedge accounting						
Loans and advances to the public and public sector entities	-604,957	-907,319	302,362	-907,319	-1,476,553	569,233
Derivative contracts in hedge accounting	658,479	969,754	-311,275	969,754	1,549,315	-579,561
Accumulated fair value accrual from the termination of hedge accounting	-1,411	-1,652	240	-1,652	-1,721	69
IAS 39 portfolio hedge accounting, net	**52,111**	**60,783**	**-8,672**	**60,783**	**71,041**	**-10,258**
IFRS 9 fair value hedge accounting						
Loans and advances to the public and public sector entities	2,214	1,829	385	1,829	-595	2,424
Finance lease receivables	-4,427	-12,251	7,825	-12,251	-28,808	16,557
Derivative contracts in hedge accounting	828	9,060	-8,232	9,060	28,548	-19,488
IFRS 9 fair value hedge accounting, net	**-1,385**	**-1,362**	**-23**	**-1,362**	**-855**	**-507**
Liabilities						
IFRS 9 fair value hedge accounting						
Liabilities to credit institutions	7,357	8,111	-754	8,111	10,108	-1,997
Liabilities to the public and public sector entities	-7,263	4,425	-11,688	4,425	54,570	-50,145
Debt securities issued	901,690	1,407,537	-505,847	1,407,537	2,559,950	-1,152,413
Derivative contracts in hedge accounting	-927,435	-1,442,656	515,221	-1,442,656	-2,631,089	1,188,433
IFRS 9 fair value hedge accounting, net	**-25,651**	**-22,583**	**-3,068**	**-22,583**	**-6,461**	**-16,122**
IBOR reform related compensations*	-3,603	-3,603	0	-3,603	-3,343	-260
Total hedge accounting	**21,471**	**33,235**	**-11,763**	**33,235**	**60,382**	**-27,147**

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

The following table presents the impact of Cost-of-Hedging of cross currency derivatives on equity in the Cost-of-Hedging reserve. The figures are presented net of deferred taxes. For all foreign currency hedge relationships MuniFin 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 to the Cost-of-Hedging reserve. Thus, changes in cross currency basis spreads do not create ineffectiveness in the hedge relationship.

Hedging impact on equity (EUR 1,000)	31 Dec 2024	1 Jan 2024	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	45,714	21,821	23,892
Total	**45,714**	**21,821**	**23,892**

Hedging impact on equity (EUR 1,000)	31 Dec 2023	1 Jan 2023	Impact on Cost-of-Hedging reserve
Cost-of-Hedging			
Derivative contracts in hedge accounting	21,821	1,488	20,334
Total	**21,821**	**1,488**	**20,334**

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
31 Dec 2024 (EUR 1,000)

		Gains/losses attributable to the hedged risk		
Hedged item	**Hedging instrument**	**Hedged items**	**Hedging instruments**	**Hedge ineffectiveness**
Assets				
IAS 39 portfolio hedge accounting				
Fixed rate and revisable rate loans	Interest rate derivatives	-604,957	658,479	53,522
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	2,214	-2,132	82
Fixed rate and revisable rate leased assets	Interest rate derivatives	-4,427	2,960	-1,467
Assets total		**-607,170**	**659,307**	**52,137**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	653,000	-685,882	-32,882
Financial liabilities denominated in foreign currencies	Currency derivatives (cross currency interest rate swaps) Interest rate derivatives	248,784	-241,553	7,231
Liabilities total		**901,784**	**-927,435**	**-25,651**

**Effectiveness of hedge accounting
31 Dec 2023 (EUR 1,000)**

Hedged item	Hedging instrument	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	-907,319	969,754	62,435
IFRS 9 fair value hedge accounting				
Structured lending	Interest rate derivatives	1,829	-1,608	222
Fixed rate and revisable rate leased assets	Interest rate derivatives	-12,251	10,668	-1,584
Assets total		**-917,742**	**978,814**	**61,072**
Liabilities				
IFRS 9 fair value hedge accounting				
Financial liabilities denominated in EUR	Interest rate derivatives	1,105,788	-1,132,380	-26,592
Financial liabilities denominated in foreign currencies	Currency derivatives (cross currency interest rate swaps) Interest rate derivatives	314,285	-310,277	4,009
Liabilities total		**1,420,073**	**-1,442,656**	**-22,583**

Note 23. Intangible assets

(EUR 1,000)	31 Dec 2024	31 Dec 2023
IT systems	2,720	6,311
Other intangible assets	-	2
Total	**2,720**	**6,314**

Intangible assets do not include other development costs or goodwill.

Note 24. Tangible assets

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Real estate corporation shares	299	299
Right-of-use assets	7,548	8,500
Other tangible assets	389	555
Total	**8,236**	**9,354**

MuniFin does not have investment properties.

Note 25. Changes in intangible and tangible assets during the financial year

	Intangible assets	Tangible assets			
Jan–Dec 2024 (EUR 1,000)	Total	Other real estate	Other tangible assets	Right-of-use assets	Total
Acquisition cost 1 Jan	30,574	299	4,918	14,616	19,832
+ Additions	239	-	386	655	1,041
- Disposals	-	-	-29	-6,739	-6,768
Acquisition cost 31 Dec	30,813	299	5,275	8,532	14,105
Accumulated depreciation 1 Jan	24,261	-	4,363	6,116	10,479
- Accumulated depreciation on disposals	-	-	-29	-6,717	-6,746
+ Depreciation for the financial year	3,833	-	552	1,585	2,137
Accumulated depreciation 31 Dec	28,093	-	4,885	984	5,869
Carrying amount 31 Dec	**2,720**	**299**	**389**	**7,548**	**8,236**

	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	29,634	299	5,644	9,174	15,117
+ Additions	940	-	7	7,785	7,792
- Disposals	-	-	-733	-2,344	-3,076
Acquisition cost 31 Dec	30,574	299	4,918	14,616	19,832
Accumulated depreciation 1 Jan	20,798	-	4,087	6,195	10,282
- Accumulated depreciation on disposals	-	-	-715	-2,021	-2,736
+ Depreciation for the financial year	3,463	-	991	1,942	2,933
Accumulated depreciation 31 Dec	24,261	-	4,363	6,116	10,479
Carrying amount 31 Dec	**6,314**	**299**	**555**	**8,500**	**9,354**

Note 26. Other assets

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Invoiced leasing	23,305	23,506
Given cash collateral to CCPs*	889,682	1,049,735
Other	2,925	1,846
Total	**915,913**	**1,075,087**

* Cash collaterals include expected credit loss amounting to EUR 5 thousand (EUR 6 thousand).

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

MuniFin did not have receivables related to payment transfers as at 31 Dec 2024 or 31 Dec 2023.

Note 27. Accrued income and prepayments

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Tax income	16,577	18,089
Prepayments	2,220	2,489
Total	**18,797**	**20,578**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 28. Deferred tax assets and liabilities

Deferred tax assets (EUR 1,000)	1 Jan 2024	Recognised in the income statement	Recognised in equity	Paid during the financial year	31 Dec 2024
On fair value reserve	-	-	-	-	-
On right-of-use assets	8	2	-	-	10
Total	**8**	**2**	**-**	**-**	**10**

Deferred tax liabilities (EUR 1,000)	1 Jan 2024	Recognised in the income statement	Recognised in equity	Paid during the financial year	31 Dec 2024
On fair value reserve	21,028	-	33,736	-	54,763
Total	**21,028**	**-**	**33,736**	**-**	**54,763**

Voluntary credit loss provision and depreciation difference include EUR 317,363 thousand in non-recognised deferred tax liabilities.

Deferred tax assets (EUR 1,000)	1 Jan 2023	Recognised in the income statement	Recognised in equity	Paid during the financial year	31 Dec 2023
On fair value reserve	763	-	-763	-	-
On right-of-use assets	-	8	-	-	8
Total	**763**	**8**	**-763**	**-**	**8**

Deferred tax liabilities (EUR 1,000)	1 Jan 2023	Recognised in the income statement	Recognised in equity	Paid during the financial year	31 Dec 2023
On fair value reserve	-	-	21,028	-	21,028
Total	**-**	**-**	**21,028**	**-**	**21,028**

Voluntary credit loss provision and depreciation difference include EUR 302,489 thousand in non-recognised deferred tax liabilities.

Note 29. Debt securities issued

	31 Dec 2024		31 Dec 2023	
(EUR 1,000)	Carrying amount	Nominal value	Adjusted Carrying amount	Nominal value
Bonds	41,125,457	42,306,455	36,885,471	38,680,909
Other*	3,408,849	3,421,647	3,987,327	4,017,074
Total	**44,534,306**	**45,728,102**	**40,872,798**	**42,697,983**

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

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

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note 1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.

Benchmark issuances during the year 2024	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
Fixed rate benchmark bond, issued under the MTN programme	29 Aug 2024	29 Aug 2029	2.500%	1,000,000	EUR
Fixed rate benchmark bond, issued under the MTN programme	9 Oct 2024	9 Oct 2029	3.625%	1,000,000	USD

In the above table, the benchmark issuances are included by the settlement date.

Reconciliation of the carrying amount of issued debt (EUR 1,000)	2024 Liabilities to credit institutions	2024 Liabilities to the public and public sector entities	2024 Debt securities issued	Adjusted 2023 Liabilities to credit institutions	Adjusted 2023 Liabilities to the public and public sector entities	Adjusted 2023 Debt securities issued
Carrying amount 1 Jan	**131,458**	**2,622,551**	**40,872,798**	**2,060,128**	**2,561,084**	**35,730,888**
Cash flow changes from operating activities						
Additions to issued debt securities *Bonds*	51,008	30,713	9,131,597	40,458	26,293	10,160,007
Additions to money market issuances *Other*	-	-	19,510,198	-	-	24,054,315
Additions total	**51,008**	**30,713**	**28,641,795**	**40,458**	**26,293**	**34,214,321**
Deductions to issued debt securities *Bonds*	-15,346	-207,008	-5,754,758	-1,971,315	-91,944	-5,183,507
Deductions to money market issuances *Other*	-	-	-20,088,676	-	-	-24,716,820
Deductions total	**-15,346**	**-207,008**	**-25,843,434**	**-1,971,315**	**-91,944**	**-29,900,327**
Cash flow changes from operating activities in total	**35,662**	**-176,295**	**2,798,361**	**-1,930,857**	**-65,651**	**4,313,995**
Changes in the balance sheet value including valuations and FX revaluations	437	17,618	863,147	2,187	127,118	827,915
Carrying amount 31 Dec	**167,558**	**2,463,874**	**44,534,306**	**131,458**	**2,622,551**	**40,872,798**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements*.

Note 30. Other liabilities

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Other liabilities		
Lease liabilities	7,599	8,542
Cash collateral taken from CCPs	259,850	392,343
Other	17,732	17,168
Total	**285,181**	**418,053**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 31. Accrued expenses and deferred income

(EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Other accrued expenses	12,496	11,372
Deferred income*	32,989	31,392
Total	**45,485**	**42,764**

* Item consists mainly of leasing prepayments.

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 32. Act on the Resolution of Credit Institutions (1194/2014)

MuniFin's crisis resolution authority is the EU's Single Resolution Board (*SRB*) and the Finnish Financial Stability Authority (*FFSA*). In November 2024, the SRB and the FFSA removed MuniFin's binding minimum requirement for own funds and eligible liabilities (*MREL*) as a result of changes to the European Bank Recovery and Resolution Directive (*BRRD*) and corresponding national legislation.

Under the revised framework, the MREL requirement no longer applies to credit institutions subject to simplified obligations. Before the MREL requirement was lifted, MuniFin's own funds and eligible liabilities exceeded it multiple times, so this change will not have a significant effect on MuniFin's operations.

Note 33. Breakdown of financial assets and liabilities at carrying amount by maturity

Financial assets 31 Dec 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
Debt securities eligible for central bank refinancing	274,441	355,261	2,189,388	781,010	-	3,600,100
Loans and advances to credit institutions	8,513,736	38,140	14,507	-	-	8,566,382
Loans and advances to the public and public sector entities	627,997	1,774,531	8,023,430	7,734,269	15,653,621	33,813,849
Debt securities	1,617,488	271,427	350,864	39,032	-	2,278,812
Shares and participations in Group companies	-	-	-	-	656	656
Derivative contracts	152,633	57,431	1,161,155	613,963	338,525	2,323,708
Other assets*	889,682	-	-	-	-	889,682
Total	**12,075,979**	**2,496,791**	**11,739,344**	**9,168,275**	**15,992,802**	**51,473,191**

* Line item includes cash collateral given to central counterparties.

Financial liabilities 31 Dec 2024 (EUR 1,000)	0–3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions	716,137	3,486	74,105	56,548	33,419	883,694
Liabilities to the public and public sector entities	38,133	233,195	894,643	595,550	702,353	2,463,874
Debt securities issued	4,757,279	6,110,628	25,545,532	6,494,648	1,626,218	44,534,306
Derivative contracts	164,955	190,266	959,624	729,648	517,223	2,561,718
Other liabilities*	260,177	964	5,531	778	-	267,449
, of which lease liabilities	*327*	*964*	*5,531*	*778*	-	*7,599*
Total	**5,936,681**	**6,538,539**	**27,479,435**	**7,877,172**	**2,879,214**	**50,711,041**

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

Liabilities and hedging derivatives that may be called before maturity have been classified in the maturity class corresponding to the first possible call date. The Company estimates it will call 20–40% of its callable liabilities in 2025. In 2024, the Company called 23% of its callable liabilities.

Adjusted 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
Debt securities eligible for central bank refinancing	269,979	297,711	2,129,027	467,085	-	3,163,801
Loans and advances to credit institutions	9,137,454	25,051	29,348	-	-	9,191,853
Loans and advances to the public and public sector entities	553,220	1,558,950	7,563,119	6,951,263	14,157,184	30,783,736
Debt securities	1,442,083	225,164	305,332	33,625	-	2,006,203
Shares and participations in Group companies	-	-	-	-	656	656
Derivative contracts	25,993	66,502	655,747	834,431	453,540	2,036,212
Other assets	1,049,735	-	-	-	-	1,049,735
Total	**12,478,466**	**2,173,377**	**10,682,573**	**8,286,403**	**14,611,379**	**48,232,199**

Adjusted 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	84,093	0	56,472	57,009	17,977	215,552
Liabilities to the public and public sector entities	87,266	139,849	984,422	558,808	852,205	2,622,551
Debt securities issued	6,198,915	4,416,282	22,699,700	6,092,857	1,465,043	40,872,798
Derivative contracts	215,477	276,181	1,512,104	904,057	588,733	3,496,553
Other liabilities	392,754	1,067	5,227	1,836	-	400,885
, of which lease liabilities	*411*	*1,067*	*5,227*	*1,836*	-	*8,542*
Total	**6,978,506**	**4,833,379**	**25,257,927**	**7,614,568**	**2,923,958**	**47,608,338**

Liabilities and hedging derivatives that may be called before maturity have been classified in the maturity class corresponding to the first possible call date. In 2023, the Company called 32% of its callable liabilities.

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 34. Breakdown of balance sheet items into domestic and foreign currency

Assets 31 Dec 2024 (EUR 1,000)	Domestic currency	Foreign currency	Total	, of which intra-group
Debt securities eligible for central bank refinancing	3,600,100	-	3,600,100	-
Loans and advances to credit institutions	8,506,133	60,249	8,566,382	-
Loans and advances to the public and public sector entities	33,813,849	-	33,813,849	-
Finance lease receivables	1,563,060	-	1,563,060	-
Debt securities	2,278,812	-	2,278,812	-
Derivative contracts	2,080,834	242,874	2,323,708	-
Other assets including cash and balances in central banks	845,053	101,281	946,334	656
Total	**52,687,840**	**404,404**	**53,092,244**	**656**

Liabilities and equity 31 Dec 2024 (EUR 1,000)	Domestic currency	Foreign currency	Total	, of which intra-group
Liabilities to credit institutions	883,694	-	883,694	-
Liabilities to the public and public sector entities	2,442,409	21,465	2,463,874	-
Debt securities issued	21,208,405	23,325,901	44,534,306	-
Derivative contracts	2,298,034	263,684	2,561,718	-
Other liabilities including appropriations and equity	2,648,653	-	2,648,653	-
Total	**29,481,194**	**23,611,050**	**53,092,244**	**-**

Adjusted Assets 31 Dec 2023 (EUR 1,000)	Domestic currency	Foreign currency	Total	, of which intra-group
Debt securities eligible for central bank refinancing	3,163,801	-	3,163,801	-
Loans and advances to credit institutions	9,130,306	61,547	9,191,853	-
Loans and advances to the public and public sector entities	30,783,736	-	30,783,736	-
Finance lease receivables	1,441,686	-	1,441,686	-
Debt securities	5,160,117	9,888	5,170,005	-
Derivative contracts	2,036,838	-625	2,036,212	-
Other assets including cash and balances in central banks	1,004,961	107,039	1,111,999	658
Total	**52,721,445**	**177,848**	**52,899,293**	**658**

Adjusted Liabilities and equity 31 Dec 2023 (EUR 1,000)	Domestic currency	Foreign currency	Total	, of which intra-group
Liabilities to credit institutions	215,552	-	215,552	-
Liabilities to the public and public sector entities	2,601,955	20,595	2,622,551	-
Debt securities issued	20,793,369	20,079,428	40,872,798	-
Derivative contracts	3,273,017	223,536	3,496,553	-
Other liabilities including appropriations and equity	2,528,006	33	2,528,039	5
Total	**29,411,899**	**20,323,593**	**49,735,492**	**5**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 35. Repurchase agreements

The Company did not have any receivables or liabilities related to repurchase agreements at 31 Dec 2024 or at 31 Dec 2023.

Note 36. Fair values and carrying amounts of financial assets and liabilities

Financial assets (EUR 1,000)	31 Dec 2024		Adjusted 31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	2	2	2	2
Debt securities eligible for central bank refinancing	3,600,100	3,600,100	3,163,801	3,163,801
Loans and advances to credit institutions	8,566,382	8,566,382	9,191,853	9,191,853
Loans and advances to the public and public sector entities	33,813,849	35,826,784	30,783,736	32,605,180
Debt securities	2,278,812	2,279,560	2,006,203	2,006,315
Shares and participations in Group companies	656	656	656	656
Derivative contracts	2,323,708	2,323,708	2,036,212	2,036,212
Other assets*	889,682	889,682	1,049,735	1,049,735
Total	**51,473,191**	**53,486,874**	**48,232,199**	**50,053,755**

* Line item includes cash collateral given to central counterparties.

Financial liabilities (EUR 1,000)	31 Dec 2024		Adjusted 31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to credit institutions	883,694	883,627	215,552	215,510
Liabilities to the public and public sector entities	2,463,874	2,475,335	2,622,551	2,635,500
Debt securities issued	44,534,306	44,345,120	40,872,798	40,837,530
Derivative contracts	2,561,718	2,561,718	3,496,553	3,496,553
Other liabilities*	267,449	267,449	400,885	400,885
Total	**50,711,041**	**50,533,249**	**47,608,338**	**47,585,978**

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

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 37. Fair value hierarchy of financial assets and liabilities

Valuation framework

MuniFin has implemented a framework for the arrangements, activities and procedures with regards to the Company'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 Company 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 Company 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's fair values and is responsible for the final approval of the Company's fair values for financial reporting. The Finance Management Team monitors and controls MuniFin '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 Company 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'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. Independent price verification is performed monthly as a part of MuniFin'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. Independent model validation is performed annually for a subset of MuniFin's valuation models by a third-party service provider. The results of the model validation are reported to the Finance Management Team.

Determination of fair value

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 best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the fair value on initial recognition differs from the transaction price and the fair value is evidenced, neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value and adjusted to defer the difference between the fair value on initial recognition and the transaction price (*Day 1 gain or loss*). The difference is amortized on a straight-line basis throughout the lifetime of the contract. Day 1 gain or loss for MuniFin is presented in the adjacent table.

Day 1 gain or loss (EUR 1,000)	Jan–Dec 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	494	512
Total at the end of the reporting period	**-309**	**-350**

The fair values of financial instruments are determined on the basis of either price quotations obtained from functioning markets or, if such markets do not exist, by applying valuation methods. The Company measures fair values using the fair value hierarchy by dividing fair value into level 1, 2 and 3 inputs, which reflects the significance of the inputs used in making the measurements.

IFRS 13 classifies valuation models and techniques into three different categories: market approach, income approach and cost approach. The Company applies the market-based approach when the instrument has a functioning market and public price quotations are available. The Company uses the market approach for the valuation of investment bonds of the liquidity portfolio. For all level 1 assets, the Company uses market prices available for identical assets (same ISIN). The Company 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 Company uses the income approach for many of its financial instruments, for example derivatives, lending and funding. The Company does not use the cost approach for the valuation of any of its financial instruments.

The Company 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.

All valuation models, both complex and simple models, use market prices and other inputs. These market prices and inputs comprise for example interest rates, FX rates, volatilities, correlations. The Company applies different types of valuation inputs depending on the type and complexity of the instruments and the related risk factors and payoff structures. MuniFin'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. Approach has described in more detail in section *Sensitivity analysis of unobservable inputs*.

MuniFin 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 Company'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 Company 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's own credit quality. The Company 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 Company calculates Funding Valuation Adjustment (*FVA*) for those derivative contracts that do not hold cash collateral arrangements (derivatives made with MuniFin's customers).

The following table presents financial instruments by the level of the fair value hierarchy into which the fair value measurement is categorised. The Company 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 Company 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, MuniFin's issued plain-vanilla financial liabilities and MuniFin's lending agreements.

Level 3
Level 3 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'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. Same principle applies to other portfolios and levels of the hierarchy as well. The Company 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.

Financial assets 31 Dec 2024 (EUR 1,000)		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
At fair value					
Fair value through fair value reserve					
Debt securities	377,480	357,349	20,131	-	377,480
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	30,940	-	30,940	-	30,940
Debt securities	3,676,021	3,666,033	9,988	-	3,676,021
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	25,036	-	-	25,036	25,036
Shares and participations in Group companies	656	-	-	656	656
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	451,480	-	445,149	6,331	451,480
Derivative contracts in hedge accounting	1,872,228	-	1,871,295	934	1,872,228
Total at fair value	**6,433,841**	**4,023,383**	**2,377,502**	**32,957**	**6,433,841**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	10,633,372	-	11,128,949	-	11,128,949
Total in fair value hedge accounting	**10,633,372**	**-**	**11,128,949**	**-**	**11,128,949**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	8,566,382	7,957,974	608,408	-	8,566,382
Loans and advances to the public and public sector entities	23,124,500	-	24,641,859	-	24,641,859
Debt securities	1,825,411	-	1,826,159	-	1,826,159
Other assets	889,682	-	889,682	-	889,682
Total at amortised cost	**34,405,977**	**7,957,976**	**27,966,108**	**-**	**35,924,084**
Total financial assets	**51,473,191**	**11,981,359**	**41,472,559**	**32,957**	**53,486,874**

Financial liabilities 31 Dec 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	79,315	-	79,315	-	79,315
Liabilities to the public and public sector entities	1,334,136	-	1,293,774	40,363	1,334,136
Debt securities issued	9,198,104	-	9,002,575	195,529	9,198,104
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,073,936	-	988,985	84,950	1,073,936
Derivative contracts in hedge accounting	1,487,782	-	1,481,145	6,636	1,487,782
Total at fair value	**13,173,273**	**-**	**12,845,795**	**327,478**	**13,173,273**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	88,243	-	88,175	-	88,175
Liabilities to the public and public sector entities	1,129,737	-	1,141,199	-	1,141,199
Debt securities issued*	34,570,729	-	34,092,128	289,415	34,381,544
Total in fair value hedge accounting	**35,788,709**	**-**	**35,321,502**	**289,415**	**35,610,917**
At amortised cost					
Liabilities to credit institutions	716,137	-	716,137	-	716,137
Debt securities issued	765,473	-	765,473	-	765,473
Other liabilities	267,449	-	267,449	-	267,449
Total at amortised cost	**1,749,059**	**-**	**1,749,059**	**-**	**1,749,059**
Total financial liabilities	**50,711,041**	**-**	**49,916,355**	**616,894**	**50,533,249**

* MuniFin's fixed-rate benchmark bond issuances are presented on level 2 due to the fact that these bonds are in fair value hedge accounting with respect to the hedged risk. Valuation of the hedged risk is based on the level 2 inputs. In the Notes of the Financial Statements, the Company's fixed-rate benchmark bonds' fair value is adjusted to reflect fair value based on the quoted prices from Bloomberg. The market price is a level 1 input.

Adjusted Financial assets	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
At fair value					
Fair value through fair value reserve					
Debt securities	375,072	375,072	-	-	375,072
Designated at fair value through profit or loss					
Loans and advances to the public and public sector entities	30,497	-	30,497	-	30,497
Debt securities	3,219,979	3,172,048	47,931	-	3,219,979
Mandatorily at fair value through profit or loss					
Loans and advances to the public and public sector entities	27,663	-	-	27,663	27,663
Shares and participations in Group companies	656	-	-	656	656
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	353,731	-	344,696	9,036	353,731
Derivative contracts in hedge accounting	1,682,481	-	1,682,481	-	1,682,481
Total at fair value	**5,690,079**	**3,547,120**	**2,105,605**	**37,354**	**5,690,079**
In fair value hedge accounting					
Amortised cost					
Loans and advances to the public and public sector entities	10,963,049	-	11,491,485	-	11,491,485
Total in fair value hedge accounting	**10,963,049**	**-**	**11,491,485**	**-**	**11,491,485**
At amortised cost					
Cash and balances with central banks	2	2	-	-	2
Loans and advances to credit institutions	9,191,853	8,127,116	1,064,737	-	9,191,853
Loans and advances to the public and public sector entities	19,762,528	-	21,055,535	-	21,055,535
Debt securities	1,574,954	-	1,575,066	-	1,575,066
Other assets	1,049,735	-	1,049,735	-	1,049,735
Total at amortised cost	**31,579,071**	**8,127,119**	**24,745,072**	**-**	**32,872,190**
Total financial assets	**48,232,199**	**11,674,238**	**38,342,162**	**37,354**	**50,053,755**

Adjusted 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	43,971	-	43,971	-	43,971
Liabilities to the public and public sector entities	1,322,866	-	1,223,599	99,266	1,322,866
Debt securities issued	9,530,487	-	9,234,376	296,110	9,530,487
Fair value through profit or loss					
Derivative contracts at fair value through profit or loss	1,194,531	-	1,077,062	117,469	1,194,531
Derivative contracts in hedge accounting	2,302,023	-	2,290,304	11,719	2,302,023
Total at fair value	**14,393,876**	**-**	**13,869,312**	**524,564**	**14,393,876**
In fair value hedge accounting					
Amortised cost					
Liabilities to credit institutions	87,488	-	87,446	-	87,446
Liabilities to the public and public sector entities	1,299,685	-	1,312,634	-	1,312,634
Debt securities issued	31,054,516	-	30,832,056	187,193	31,019,249
Total in fair value hedge accounting	**32,441,689**	**-**	**32,232,137**	**187,193**	**32,419,329**
At amortised cost					
Liabilities to credit institutions	84,093	-	84,093	-	84,093
Debt securities issued	287,794	-	287,794	-	287,794
Other liabilities	400,885	-	400,885	-	400,885
Total at amortised cost	**772,773**	**-**	**772,773**	**-**	**772,773**
Total financial liabilities	**47,608,338**	**-**	**46,874,221**	**711,757**	**47,585,978**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Sensitivity analysis of unobservable inputs

Sensitivity analysis illustrates the impact of the reasonably possible assumptions on the fair value of financial instruments for which valuation is dependent on unobservable inputs. In order to assess the 'significance' of the level 3 valuation inputs to the fair value of an instrument, MuniFin has defined a materiality ('significance') threshold to the fair value of an instrument and pre-defined stress levels that is assessed to be 'reasonable possible alternative assumption' to the valuation input.

In addition, in order to assess the significance, the Company uses materiality threshold by comparing the impact of the unobservable input (level 3) to the notional. If the impact is below threshold, the financial instrument is classified as a level 2 instrument. The assessment of the fair value hierarchy classification will be performed using a *Waterfall principle* meaning that the input which is assumed to be the most material valuation input, in combination with the complexity of the model, will be assessed first. As a result of an assessment, the Company has designation of level 3 instruments that has material un-observable input to the fair value of financial instrument.

The unobservable inputs used by the Company 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 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 Company 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 Company 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 Company'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 Company's funding products and their hedging instruments.

Interest rates (extrapolated or illiquid)

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

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, which are material to the fair value of a given instrument, are controlled via pricing models or valuation techniques. MuniFin 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 Company are Hull-White model and Dupire volatility model.

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

Although the Company 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 31 December 2024, these assumptions could have increased fair values by EUR 13.6 million (EUR 21.2 million) or decreased fair values by EUR 13.4 million (EUR 21.1 million).

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	25,036	Stochastic model	Volatility – Extrapolated or Illiquid	24	-19
Derivative contracts					
Equity-linked derivatives	-6,715	Stochastic model	Correlation parameters	2	-7
			Volatility – Extrapolated or Illiquid	26	-52
			Dividend yield	2	-1
FX-linked cross currency and interest rate derivatives	-836	Stochastic model	Correlation parameters	116	-87
			Volatility – Extrapolated or Illiquid	703	-761
			Interest rates – Extrapolated or Illiquid	0	0
Other interest rate derivatives	-76,772	Stochastic model	Correlation parameters	0	-1
			Volatility – Extrapolated or Illiquid	6,056	-6,097
			Interest rates – Extrapolated or Illiquid	969	-969
Debt securities issued and Liabilities to the public and public sector entities					
Equity-linked liabilities	9,373	Stochastic model	Correlation parameters	2	0
			Volatility – Extrapolated or Illiquid	51	-34
			Dividend yield	1	-1
FX-linked liabilities	82,047	Stochastic model	Correlation parameters	54	-44
			Volatility – Extrapolated or Illiquid	624	-608
			Interest rates – Extrapolated or Illiquid	0	0
Other liabilities	433,887	Stochastic model	Correlation parameters	1	-1
			Volatility – Extrapolated or Illiquid	4,969	-4,737
			Interest rates – Extrapolated or Illiquid	21	-21
Total				**13,619**	**-13,440**

Sensitivity analysis of unobservable inputs 31 Dec 2023 (EUR 1,000)	Adjusted 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	27,663	Stochastic model	Volatility – Extrapolated or Illiquid	-26	-81
Derivative contracts					
			Correlation parameters	7	-20
Equity-linked derivatives	-21,298	Stochastic model	Volatility – Extrapolated or Illiquid	627	-607
			Dividend yield	34	-14
			Correlation parameters	125	-111
FX-linked cross currency and interest rate derivatives	591	Stochastic model	Volatility – Extrapolated or Illiquid	735	-859
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	0	0
Other interest rate derivatives	-99,445	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	80,242	Stochastic model	Volatility – Extrapolated or Illiquid	658	-562
			Dividend yield	44	-36
			Correlation parameters	80	-73
FX-linked liabilities	108,722	Stochastic model	Volatility – Extrapolated or Illiquid	657	-577
			Interest rates – Extrapolated or Illiquid	0	0
			Correlation parameters	2	-2
Other liabilities	393,605	Stochastic model	Volatility – Extrapolated or Illiquid	8,277	-8,060
			Interest rates – Extrapolated or Illiquid	31	-31
Total				**21,250**	**-21,141**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Transfers in the fair value hierarchy

MuniFin 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 2024, transfers totalling EUR 9,988 thousand have been made from level 1 to level 2 and EUR 31,470 thousand from level 2 to level 1 in the line item *Debt securities*. During 2024, there were no transfers from level 2 to level 3.

Level 3 transfers 2024 (EUR 1,000)	Adjusted 1 Jan 2024	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in fair value reserve	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	31 Dec 2024
Financial assets										
At fair value										
Mandatorily at fair value through profit or loss										
Loans and advances to the public and public sector entities	27,663	-	-2,627	-	-	-	-	-	-	25,036
Shares and participations in Group companies	656	-	-	-	-	-	-	-	-	656
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	9,036	-202	-2,444	-	-	-261	202	-	-	6,331
Derivative contracts in hedge accounting	0	680	706	-	228	-	-680	-	-	934
Financial assets in total	**37,355**	**478**	**-4,365**	**-**	**228**	**-261**	**-478**	**-**	**-**	**32,957**
Financial liabilities										

Level 3 transfers 2024 (EUR 1,000)	Adjusted 1 Jan 2024	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in fair value reserve	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	31 Dec 2024
At fair value										
Designated at fair value through profit or loss										
Liabilities to the public and public sector entities	99,266	-901	1,611	-2,579	-	-	901	-	-57,935	40,363
Debt securities issued	296,110	-3,997	-1,351	-9,594	-	-89,637	3,997	-	-	195,529
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	117,469	-6,555	-5,128	-	-	-18,480	6,555	-	-8,910	84,950
Derivative contracts in hedge accounting	11,719	2,900	-6,357	309	1,703	-	-2,900	-	-738	6,636
In fair value hedge accounting										
Amortised cost										
Debt securities issued	187,193	-11,498	12,213	-	101,052	-	11,498	-	-11,042	289,415
Financial liabilities in total	**711,757**	**-20,049**	**987**	**-11,863**	**102,754**	**-108,116**	**20,049**	**-**	**-78,625**	**616,894**
Level 3 financial assets and liabilities in total	**749,112**	**-19,571**	**-3,377**	**-11,863**	**102,982**	**-108,377**	**19,571**	**-**	**-78,625**	**649,850**

The Company recognises these gains and losses within the line item *Net income on financial instruments at fair value through profit or loss*. The fair value change due to changes in own credit risk of financial liabilities designated at fair value through profit or loss is recognised in fair value reserve. The fair value change due to changes in own credit risk of financial liabilities is presented in Note *5 Net income on financial instruments at fair value through profit or loss*. For cross currency swaps in hedge accounting, the cross currency basis spread is separated and excluded from the designation and accounted for as Cost-of-Hedging in fair value reserve.

During 2023, transfers totalling EUR 72,008 thousand have been made to level 1 from level 2 in the line item *Debt securities*. During 2023, total of EUR 2,443 thousand were transferred from level 2 to level 3 financial instruments.

Level 3 transfers 2023 (EUR 1,000)	Adjusted 1 Jan 2023	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in fair value reserve	Debt issuances and new derivative contracts	Matured contracts	Settlements	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	31,219	-	-3,556	-	-	-	-	-	-	27,663
Shares and participations in Group companies	656	-	-	-	-	-	-	-	-	656
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	15,999	649	-4,041	-	-	-2,922	-649	-	-	9,036
Derivative contracts in hedge accounting	752	-	-	-	-	-	-	-	-752	0
Financial assets in total	**48,626**	**649**	**-7,597**	**-**	**-**	**-2,922**	**-649**	**-**	**-752**	**37,355**

Level 3 transfers 2023 (EUR 1,000)	Adjusted 1 Jan 2023	Realised gains and losses in the income statement	Unrealised change in fair value in the income statement	Unrealised change in fair value in fair value reserve	Debt issuances and new derivative contracts	Matured contracts	Settlements	Transfers into level 3	Transfers out of level 3	31 Dec 2023
Financial liabilities										
At fair value										
Designated at fair value through profit or loss										
Liabilities to the public and public sector entities	152,910	-901	7,594	-3,612	-	-57,626	901	-	-	99,266
Debt securities issued	982,846	-7,911	-27	-5,883	-	-680,825	7,911	-	-	296,110
Fair value through profit or loss										
Derivative contracts at fair value through profit or loss	337,031	-4,415	-10,658	-	-	-208,904	4,415	-	-	117,469
Derivative contracts in hedge accounting	5,546	559	628	139	7,411	-	-559	640	-2,645	11,719
In fair value hedge accounting										
Amortised cost										
Debt securities issued	57,413	-2,789	2,915	-	155,169	-	2,789	1,803	-30,107	187,193
Financial liabilities in total	**1,535,746**	**-15,456**	**452**	**-9,356**	**162,580**	**-947,355**	**15,456**	**2,443**	**-32,753**	**711,757**
Level 3 financial assets and liabilities in total	**1,584,372**	**-14,808**	**-7,145**	**-9,356**	**162,580**	**-950,277**	**14,808**	**2,443**	**-33,505**	**749,112**

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in Note *1 Significant accounting policies and corrections to previous Parent Company's Financial Statements.*

Note 38. Equity

2024 (EUR 1,000)	Share capital	Reserve fund	Fair value reserve of investments	Own credit risk revaluation reserve	Cost-of-Hedging reserve	Reserve for invested non-restricted equity	Retained earnings	Total
Carrying amount 1 Jan	43,008	277	2,052	60,238	21,821	40,743	365,611	533,750
+ Increase	-	-	1,288	109,762	23,892	-	73,737	208,679
- Decrease	-	-	-	-	-	-	-66,018	-66,018
Carrying amount 31 Dec	**43,008**	**277**	**3,340**	**169,999**	**45,714**	**40,743**	**373,330**	**676,411**

2023 (EUR 1,000)	Share capital	Reserve fund	Fair value reserve of investments	Own credit risk revaluation reserve	Cost-of-Hedging reserve	Reserve for invested non-restricted equity	Retained earnings	Total
Carrying amount 1 Jan	43,008	277	-4,457	-83	1,488	40,743	365,775	446,750
+ Increase	-	-	6,511	60,320	20,334	-	67,416	154,581
- Decrease	-	-	-2	-	-	-	-67,580	-67,582
Carrying amount 31 Dec	**43,008**	**277**	**2,052**	**60,238**	**21,821**	**40,743**	**365,611**	**533,750**

Distributable funds	31 Dec 2024	31 Dec 2023
Retained earnings	299,593	298,194
Net profit for the financial year	73,737	67,416
Total	**373,330**	**365,611**

At 31 December 2024, the distributable funds totalled EUR 373,330,287.47 (EUR 365,610,693.66). The funds received from MuniFin's share issue in 2009 have been recorded in the Reserve for invested non-restricted equity. The Reserve for invested non-restricted equity, recognised based on the share issue, is considered as a return of capital at the time of possible distribution of profits, and therefore MuniFin does not count the Reserve for invested non-restricted equity as an item for distributable funds. Based on Article 4 of CRR, the Reserve for invested non-restricted equity is also considered a non-distributable item.

Note 39. Share capital

The shares of Municipality Finance Plc are divided into A and B shares. The two types are equal in terms of voting rights and the distribution of profit. Each share entitles its holder to one vote. The shares have no nominal value. The acquisition of shares is restricted through the consent and redemption clauses of the Articles of Association. At the end of 2024, the Company's share capital, paid up and recorded in the Trade Register, amounted to EUR 43,008 thousand (EUR 43,008 thousand). The total number of shares is 39,063,798 (39,063,798) which is divided into A shares 26,331,646 (26,331,646) and B shares 12,732,152 (12,732,152).

Note 40. Largest shareholders

The ten largest shareholders in terms of voting rights and the number of shares held by them, their portion of all shares in the credit institution and of all votes carried by the shares as well as the total number of shareholders:

31 Dec 2024	No. of shares	Per cent
1. Keva	11,975,550	30.66%
2. Republic of Finland	6,250,000	16.00%
3. City of Helsinki	4,066,525	10.41%
4. City of Espoo	1,547,884	3.96%
5. VAV Asunnot Oy*	963,048	2.47%
6. City of Tampere	919,027	2.35%
7. City of Oulu	903,125	2.31%
8. City of Turku	763,829	1.96%
9. City of Kuopio	592,028	1.52%
10. City of Lahti	537,926	1.38%

* VAV Asunnot Oy is fully owned by City of Vantaa.

The total number of shareholders is 276 (276).

The number of shares in this table does not include possible shares held by the shareholders' group companies.

Notes on collateral and contingent liabilities

Note 41. Collateral given

Given collaterals on behalf of own liabilities and commitments (EUR 1,000)	31 Dec 2024	Adjusted 31 Dec 2023
Loans and advances to credit institutions to the counterparties of derivative contracts*	608,408	1,064,737
Loans and advances to credit institutions to the central bank**	31,980	35,152
Loans and advances to the public and public sector entities to the central bank***	4,814,713	4,615,648
Loans and advances to the public and public sector entities to the Municipal Guarantee Board****	13,705,743	12,765,959
Debt securities to the central counterparty	101,703	70,901
Other assets to the counterparties of derivative contracts*	889,682	1,049,735
Total	**20,152,229**	**19,602,132**

* MuniFin has pledged cash collateral to the counterparties of derivative contracts.

** Item consists of minimum reserve requirement 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 has pledged loans shown in the table to the Municipal Guarantee Board. The Municipal Guarantee Board guarantees MunFin's funding and MuniFin places collateral for the Municipal Guarantee Board's guarantees as defined in the Act on the Municipal Guarantee Board.

Collateral given is presented at the carrying amounts of the financial statement date.

During the financial year MuniFin corrected the presentation of accrued interest. More detailed information about the change in presentation can be found in note 1.*Significant accounting policies and corrections to previous Parent Company's Financial Statements, FAS.*

Note 42. Pension liabilities

Pension coverage has been arranged via an external pension insurance company. Pension plans are classified as defined contribution plans.

Note 43. Off-balance sheet commitments

(EUR 1,000)	31 Dec 2024	31 Dec 2023
Credit commitments	2,935,231	3,071,228
Total	**2,935,231**	**3,071,228**

Notes on personnel and management

Note 44. Personnel

	2024		2023	
	Average	End of year	Average	End of year
Permanent full-time	168	168	158	158
Permanent part-time	1	1	3	3
Fixed term	12	9	11	13
Total	**181**	**178**	**172**	**174**

Employee benefits for management

Salaries and remuneration paid to the CEO, Deputy to the CEO and other members of the Executive Management Team (*EMT*) subject to withholding tax:

Salaries and remuneration (EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
President and CEO	-454	-451
Deputy to the CEO	-258	-239
Other members of the Executive Management Team in total	-1,604	-1,424
Total	**-2,316**	**-2,114**

MuniFin has provided to those members of the EMT that have been appointed as members (including CEO and the Deputy to the CEO) before 21 Dec 2017 with a contribution-based group pension insurance. Those members are entitled to pension from the insurance after they have turned 63 years.

The Company has paid the following statutory pension contributions related to the CEO, the Deputy to the CEO and other members of the EMT:

Statutory pension contributions (EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
President and CEO	-77	-76
Deputy to the CEO	-43	-40
Other members of the Executive Management Team in total	-270	-239
Total	**-390**	**-354**

Remuneration of the Board of Directors

During the term 2024–2025, the members of the Board of Directors of the Parent Company are paid an annual remuneration as well as remuneration for each meeting in accordance with the decision of the Annual General Meeting. The annual remuneration is EUR 45,000 for the Chair of the Board, EUR 29,000 for the Vice Chair, EUR 31,000 for the Chairs of Committees and EUR 25,000 for the other members of the Board. The remuneration paid for Board and Committee meetings is EUR 950 per meeting for the Chair of the Board and the Chairs of Committees and EUR 600 per meeting for the other members. In addition, meeting remuneration is paid for the meetings required by the supervisory authorities.

During the term 2023–2024, the annual remuneration was EUR 42,000 for the Chair of the Board, EUR 27,500 for the Vice Chair, EUR 29,500 for the Chairs of Committees and EUR 24,000 for the other members of the Board. The remuneration paid for Board and Committee meetings was EUR 950 per meeting for the Chair of the Board and the Chairs of Committees and EUR 600 per meeting for the other members. In addition, meeting remuneration was paid for the meetings required by the supervisory authorities.

Salaries and remuneration (EUR 1,000) Members of the Board of Directors	Jan–Dec 2024	Jan–Dec 2023
Kari Laukkanen, the Chair	-65	-63
Maaria Eriksson, the Vice Chair	-43	-42
Markku Koponen	-47	-45
Vivi Marttila, member until 28 March 2023	-	-9
Tuomo Mäkinen	-38	-36
Minna Smedsten, member until 17 May 2024	-14	-36
Denis Strandell	-37	-34
Elina Stråhlman, member since 17 May 2024	-23	-
Leena Vainiomäki	-49	-46
Arto Vuojolainen, member since 28 March 2023	-38	-27
Total	**-354**	**-339**

Related party transactions

Note 45. Loans and other financial receivables from the related parties

MuniFin does not have any loan or financial receivables, or other receivables referred to in Chapter 15 Section 13 (2) of the Act on Credit Institutions from related parties.

Holdings in other companies

Note 46. Holdings in other companies

(EUR 1,000)	2024 Proportion of all shares, %	2024 Carrying amount	2023 Proportion of all shares, %	2023 Carrying amount
Subsidiaries				
Financial Advisory Services Inspira Ltd	100.0	656	100.0	656
Total	**100.0**	**656**	**100.0**	**656**

Other notes

Note 47. Audit and other fees paid to the audit firm

(EUR 1,000)	Jan–Dec 2024	Jan–Dec 2023
KPMG Oy Ab		
Audit	-214	-363
Assignments as referred to in chapter 1, section 1, subsection 1, paragraph 2 of the Auditing Act	-7	-11
Tax advisory services	-8	-7
Other services	-179	-170
PricewaterhouseCoopers Oy		
Audit	-363	-
Assignments as referred to in chapter 1, section 1, subsection 1, paragraph 2 of the Auditing Act	-	-
Tax advisory services	-10	-
Other services	-230	-23
Total	**-1,011**	**-574**

Amounts do not include VAT.

The audit firm KPMG Oy Ab served as an auditor of MuniFin until the Annual General Meeting held on May 17, 2024. The Annual General Meeting appointed the audit firm PricewaterhouseCoopers Oy as a new auditor starting from May 17, 2024.

Signatures to the Report of the Board of Directors and the Financial Statements

Helsinki, 12 February 2025

Municipality Finance Plc

Kari Laukkanen
Chair of the Board

Maaria Eriksson
Vice Chair of the Board

Markku Koponen
Member of the Board

Tuomo Mäkinen
Member of the Board

Denis Strandell
Member of the Board

Elina Ståhlman
Member of the Board

Leena Vainiomäki
Member of the Board

Arto Vuojolainen
Member of the Board

Esa Kallio
President and CEO

Auditor's Note

A report of the audit performed has been issued today.

Helsinki, 12 February 2025

PricewaterhouseCoopers Oy

Jukka Paunonen
Authorized Public Accountant

Auditor's Report

(Translation of the Finnish Original)

Municipality Finance Plc
Auditor's Report
for the year ended 31 December 2024

To the Annual General Meeting of Municipality Finance Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Municipality Finance Plc (business identity code 1701683-4) for the year ended 31 December 2024. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 11 to the Financial Statements.

Our Audit Approach

Overview

- Overall group materiality: € 50 million, which represents 0,10% of total assets

- The group audit scope encompassed all group companies.

Key audit matters:

- Impairment of loans to customers
- Valuation of certain level II and III financial instruments held at fair value

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 50 million
How we determined it	0,10% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, key drivers of the business and determinants of the credit institutions' profit potential are best reflected in the balance sheet. The benchmark determined is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Municipality Finance Group, the accounting processes and controls, and the industry in which the group operates.

We are auditors of both the parent company and the subsidiary.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans to customers *Refer to the Note 1 summary of material accounting policies (Expected credit losses), Note 12 Credit losses on financial assets recognised at amortised cost and at fair value through other comprehensive income, Note 19 Loans and advances to credit institutions and Note 20 Loans and advances to public and public sector entities in the financial statements* Some level of judgement is involved in determining the appropriate impairment loss to be recognised. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. MuniFin categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, the calculation is based on the lifetime of expected losses.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. We assessed the design and effectiveness of governance and controls over the estimation of ECL. For ECL model, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans. We have also assessed the disclosures related to impairment of loans.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of certain level II and III financial instruments held at fair value *Refers to Note 1 - Summary of significant accounting policies, Note 2 - Risk management principles and the Group's risk position, Note 3 - Interest income and expense, Note 5 - Net result on financial instruments at fair value through profit or loss, Note 6 - Net result on financial assets at fair value through other comprehensive income, Note 7 - Net result from hedge accounting, Note 14 - Financial assets and liabilities, Note 15 - Fair values of financial assets and liabilities, Note 17 - Offsetting financial assets and liabilities, Note 23 - Derivative contracts, Note 24 - Hedge accounting.* The share of financial assets and liabilities measured at fair value in the consolidated balance sheet is significant, and the valuations of financial instruments at fair value hierarchy level 2 and especially level 3 are mainly based on internal valuation methods and unobservable inputs, which means that the valuations involve management judgment. Changes in market conditions have a significant impact on the fair value of financial instruments, highlighting the importance of a well-functioning valuation process. Important areas in valuation of financial instruments held at fair value relate to: • The framework and policies relating to valuation and valuation models; • Internal controls related to fair value price adjustments, the accuracy of data used, fair value adjustments, fair value hierarchy levels, and the governance and monitoring of valuation models; and • Note disclosures relating to financial instruments	We have formed an understanding and tested the appropriateness and functioning of the valuation process for financial instruments, as well as the controls and valuation models that are key to the process. We have assessed the appropriateness of the accounting policies and valuation methods related to financial instruments. We have tested the correctness of the valuation of Company's financial instruments by performing an independent valuation focusing on significant items measured at fair value and assessed the appropriateness of the assumptions and management estimates applied in the valuations. We have assessed the appropriateness of the note disclosures relating to the valuation of financial instruments.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
We were first appointed as auditors by the annual general meeting on 17 May 2024. Our appointment represents a total period of uninterrupted engagement of 1 year.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in compliance with the applicable provisions.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in compliance with the applicable provisions.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements
We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 12 February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

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