



MUNICIPALITY FINANCE PLC

(Kuntarahoitus Oyj)

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

€25,000,000,000

Programme for the Issuance of Debt Instruments

Guaranteed by

THE MUNICIPAL GUARANTEE BOARD

(Kuntien takauskeskus)

(Established as a public law institution under the laws of the Republic of Finland)

This offering circular (the "**Offering Circular**") comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), nor listing particulars given in compliance with the listing rules ("**Listing Rules**") made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**FCA**").

Application may be made to the FCA for Notes to be admitted to a listing on the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**") or to any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, unlisted Notes may be issued pursuant to the Programme (as defined herein). The relevant Final Terms or Drawdown Offering Circular (as defined herein) in respect of the issue of any Notes will specify whether or not an application will be made for such Notes to be admitted to the Official List and admitted to trading on the Market (or any other listing authority, stock exchange and/or quotation system). Notes listed on the Official List and admitted to trading on the Market will not be subject to the prospectus requirements of the Prospectus Directive as a result of the exemption provided by Article 1.2(d) of the Prospectus Directive for securities unconditionally and irrevocably guaranteed by a local authority of an EEA member state, but will be issued in compliance with applicable Listing Rules of the FCA.

Under this Programme, the Issuer (as defined below) may, subject to all applicable legal and regulatory requirements, from time to time issue Notes in bearer and/or in registered form and/or in uncertificated book entry form (in the case of VPS Notes) (respectively "**Bearer Notes**", "**Registered Notes**" and "**VPS Notes**") each denominated in any currency agreed between the Issuer and the Dealers (as defined below). Copies of each Final Terms (as defined herein) will be available (in the case of Bearer Notes) from the specified office set out below of each of the Paying Agents (as defined below), in the case of Registered Notes from the specified office set out below of the Transfer Agent (as defined below) and in the case of VPS Notes as set out in the Final Terms relating to such VPS Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may be offered and sold only (i) outside of the United States to persons other than U.S. persons as defined in and in accordance with Regulation S under the Securities Act and (ii) in the United States to purchasers who are qualified institutional buyers ("QIBs") as defined in Rule 144A under the Securities Act that are also qualified purchasers ("QPs") as defined in Section 2(a)(51)(A) of the United States Investment Company Act of 1940, as amended ("Investment Company Act") in each case acting for their own account of one or more QIBs that are also QPs in reliance on and in compliance with Rule 144A.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "**Risk Factors**" below.

Arranger
Citigroup

Dealers

Barclays
Citigroup
Deutsche Bank
J.P. Morgan
Nordea

BNP Paribas
Commerzbank
Goldman Sachs International
Mizuho Securities
RBC Capital Markets
The Royal Bank of Scotland
11 May 2016

BofA Merrill Lynch
Daiwa Capital Markets Europe
HSBC
Nomura
SMBC Nikko

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IMPORTANT NOTICES

Municipality Finance Plc (the "**Issuer**" or "**Municipality Finance**") and the Municipal Guarantee Board (the "**Guarantor**" or the "**MGB**") have confirmed to the dealers (the "**Dealers**") named under "*Subscription and Sale*" below that this Offering Circular (as amended or supplemented and, in relation to a particular tranche of Notes, as completed by the relevant Final Terms (as defined below)) contains all information which is (in the context of the Programme or the issue, offering and sale of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in the Offering Circular are honestly held or made and are not misleading in any material respect; the Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme or the issue, offering and sale of the Notes) not misleading in any material respect; and all proper enquiries have been made to ascertain or verify the foregoing.

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") in conjunction with a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate offering circular specific to such Tranche (the "**Drawdown Offering Circular**") as described under "*Final Terms and Drawdown Offering Circulars*" on page 26. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

This Offering Circular must be read and construed together with any amendment or supplement thereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Programme has been rated by Standard & Poor's Credit Market Services Europe Limited and by Moody's Investors Service Limited.

Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Limited are established in the EEA and registered under Regulation (EU) No 1060/2009, as amended.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer or the Guarantor or the Notes other than as contained or incorporated by reference in this Offering Circular, the Dealer Agreement (as defined herein), any other document prepared in connection with the Programme, any Final Terms, any Drawdown Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor, the Dealers or any of them.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular. No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular, any Drawdown Offering Circular or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Final Terms comes are required by the Issuer and the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the Securities Act and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. Neither this Offering Circular nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. Additionally, Notes denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway, unless the regulation relating to the offer of VPS Notes (as defined below) and the registration in the VPS (as defined below) of VPS Notes has been complied with.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**"), any State securities commission in the United States or any other U.S. Regulatory Authority nor have any of the foregoing authorities passed upon or endorsed the merits of any offering of Notes or the accuracy or the adequacy of this Offering Circular. Any representations to the contrary are a criminal offence in the United States.

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") except in certain transactions exempt from the registration requirements of the Securities Act). See "*Subscription and Sale*".

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to persons other than U.S. persons as defined in Regulation S and, with respect to Notes in registered form only, within the United States in reliance upon Rule 144A under the Securities Act ("**Rule 144A**") to QIBs that are also QPs in reliance on Rule 144A and any applicable securities laws of any state of the United States and any other relevant jurisdiction. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Issuer and the Guarantor have agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of the Issuer and the Guarantor will, during any period in which it is neither subject to sections 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish to each holder of such Notes in connection with any resale thereof and to any prospective purchaser of such Notes from such holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

Neither this Offering Circular nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Dealers or any of them that any recipient of this Offering Circular or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent

- (i) the Notes are legal investments for it,
- (ii) the Notes can be used as collateral for various types of borrowings, and
- (iii) other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Potential investors should consider reinvestment risk in light of other investments available at that time.

Investors who are in any doubt as to their position should consult their professional advisers.

Prospective purchasers should consult their own financial and legal advisers about risks associated with an investment in a particular Tranche of Notes and the suitability of investing in the Notes in light of their particular circumstances.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

Each of the Issuer and the Guarantor is duly incorporated under the laws of the Republic of Finland. All of the directors and officers of the Issuer and the Guarantor reside in the Republic of Finland and almost all of the assets of the Issuer and the Guarantor and of such directors and officers are located in the Republic of Finland. None of the Issuer, the Guarantor nor any of their respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any suit brought by an investor in the Notes or named an agent for service of process within the United States upon the Issuer, the Guarantor or such persons or to enforce, in United States courts, judgments against the Issuer, the Guarantor or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, under the Notes, each of the Issuer and the Guarantor will consent to the jurisdiction of the courts of England and, in the case of VPS Notes, Norway and will appoint an agent for service of process in England, and in the case of VPS Notes, Norway.

The Issuer has been advised by Asianajotoimisto DLA Piper Finland Oy, their counsel, that there is no convention or treaty concerning the enforcement of judgments between the Republic of Finland and the United States of America. Therefore the judgments of United States courts of civil liabilities are not enforceable in the Republic of Finland. Enforcement of such judgment in Finland may require a new legal action, suit or proceeding in, and judgment by, a Finnish court. In such event, the judgment would constitute circumstantial evidence of the questions of fact in the case concerned and evidence of the governing law as applied to the matter in dispute, **provided that** such court had jurisdiction over the subject matter and the parties involved and such judgment was final and was not and is not contrary to the laws or the public policy of Finland.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Issuer and its consolidated subsidiary (together, the "**Group**") and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Group regarding such items. These statements include matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes", "expects", "are expected to", "anticipates", "intends", "estimates", "should", "will", "will continue", "may", "is likely to", "plans" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and the development of the industry in which it operates may differ significantly from those predicted or suggested by the forward-looking statements contained in this Offering Circular. In addition, even if the Group's results of operations, financial condition and business and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods.

PRESENTATION OF FINANCIAL AND OTHER DATA

In this Offering Circular, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**€**", "**EUR**", "**Euro**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**£**", "**Pounds Sterling**" and "**British Pounds Sterling**" are to the currency of the United Kingdom, references to "**U.S.\$**", "**USD**" and "**United States Dollars**" are to the currency of the United States of America, references to "**NOK**" or "**Norwegian Kroner**" are to the lawful currency of the Kingdom of Norway, references to "**AUD**" are to the currency of the Commonwealth of Australia. All references to "**Government**" are to the government of the Republic of Finland.

In this Offering Circular, various figures and percentages have been rounded and, accordingly, may not total.

Pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002 and related regulations, effective 1 January 2005, the Issuer adopted International Financial Reporting Standards, as they have been endorsed by the European Commission ("**EU IFRS**"). Accordingly, the

Group Consolidated Financial Statements (as defined below) have been prepared in accordance with EU IFRS.

EU IFRS differs in certain significant respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"). No financial statements or financial information included herein have been prepared or presented in accordance with U.S. GAAP or the accounting rules and regulations adopted by the SEC ("**SEC Rules and Regulations**"). As a result, the financial information included herein may differ substantially from financial information prepared in accordance with U.S. GAAP and those rules and regulations. It is not practicable for the Issuer to prepare its financial statements in accordance with U.S. GAAP and the SEC Rules and Regulations or to prepare any reconciliation of its consolidated financial statements and related footnotes. In making an investment decision, investors must rely upon their own examination of the business, financial condition, results of operations and cash flows of the Group, the terms of the offering and the financial information presented herein. Potential investors are urged to consult their own professional advisors for an understanding of the differences between EU IFRS and U.S. GAAP, and of how those differences might affect the financial information presented herein.

Market Data

Certain macroeconomic and statistical data included in this Offering Circular has been derived from publicly available sources, the reliability of which may vary. Macroeconomic and statistical data concerning Finland is mostly based on information published by the Finnish Ministry of Finance (the "**Ministry of Finance**"). In any case, macroeconomic and statistical data, as well as the source data on which it is based, may not have been extracted or derived from a source in a manner analogous to that used in other countries. There is no guarantee that a third party using different methods of gathering, analysing and processing information would obtain the same results.

Market data and certain industry data and forecasts used, as well as statements made herein regarding the Group's and the Guarantor's position in the industry, were estimated or derived based upon assumptions the Group deems reasonable. The source of any external information is provided each time such information is used in this Offering Circular. When searching for, processing and preparing macroeconomic, market, industry and other data from sources other than the Group, such as governmental publications, third party publications, industry publications and general interest publications, the Group has not verified such data. The Group has accurately extracted information from this third-party data from published sources and, as far as the Group is aware and to the extent the Group can ascertain from the information published by these sources, there are no omissions that would render such information in this Offering Circular materially misleading.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed.

However, in the preparation of this Offering Circular, this third-party information has not been independently verified nor has there been any investigation of the validity of the methodology or the basis used by the third parties in producing such data or making estimates and forecasts. The Group can give no assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate.

EXCHANGE RATES

The tables below set forth the euro versus the U.S. dollar exchange rates as certified by the European Central Bank. The Group does not represent that the U.S. dollar amounts referred to below could have been or could be converted into euro at any particular rate indicated or at any other rate. The rates below may differ from the rates used in the Group Consolidated Financial Statements, Audited MGB Financial Statements and other financial information appearing in this Offering Circular.

The table below shows the high and low European Central Bank rates for euro versus the U.S. dollar for each respective year and the rate at the end of the year. The average amounts set forth below under "Average" are calculated as the average of the European Central Bank rates for euro versus the U.S. dollar on the last business day of each month for each respective year.

| | <u>Low</u> | <u>High</u> | <u>Average</u> | <u>End of Year</u> |
|------------|--------------------------------|-------------|----------------|--------------------|
| | <i>(U.S. dollars per euro)</i> | | | |
| 2011 | 1.2889 | 1.4882 | 1.4000 | 1.2939 |
| 2012 | 1.2089 | 1.3454 | 1.2932 | 1.3194 |
| 2013 | 1.2768 | 1.3814 | 1.3308 | 1.3791 |
| 2014 | 1.2141 | 1.3953 | 1.3285 | 1.2141 |
| 2015 | 1.0552 | 1.2043 | 1.1095 | 1.0887 |

The table below shows the high and low European Central Bank rates for euro versus the U.S. dollar for each month during the six full months prior to the date of this Offering Circular.

| | <u>Low</u> | <u>High</u> |
|------------------------------------|--------------------------------|-------------|
| | <i>(U.S. dollars per euro)</i> | |
| November 2015 | 1.0579 | 1.1032 |
| December 2015 | 1.0600 | 1.0990 |
| January 2016 | 1.0742 | 1.0920 |
| February 2016 | 1.0884 | 1.1347 |
| March 2016 | 1.0856 | 1.1385 |
| April 2016 | 1.1252 | 1.1432 |
| May 2016 (through to 10 May) | 1.1375 | 1.1569 |

The euro versus the U.S. dollar European Central Bank exchange rate on 10 May 2016 was U.S.\$ 1.1375 per Euro 1.00.

Non GAAP Measures of financial Performance

Certain data and ratios presented in this Offering Circular, such as certain key indicators set out in "*Selected Financial Information Relating to the Group*", are supplemental measures of the Group's performance and liquidity that are not required by, or presented in accordance with EU IFRS, and for which there are no generally accepted accounting principles governing the definition or calculation of these terms and the criteria upon which they are based can vary from company to company.

These measures, by themselves, do not provide a sufficient basis to compare the Group's performance and financial position with those of other companies and should not be considered in isolation or as a substitute for any performance measure derived in accordance with EU IFRS. These measures have been presented in this document because they are used by the Group in managing the Group's business and to enable a more complete analysis of the Group's operating performance and financial position.

SUMMARY OF THE PROGRAMME

The following is a brief summary only and should be read in conjunction with the relevant Final Terms or Drawdown Offering Circular and to the extent applicable, the Terms and Conditions of the Notes set out below.

Issuer:

Municipality Finance Plc (Kuntarahoitus Oyj) (the "**Issuer**") was established on 1 May 2001, is domiciled in Helsinki and was entered in the (Finnish) Trade Register on 1 May 2001 under the corporate code 1701683-4. The documents mentioned in this Offering Circular may be viewed at the Issuer's head office at (Jaakonkatu 3A, 5th Floor), FI-00101 Helsinki.

The Issuer's fully paid-up capital was approximately EUR 43 million and its own consolidated funds amounted to approximately EUR 1,068.8 million at 31 December 2015. The Issuer's total assets on 31 December 2015 were approximately EUR 33.9 billion and its lending portfolio approximately EUR 20.1 billion.

The Issuer's objective is to provide municipalities, municipality controlled entities and non-profit entities (designated by the state and engaging in the renting or production and maintenance of housing on social grounds) with market funding by obtaining funds on capital markets at competitive rates.

The Issuer's five largest shareholders at 31 December 2015 were Keva (formerly named "The Local Government Pensions Institution") (30.66 per cent.), the Republic of Finland (16.00 per cent.), City of Helsinki (10.41 per cent.), City of Espoo (3.96 per cent.) and VAV Asunnot Oy (City of Vantaa) (2.47 per cent.).

Guarantor:

The Municipal Guarantee Board (Kuntien takauskeskus) (the "**Guarantor**"). The Guarantor is an institution under public law established by the (Finnish) Act on the Municipal Guarantee Board.

Its objective is to secure competitive funding for the municipal sector based on the creditworthiness of the whole sector. To implement its objective, the Guarantor can grant guarantees of funding obtained by the municipal sector's credit institutions that will be used for lending to the municipal sector or to non-profit organisations designated by the state that engage in the renting, construction or maintenance of social housing.

The membership of the Guarantor consists of 297 Finnish municipalities, representing 100 per cent. of the population of Finland (excluding the Province of Åland).

Arranger:

Citigroup Global Markets Limited.

Dealers:

Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Inc., Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Nomura International plc, Nordea Bank Danmark A/S, SMBC Nikko Capital Markets Limited, RBC Europe Limited, The Royal Bank of Scotland plc and any other Dealer appointed from time to time by the Issuer and the Guarantor.

Risk Factors:

There are certain factors that (i) may affect the ability of the Issuer to fulfil its obligations under Notes, (ii) the Guarantor's ability to fulfil its obligations under the Guarantee and (iii) relating to the structure of a particular issue of Notes and the Notes and the market generally, including:

- Reliance on economic conditions in Finland
- Counterparty credit risk
- Competition for customer base
- Regulatory change and increasingly stringent capital adequacy and liquidity framework
- Risks relating to the Guarantor's solvency
- Market risks
- Exchange rate risks and exchange controls
- Interest rate risks

Final Terms or Drawdown Offering Circular:

Notes issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated Final Terms or (2) pursuant to a Drawdown Offering Circular.

Listing and Trading:

Notes may be admitted to the Official List and admitted to trading on the Market as may be specified in the relevant Final Terms. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Programme Amount:

€25,000,000,000 (or its approximate equivalent in other currencies), subject to any duly authorised increase or decrease.

Form of Notes:

Notes may be issued, in bearer form, in registered form or in uncertificated book entry form cleared through the Norwegian Central Securities Depository, the Verdipapirsentralen (the "**VPS**"), legal title thereto being evidenced by book entries in the VPS (the "**VPS Notes**"). Registered Notes may not be exchanged for Bearer Notes or VPS Notes, Bearer Notes may not be exchanged for Registered Notes or VPS Notes and VPS Notes may not be exchanged for Bearer Notes or Registered Notes.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form ("**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be

exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be represented by either:

- (i) Definitive Registered Notes; or
- (ii) one or more Registered Global Notes in the form of either
 - (a) Regulation S Global Notes (as defined in the Conditions) in the case of Registered Notes sold outside the United States to persons other than U.S. person in reliance on Regulation S; or
 - (b) Restricted Global Notes in the case of Registered Notes sold to QIBs that are also QPs in reliance on Rule 144A,

in each case as specified in the relevant Final Terms.

Each Registered Global Note which is not intended to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**") will either be, (i) deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date, or (ii) deposited with a depositary or common depositary for Euroclear and/or Clearstream, Luxembourg and each Registered Global Note which is intended to be held under the New Safekeeping Structure will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee of the common safekeeper.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described in Condition 1 to receive physical delivery of Definitive Registered Notes (as defined in the Conditions).

Restricted Notes are subject to the Transfer Restrictions described in "*Transfer Restrictions*".

VPS Notes will not be evidenced by any physical note or document of title VPS Notes will be in uncertificated book entry form cleared through the Norwegian Central Securities Depositary, the Verdipapirsentralen (the "**VPS**"), legal title thereto being evidenced by book entries in the VPS (the "**VPS Notes**").

Currencies:

Notes may be denominated in Australian Dollars, Canadian Dollars, Euro, Japanese Yen, British Pounds Sterling, Swedish Kronor, United States Dollars and such other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, in respect of which specific arrangements have been made between the relevant Dealer and the Issuer and the Guarantor. Notes may, subject to compliance as aforesaid, be issued as multi-currency Notes.

Status of Notes:

Notes will be issued on an unsubordinated basis.

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| Status of Guarantee: | The obligations of the Guarantor under the Guarantee will constitute unsubordinated obligations of the Guarantor. |
| Issuance in Series: | Notes will be issued in series (each a " Series "). Each Series may comprise one or more tranches (each a " Tranche ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, whether as to currency, denomination, interest or maturity or otherwise, save that a Series may comprise Notes in bearer form and Notes in registered form and except that the issue date and the amount of the first payment of interest may be different in respect of the different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects, save that a Tranche may comprise Notes of different denominations. Further Notes may be issued as part of an existing Series. For the avoidance of doubt, a Tranche that comprises VPS Notes may not also comprise Notes in bearer form or notes registered form, though it may comprise Notes in different denominations. |
| Issue Price: | Notes may be issued at par or at a discount or premium to par and either on a fully or partly paid basis. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions. |
| Maturities: | <p>Any maturity between one month and fifty years, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Minimum and maximum maturities may be subject to increase or decrease from time to time as a result of changes to applicable regulations.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.</p> |
| Redemption: | Notes may be redeemable at par or at such other redemption amount (linked to an index or otherwise) as may be specified in the relevant Final Terms. |
| Interest: | Notes may be interest-bearing or non-interest-bearing. |
| Denominations: | Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. |
| Early Redemption: | Early redemption will be permitted for taxation reasons as mentioned in " <i>Terms and Conditions of the Notes — Early Redemption or Substitution for Taxation Reasons</i> ", but will otherwise be permitted only to the extent specified in the relevant Final Terms. |

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| Taxation: | Payments in respect of Notes will be made without withholding in respect of taxes imposed by or in the Republic of Finland or, if such taxes are required to be withheld, will be increased as mentioned in " <i>Terms and Conditions of the Notes — Taxation</i> ". |
| Early Redemption or Substitution for Taxation Reasons: | In the event of the imposition of withholding in respect of taxes of or in the Republic of Finland the Issuer may, without the consent of the holder of any Note, either (i) redeem the Notes of any Series or (ii) substitute an Affiliate (as defined in the Conditions) to assume its obligations in respect of such Notes, all subject to, and in the manner contemplated in, such terms and conditions. |
| Governing Law: | The Notes, all related contractual documentation (other than the Collateral Agreement which will be governed by and construed in accordance with Finnish law and the VPS Notes which will be governed by and construed in accordance with Norwegian law) and any non-contractual obligations arising out of or in connection with any of them are governed by English law. Further, VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 No. 64 (as amended from time to time) and the holders of VPS Notes will be entitled to the rights and subject to the obligations and liabilities which arise under that Act and any related regulations and liabilities. |
| Enforcement of Notes in Global Form: | In the case of Notes in global form, individual investors' rights will be governed by a Deed of Covenant (as defined below) and available for inspection at the specified office of the Fiscal Agent. |
| Clearing Systems: | Euroclear, Clearstream, Luxembourg, The Depository Trust Company, and/or any other relevant clearing system or depository specified in the relevant Final Terms, or in relation to VPS Notes, the VPS. |
| Ratings: | The Programme has been rated by Moody's Investors Service Limited and by Standard & Poor's Credit Market Services Europe Limited. |
| Selling Restrictions: | Restrictions on the sale of Notes and the distribution of offering material are set out under " <i>Subscription and Sale</i> " below. |

RISK FACTORS

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor, as applicable, to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Prospective investors should read the entire Offering Circular. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:

Risks that may affect the ability of the Issuer to fulfil its obligations under the Notes

The Group is exposed to the economic conditions in Finland

The Group conducts its lending operations exclusively in Finland and its lending growth is reliant on the prospects of Finnish municipalities and municipal federations, Finnish municipality-controlled entities and non-profit housing corporations in Finland. Therefore, the macroeconomic factors relating to Finland, and more specifically its municipalities, such as GDP, the inflation rate, interest rates, currency exchange rates and tax rates as well as unemployment, personal income and the financial situation of companies, together with various other factors, have a material impact on customer demand and margins for Group's products and services, which materially affects the Group's business, financial condition and results of operations.

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

The Group is exposed to credit risk from its counterparties on financial instruments

The Group manages its interest rate risk, its currency risk and its financial position as a whole by entering into derivative transactions with financial institutions and through short-term placements of cash and current account balances with financial institutions. The Group's lending is denominated in euros although at 31 December 2015 the Group had bonds outstanding denominated in several different currencies. However, the Group hedges against exchange rate risks by using derivative contracts to translate foreign currency denominated funding into euros. Also, while the Group's lending and funding bears both floating and fixed interest rates, the Group hedges its fixed interest rate exposure to floating rate. Derivative contracts are also used to hedge against other price risks. As a result of these activities, the Group had derivative contracts with a nominal value of Euro 63.6 billion as at 31 December 2015.

The Group's ability to engage in derivatives transactions could be adversely affected by the actions and commercial soundness of financial institutions who are its hedge counterparties. Derivative contracts and deposit arrangements expose the Group to credit risk in the event of a default by its counterparty. Defaults or non-performance by counterparties or a deterioration in the credit standing of its contractual counterparties may have a material adverse effect on the Issuer's financial condition and results of operations.

The Group may lose market share to competitors

As a result of the global credit crisis, many of the Group's competitors over the last several years were not able to lend at the rates, volumes and maturities that they had prior to the global credit crisis. However, currently the Group has faced some competition from certain supranational banks. Also, as some of the Group's clients have shifted their borrowing into shorter maturities, it has increased competition with commercial banks. However, the total volume of tender requests received by the Group in 2015 increased

by 10.2 per cent. compared with 2014. Although, should the Group's competitors be able to begin to match or beat the Group's pricing, such as a result of an increased liquidity in the markets and a loosening of global credit markets, the Group may suffer a decline in both the volume of loans it makes and its margins, which may have a material adverse effect on its business, financial condition and results of operations.

Increased capital requirements and standards

Regulation and supervision of the global financial system remains a priority for governments and supranational organisations. Since the onset of the global financial crisis in 2008 and the increased loan losses and asset quality impairment suffered by financial institutions as a result, governments in some European countries (including Finland) have increased, or have announced that they are likely to increase, the minimum capital requirements for credit institutions domiciled in these countries over and above the increased capital requirements of Basel III and the CRD IV proposal discussed below.

At the international level, a number of initiatives are being implemented with the aim of increasing capital requirements, increasing the quantity and quality of capital and raising liquidity levels in the financial institutions sector. Among these are a number of specific measures proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**") which are being implemented by the European Union.

The Basel Committee issued a comprehensive set of reform measures in December 2010 ("**Basel III**"). The aim of the framework is to improve the ability of credit institutions to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen credit institutions' transparency and disclosures. The framework is intended to raise both the quality and quantity of the capital base and increases capital requirements for certain exposures. The minimum requirements for capital will be underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. In addition to the minimum requirements, there are also buffer requirements in the form of both a capital conservation buffer and a countercyclical capital buffer, as well as additional capital buffers for institutions of systemic importance, which may be on a global, European or domestic basis. The framework also introduces internationally harmonised minimum requirements for liquidity risk. The regulatory framework will continue to evolve and any resulting changes could have a material impact on the business of the Issuer and the Group.

Following the Basel III guidelines, the European Commission published on 20 July 2011 the corresponding proposed changes at the EU level to replace the amended Capital Requirements Directive (2006/48/EC and 2006/49/EC) with two legislative instruments: a directly applicable European Parliament and Council Regulation establishing the prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013, known as the Capital Requirements Regulation or "**CRD IV Regulation**") and a European Council Directive (through an amendment of Directive 2002/87/EC) governing access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (known as "**CRD IV**"). The CRD IV Regulation has been directly effective in Finland since 1 January 2014, while CRD IV was implemented in Finland through the Finnish Act on Credit Institutions (610/2014, as amended) (in Finnish *laki luottolaitostoiminnasta*), (the "**Act on Credit Institutions**"), which came into force on 15 August 2014. The CRD IV Regulation and CRD IV are both to be supported by a set of binding technical standards currently being developed by the European Banking Authority (the "**EBA**"). The new EU regulatory framework is broadly in line with the Basel III capital and liquidity standards, however certain issues continue to remain under discussion and certain details remain to be clarified.

The changes to the capital adequacy framework include stricter minimum capital requirements for the components in the capital base with the highest quality: common equity tier 1 ("**CET1**") capital must be at least 4.5 per cent. of risk weighted assets at all times and tier 1 capital 6.0 per cent. The minimum total capital (or 'own funds') requirement (tier 1 capital plus tier 2 capital) is 8.0 per cent. of risk weighted assets. In addition to the minimum capital requirements, CRD IV introduces further capital buffer requirements that are required to be satisfied with common equity tier 1 capital. It will introduce five new capital buffers: (i) the capital conservation buffer, (ii) the countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Certain of these buffers may be applicable to the Issuer and the Group as determined by the Finanssivalvonta (or the Financial Supervisory Authority) ("**FIN-FSA**") or the European Central Bank ("**ECB**"). Breach of the combined buffer requirements will result in restrictions on certain capital distributions by the bank, for example, dividend and coupon payments on CET1 and tier

1 capital instruments. The CRD IV Regulation and CRD IV permit a transitional period for certain of the enhanced capital requirements and certain other measures. The Finnish authorities have, however, announced that they will implement the higher capital requirements resulting from the implementation of the CRD IV Regulation and CRD IV as soon as possible, without any phasing-in period, to the extent permitted.

In respect of liquidity requirements, the Basel Committee has supplemented their principles for sound liquidity risk management and supervision by fortifying their liquidity recommendations. The Basel Committee has introduced two new liquidity ratios for credit institutions. In order to improve the short-term payment capabilities of financial institutions, a liquidity coverage ratio ("**LCR**") was implemented in 2015, pursuant to which the liquidity buffer comprised of high quality liquid assets ("**HQLA**") must amount at least 100 per cent. (when fully implemented) of the stress-tested amount of monthly net cash outflows. In line with Basel III, the CRD IV Regulation imposes a liquidity coverage requirement on credit institutions to improve the resilience of credit institutions to liquidity risks over a short-term period (i.e. thirty days). The general liquidity coverage requirement is set out in Article 412 of the CRD IV Regulation. Furthermore, on 10 October 2014, the European Commission published a Commission Delegated Regulation (EU) 2015/61 ("**Delegated Regulation**") to supplement CRD IV Regulation with regard to the liquidity coverage requirement for credit institutions. Finnish credit institutions must comply with the liquidity requirements set forth in the CRR and as further specified by the Delegated Regulation. The liquidity coverage requirements laid down in the Delegated Regulation entered into force in phases from 1 October 2015 in accordance with Article 460(2) of the CRD IV Regulation (starting with a minimum of 60 per cent. from 1 October 2015 rising to 100 per cent. on 1 January 2018).

Furthermore, the Basel Committee has developed the Net Stable Funding Ratio (the "**NSFR**") which aims to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over a one year horizon. The NSFR is scheduled to enter into force in 2018 without a phase-in period. Within the EU, work on detailed rules with respect to the NSFR is currently in progress.

CRD IV requirements adopted in Finland may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the EBA or changes to the way in which the FIN-FSA or ECB interprets and applies these requirements to Finnish financial institutions (including as regards individual model approvals granted under CRD II and III). The changes brought about by the CRD IV requirements may have an impact on the financial position and profitability of the Issuer or the Group.

The new framework also includes an enhanced leverage ratio requirement. As at 31 December 2015, the Group's leverage ratio calculated under the Basel III Standards/CRD IV Regulation was 3.15 per cent. compared to the current prescribed minimum threshold of 3 per cent. set under Basel III/CRD IV Regulation. To ensure compliance with the leverage ratio requirement the Issuer raised additional Tier 1 capital in September 2015 through an issuance of Euro 350 million Additional Tier 1 securities (the "**AT1 Securities**"), although compliance with the leverage ratio is not required until 2018. Further, definitive thresholds are yet to be determined and may be adjusted based on different entities risk profiles prior to implementation. In addition to the AT1 Securities, in order to increase the Issuer's Tier 1 capital, the Issuer has decided to focus on increasing its profitability from 2011 and since then the Issuer's shareholders have elected not to distribute dividends for the Issuer to allow profits to be transferred to retained earnings (thereby improving Tier 1 capital). Although the Group believes that these measures will be sufficient to keep its Tier 1 capital above the leverage ratio requirement, there can be no assurance that this will occur.

For the foregoing reasons, the Issuer and the Group may need to raise additional capital in the future. Such capital, whether in the form of debt financing, hybrid capital or additional equity, may not be available on attractive terms, or at all. The Issuer is unable to predict what regulatory requirements may be imposed in the future or accurately estimate the impact that any currently proposed regulatory changes may have on its business and the values of its assets. For example, if the Issuer or Group is unable to increase its capital to the required levels, it may be required to reduce the amount of its risk-weighted assets and engage in the disposition of businesses or assets, which may not occur on a timely basis or achieve prices which would otherwise be attractive to the Group. Any change that limits the Issuer or Group's ability to manage effectively its financial position and capital resources going forward or to access funding sources, may have a material adverse effect on the their business, financial condition, regulatory capital position and liquidity.

The Issuer may be subject to statutory resolution

To complement the CRD IV Regulation and CRD IV legislative package, on 2 July 2014 the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (known as the Bank Recovery and Resolution Directive or "**BRRD**") entered into force. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD provides that it will be applied by Member States from 1 January 2015, other than the bail-in provisions (as contained in Section 5 of Chapter IV of Title IV) for which the implementation deadline was 1 January 2016.

The BRRD requires, *inter alia*, that EU credit institutions produce and maintain recovery plans setting out the arrangements that may be taken to restore the long-term viability of the institution in the event of a material deterioration of its financial position. National competent authorities will be required to prepare resolution plans setting out how an institution might be resolved in an orderly fashion and its essential functions preserved, if it were to fail. This includes the potential application of the resolution tools and powers referred to below as well as options for ensuring the continuity of critical functions.

The BRRD has been implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (1197/2014, as amended) (in Finnish laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta), (the "**Resolution Act**") and the Act on Financial Stability Authority (1198/2014, as amended) (in Finnish laki rahoitusvakausviranomaisesta). The latter regulates the Finnish Financial Stability Authority (the "**FFSA**"), which will be the national resolution authority.

Under the new regime, credit institutions are generally required to draw up recovery plans or living wills to secure continuation of business in financial distress. These plans must include options for measures to restore the financial viability of the institution and they must be updated yearly and submitted to the FIN-FSA for review. In the context of the new legislation, the FIN-FSA became empowered to apply early intervention tools to banks and investment firms if the FIN-FSA has reasons to believe that the institution will fail its licensing conditions or obligations under the CRD IV Regulation within a 12 month period. The FIN-FSA's early intervention tools include, *inter alia*, the ability to require the management of an institution to implement measures included in the living will, to convene a general meeting of shareholders to take decisions relating to the recovery process, to require removal of members of the management and to require changes to the legal and financial structure of the institution. At the end of July 2015, the Issuer delivered its recovery plan to the FIN-FSA. However, since January 2016 the Issuer is under the supervision of the Single Resolution Board ("**SRB**"), which is supervised directly by the ECB. Consequently, the Issuer will submit the next version of the recovery plans to the ECB/SRB.

Pursuant to the Resolution Act, the FFSA shall draw up and adopt a resolution plan for institutions subject to its powers, which includes the Issuer. The resolution plan must be ready for execution in the event that the institution in question has to be placed into a resolution process. The Resolution Act vests the FFSA with resolution powers and tools as provided in the BRRD. The resolution tools are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant institution could have been initiated and the FFSA will only be permitted to use resolution powers and tools in relation to an institution if it determines that all the conditions for resolution are satisfied. These conditions are (a) the determination that the institution is failing or likely to fail (the "**failure condition**"); (b) there is no reasonable prospect that any solution, other than a resolution action taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe (the "no alternative condition"), and (c) intervention through resolution action is necessary in the public interest (the "public interest condition"). The FFSA has not yet adopted a resolution plan for the Issuer. Furthermore, the Issuer is now under the direct supervision of the ECB and thus, the resolution plan for the Issuer will be adopted by the SRB.

During a resolution process, an institution such as the Issuer could be subject to a number of resolution tools: mandatory write-down of debts or conversion of debts into equity ("bail-in", as further described below), sale of business, transfer of all or part of the business to a bridge institution and asset separation. To continue the operations of the institution, the FFSA has the power to decide to reduce the value of the institution's share capital or cancel its shares to cover losses. This reduction in value or cancellation is a precondition for any support from a newly established resolution fund administered by the FFSA.

Bail-in tool under BRRD

A bail-in tool (which comprises a general power for resolution authorities to write-down the claims of certain unsecured creditors (which may include holders of Notes) of a failing institution or to convert such debt claims to equity, which may itself be subject to subsequent write-down) was required to be implemented under the BRRD by 1 January 2016 at the latest. The Resolution Act includes the bail-in tool which was implemented in Finland as of 1 January 2015. The bail-in tool can be used to recapitalise an institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The bail-in tool could be used to impose losses on holders of Notes by effecting the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Notes, and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on the Notes into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes, to give effect to the exercise by the relevant resolution authority of such bail-in tool.

In the Guarantee, MGB has guaranteed the payment of the principal amount of the Notes issued under the Programme together with any accrued penalty interest thereof. Pursuant to article 44, paragraph 2 of BRRD and the respective implementing provision of the Resolution Act, the FFSA shall not exercise write-down or conversion powers in relation to secured liabilities, to the extent that the fair value of the secured collateral covers the amount of the outstanding debt. The BRRD defines secured liability to mean a liability where the right of the creditor to payment or other form of performance is secured by a charge, pledge or lien, or collateral arrangements including liabilities arising from repurchase transactions and other title transfer collateral arrangements. Due to the discrepancy between the Finnish and English language definitions of the secured liability in the BRRD and the ambiguity of the Resolution Act in this respect, the guarantee by the MGB could be interpreted as bringing the Notes issued under the Programme within the scope of the bail-in tool. This may result in Holders of Notes losing some or all of their investment.

Regulatory supervision of the Issuer has been transferred to the ECB and the Issuer is subject to the European Single Resolution Mechanism

The licensing of credit institutions and the supervision of the most significant banks and financial groups in the Eurozone were transferred to the **ECB** as of 4 November 2014 in the context of the Single Supervisory Mechanism ("**SSM**"). Furthermore, the EU has adopted a directly applicable regulation governing the resolution of the most significant financial institutions in the Eurozone, i.e. a regulation establishing a Single Resolution Mechanism for them (806/2014, "**SRM Regulation**"). The SRM Regulation establishes a single European resolution board (consisting of representatives from the ECB, the European Commission and the relevant national resolution authorities) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM, thus replacing or exceeding the powers of the national resolution authorities.

The Resolution Board will have the authority to exercise the specific resolution powers pursuant to the SRM Regulation similar to those of the national resolution authorities under the BRRD. These specific resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool, the bail-in tool and the mandatory write-down and conversion power in respect of capital instruments. The use of one or more of these tools will be included in a resolution scheme to be adopted by the Resolution Board. National resolution authorities will remain responsible for the execution of the resolution scheme according to the instructions of the Resolution Board.

The Finnish legislation adopting the amendments necessitated by the SRM Regulation entered into force on 1 January 2015. Thus, the major banks and financial groups domiciled in Finland will ultimately be subject to the SRM Regulation instead of the Finnish rules implementing the BRRD. In 2015 the Issuer was named a nationally significant financial institution. Consequently, the Issuer is subject to the SRM Regulation and at the start of 2016 the supervision of the Issuer was transferred to the ECB in accordance with the SSM.

In addition, due to the systemic significance of the Issuer, the ECB has completed a comprehensive assessment of the Issuer's operations. The examination of the Issuer's resilience and positions consisted of an asset quality review and a forward-looking stress test. The comprehensive assessment is a process

related to the ECB's Single Supervisory Mechanism. The Issuer successfully passed the comprehensive assessment on 14 November 2015, which included a bank stress test.

Effect of resolution powers under the Resolution Act, BRRD and SRM Regulation

The powers set out in the Resolution Act, BRRD and the SRM Regulation will impact how Finnish credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. There remains uncertainty regarding how the new Finnish resolution legislation would affect the Issuer, the Group and the Notes. The Notes may be subject to the bail-in powers and could be written down or converted into equity as part of a resolution process. The exercise of any power under the Resolution Act, BRRD or SRM Regulation or any suggestion of such exercise could materially adversely affect the rights of Holders, the price or value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. Until the new regulations take full effect, the Issuer cannot predict the precise effects of the resolutions powers, including the bail-in power and the write-down and conversion power, on the Notes. Prospective investors in the Notes should consult their own advisors as to the consequences of the Resolution Act, BRRD and SRM Regulation.

EBA Consultation Paper on the minimum requirement for own funds and eligible liabilities under the BRRD

To ensure that institutions always have sufficient loss-absorbing capacity, the BRRD requires institutions to maintain at all times a sufficient aggregate amount of own funds (as defined in Article 4(1)(118) of the CRD IV Regulation) and "eligible liabilities" (namely, liabilities and other instruments that do not qualify as Tier 1 or Tier 2 capital and that may be bailed-in using the bail-in tool). This is known as the minimum requirement for eligible liabilities ("**MREL**"). On 28 November 2014, the EBA published its final draft regulatory standards paper setting out draft regulatory technical standards ("**RTS**") on the criteria for determining an institution's MREL under the BRRD. In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Under the BRRD the FFSA has the authority to set the MREL; however, the FFSA has not done so yet. The draft RTS provide for resolution authorities to allow institutions a transitional period of up to four years to reach the applicable MREL requirements.

The RTS do not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. At the date of this Prospectus, the FFSA has not elaborated MREL requirements in Finland or how they will be applied to the Issuer.

Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), which includes the Notes, along with "eligible liabilities", meaning liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives. The MREL requirement may also have to be met partially through the issuance of contractual bail-in instruments, being instruments that are effectively subordinated to other eligible liabilities in a bail-in or insolvency of the relevant institution.

The EBA's proposals are in draft form, and may therefore be subject to change. As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on the Issuer or the Group once implemented. If the EBA's proposals are implemented in their current form however, it is possible that the Issuer or the Group may have to issue a significant amount of additional eligible liabilities in order to meet the new MREL requirements within the required timeframes. If the Group was to experience difficulties in raising eligible liabilities, it may have to reduce its lending or investments in other operations.

The Group may be adversely affected by resulting changes in regulation

The European Markets Infrastructure Regulation ("**EMIR**") will significantly alter the structure of European OTC markets, as firms will need to clear all OTC derivative transactions, including in relation to interest rate and foreign exchange derivatives. The scope of the clearing obligation will apply to all financial counterparties transacting in OTC derivatives. In order to address concerns that regulators do not

have a full picture of the exposures of the firms they regulate and the possible systemic implications these may pose, a number of trade repositories are being established where information on positions will be collected. EMIR will require all derivative transactions (OTC and exchange traded) entered into by European Union counterparties to be reported within one day of the execution of the contract. Both counterparties to the transaction will need to report, although firms will be able to do so on behalf of their clients. The final implementation of these requirements may increase the costs of engaging in certain types of hedging and may have a material adverse effect on the cost and availability of certain derivative transactions the Group typically enters into. As a result, implementation of EMIR could have a material adverse effect on the Group's business, financial condition and results of operations.

These and other future regulatory changes could have a material adverse effect on the Group's business, financial condition and results of operations.

The value of the Group's investment portfolio may decline

The Group front-loads its funding requirements and seeks to maintain liquidity for at least six months of undisturbed operation including accounting for new lending. Because the Group front-loads much of its funding needs, the Group has significant assets for investment. The security of the investment and the stability of its valuation are two of the most important criterion for investments of the Group's funds. The Group's investment operations objective is to manage the investment assets by investing them securely with sufficient return to ensure that the Group's liquidity enables it to continue flexible lending operations under all market conditions. As a result, the Group maintains a high proportion of liquid funds. During 2015, new investments were made in covered bonds and bonds issued as senior debt by SSA entities and banks based in economically strong countries. As at 31 December 2015, the Group had Euro 5,897 million of debt securities in its liquidity portfolio. The Group monitors the liquidity of markets and products on a continuous basis. In addition, established market standards are observed when derivative contracts are made. The market values of almost all 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. However, should there be a decline in the market value of the debt security due to a material adverse event on the issuer, or in the market of the issuer, for which such securities are held, the Group may be unable to recover its original investment in such security. This could lead to losses which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Finnish social and healthcare system reform may adversely affect the Group

The Finnish government plans to implement a substantial reform related to the Finnish social and healthcare system. The reform includes plans to establish independent autonomous regions, separate from municipalities, to oversee tasks related to social and healthcare services. Currently, municipalities are responsible for providing these services and the Issuer, as a financier of the municipal sector, has been a lender of a substantial amount of the related funding needs. The reform is currently in an inception stage and detailed proposals are not available. Therefore, estimates cannot yet be made regarding the effect this reform will have on the activities of the Group or its current clientele. The Group is carefully following the development of the reform and if needed, will take necessary measures related to its operations. The outcome of the reform could have a negative effect on the Group's lending volumes and financial results.

Risks that may affect the ability of the Guarantor to fulfil its obligations under the Guarantee

The Guarantor may not be able to fund its guarantee on a timely basis

The expenses of the Municipal Guarantee Board are mostly covered by income from guarantee commissions. As at 31 December 2015, MGB had Euro 18.6 million in total assets. In addition at the date of this Offering Circular, the Municipal Guarantee Board has a liquidity back-up facility from an independent third party of an amount equal to Euro 150 million to secure its liquidity. As a result, the total amount of Notes, together with other indebtedness guaranteed by MGB, is greater than the assets and back-up facilities of the Guarantor. However, any expenses or obligations that cannot be otherwise covered are the responsibility of member municipalities in Finland in proportion to their population at the preceding year-end, as specified in the (Finnish) Population Data Act. In addition, the Guarantor has the ability to seek funding in excess of the proportional requirement from the municipalities on a short term basis. The Guarantor can collect guarantee premiums on the guarantees granted by the Guarantor and the required contributions of member municipalities without a court decision using an execution decree in the

form required in the Act on the Collection of Taxes and Charges through Execution. However, no assurance can be made that the Guarantor would be able to receive any necessary additional funds from the participating municipalities in a timely manner, or prior to a default.

Global economic conditions

Holders of Notes should be aware that global credit market conditions could have a material adverse effect on the results of operations and financial condition of the Issuer or the Guarantor. In particular, adverse changes in the global credit markets may adversely affect the borrowing capacity and the cost of borrowing of the Issuer and the Guarantor.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risk relating to the Notes

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders of the Notes including Holders of the Notes who did not attend and vote at the relevant meeting and Holders of the Notes who voted in a manner contrary to the majority.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular except for VPS Notes, which are governed by Norwegian law. No assurance can be given as to the impact of any possible judicial decision or change to English law, Norwegian law (in the case of VPS Notes) or administrative practice or the applications thereof after the date of this Offering Circular.

Trading in the clearing systems

The terms and conditions of the Notes may provide that Notes will be issued with a minimum denomination and integral multiples of an amount in excess thereof which are smaller than the minimum denomination. Where Notes are traded in a clearing system, it is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denominations specified in the relevant Final Terms or Drawdown Offering Circular related to an issue of Notes.

If definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not have a principal amount of Notes at least equal to the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes at least equal to the minimum denomination.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, and/or DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or a common safekeeper for Euroclear and Clearstream, Luxembourg or with or on behalf of DTC. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and/or DTC will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg and/or DTC.

While the Notes are represented by one or more Global Notes the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to or to the order of the common depositary or common safekeeper (as applicable) for Euroclear and Clearstream, Luxembourg or to DTC or a nominee thereof for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear, Clearstream, Luxembourg and/or DTC to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg and/or DTC to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

U.S. civil judgments may not be enforceable

None of the Issuer, the Guarantor nor any of their respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any suit brought by an investor in the Notes or named an agent for service of process within the United States upon the Issuer, the Guarantor or such persons or to enforce, in United States courts, judgments against the Issuer, the Guarantor or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. As a result, it may not be possible to effect service of process within the United States upon the Issuer, the Guarantor or such persons or to enforce against any of them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

The United States and the Republic of Finland do not currently have a convention or treaty providing for the reciprocal recognition and enforcement of judgements rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages based on civil liability rendered by a U.S. court, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in the Republic of Finland. If the party in whose favour the final judgment is rendered brings a new suit in a competent Finnish court, the party may submit to the Finnish court the final judgement that has been rendered by the U.S. court. Such judgement will only be regarded by a Finnish court as evidence of the outcome of the dispute to which the judgement relates, and a Finnish court may choose to rehear the dispute *ab initio*.

Payments on Certain Notes may be subject to U.S. withholding tax under FATCA

The United States has enacted rules (commonly referred to as "FATCA") that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Finland (the "IGA"). Under the IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Prospective investors should consult their own tax advisers regarding the potential impact of FATCA.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although application may be made for the Notes issued under the Programme to be admitted to listing on the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease

- (1) the Investor's Currency equivalent yield on the Notes,
- (2) the Investor's Currency equivalent value of the principal payable on the Notes and
- (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

In general, as market interest rates rise, notes bearing interest at a fixed rate generally decline in value. Consequently, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes, the Issuer or the Guarantor could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for notes issued by or on behalf of the Republic of Finland as a sovereign borrower. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's results of operations or financial condition.

United States securities laws may restrict the transfer of Notes

The Issuer is offering the Notes in reliance upon exemptions from registration under the U.S. Securities Act and applicable state securities laws. Therefore, the Notes may be transferred or resold only in transactions registered under, exempt from or not subject to the registration requirements of the U.S. Securities Act and all applicable state securities laws. See "*Subscription and Sale*" and "*Transfer Restrictions*" for further information.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (1) the audited consolidated IFRS and standalone financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the years ended 31 December 2014 and 31 December 2015 (set out on pages 38 to 93 (and the auditors' report on page 94) and 28 to 113 (and the auditors' report on page 113), respectively, of the 31 December 2014 and 31 December 2015 annual reports of the Issuer) (collectively the "**Group Consolidated Financial Statements**");
- (2) the audited financial statements (including the auditors' report thereon and notes thereto) of the Guarantor in respect of the years ended 31 December 2014 and 31 December 2015 (set out on pages 4 to 20 (and the auditors' report on page 21) and pages 3 to 112 (and the auditors' report on page 113), respectively, of the 31 December 2014 and 31 December 2015 annual reports of the Guarantor) (collectively, the "**MGB Financial Statements**");
- (3) terms and conditions of the Notes set out on pages 34 to 57 of the base prospectus dated 6 May 2015 relating to the Programme;
- (4) terms and conditions of the Notes set out on pages 29 to 52 of the base prospectus dated 6 May 2014 relating to the Programme;
- (5) terms and conditions of the Notes set out on pages 27 to 47 of the base prospectus dated 3 June 2013 relating to the Programme;
- (6) terms and conditions of the Notes set out on pages 28 to 48 of the base prospectus dated 1 June 2012 relating to the Programme;
- (7) terms and conditions of the Notes set out on pages 26 to 45 of the base prospectus dated 1 June 2011 relating to the Programme;
- (8) terms and conditions of the Notes set out on pages 26 to 45 of the base prospectus dated 1 June 2010 relating to the Programme;
- (9) terms and conditions of the Notes set out on pages 21 to 40 of the base prospectus dated 1 June 2009 relating to the Programme;
- (10) terms and conditions of the Notes set out on pages 20 to 39 of the base prospectus dated 2 June 2008 relating to the Programme;
- (11) terms and conditions of the Notes set out on pages 18 to 36 of the base prospectus dated 1 June 2007 relating to the Programme; and
- (12) terms and conditions of the Notes set out on pages 17 to 35 of the base prospectus dated 1 June 2006 relating to the Programme.

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, at the registered office of the Issuer. Copies of the Issuer's audited financial statements (including the auditors' report thereon and notes thereto) in respect of the years ended 31 December 2014 and 31 December 2015 (which are included in the Issuer's annual reports for 2014 and 2015 respectively) are also available on the Issuer's website (www.munifin.fi). Copies of the Guarantor's audited financial statements in respect of the years ended 31 December 2014 and 31 December 2015 are available on the Guarantor's website (www.muniguarantee.fi). Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or is covered elsewhere in this Offering Circular. The contents of the websites referenced above do not form part of this Offering Circular.

If the documents incorporated by reference into this Offering Circular themselves incorporate by reference any information or other documents therein such information or other documents will not form

part of this Offering Circular except where such information or other documents are themselves specifically incorporated by reference into the Offering Circular.

FINAL TERMS AND DRAWDOWN OFFERING CIRCULARS

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantor have endeavoured to include in this Offering Circular all of the necessary information except for information relating to the Notes which is not known at the date of this Offering Circular and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Offering Circular and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Offering Circular. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Offering Circular in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in an Offering Circular.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Offering Circular will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Offering Circular. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Bearer Notes will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of Notes upon certification as to non U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which are applicable in conjunction with those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

VPS Notes

Each Tranche of VPS Notes will be issued in uncertificated and dematerialised book entry form. Legal title to the VPS Notes will be evidenced by book entries in the records of the VPS. A VPS account manager will be appointed by the Issuer prior to the issue of any VPS Notes (the "**VPS Account**

Manager") in accordance with a VPS account manager agreement (the "**VPS Account Manager Agreement**"). In addition, the Issuer may appoint a VPS Trustee (the "**VPS Trustee**") in connection with the issue of VPS Notes who will act for the benefit of the Holders for the time being of the VPS Notes in accordance with the provisions of a VPS trustee agreement (the "**VPS Trustee Agreement**") and the terms and conditions set out under "*Terms and Conditions of the Notes*" below. On the issue of such VPS Notes, the Issuer will send a letter to a VPS Trustee with a copy to the VPS Account Manager, or if a VPS Trustee has not been appointed, to the VPS Account Manager alone, which will set out the terms of the relevant issue of VPS Notes in the form of a final terms supplement attached thereto (the "**VPS Letter**"). On delivery of such VPS Letter including the relevant Final Terms to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the VPS Account Manager acting on behalf of the Issuer will credit each subscribing account holder with the VPS with a nominal amount of VPS Notes equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of VPS Notes in the VPS will take place three Oslo business days after the date of the relevant transaction. Transfers of interests in the relevant VPS Notes will only take place in accordance with the rules and procedures for the time being of the VPS.

Registered Notes

Each Tranche of Registered Notes will be represented by either:

- (i) individual Notes in registered form ("**Definitive Registered Notes**"); or
- (ii) one or more unrestricted global notes ("**Regulation S Global Note(s)**") in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S Notes**") and/or one or more restricted global notes ("**Restricted Global Note(s)**") in the case of Registered Notes sold to QIBs that are also QPs in reliance on Rule 144A ("**Restricted Notes**"),

in each case as specified in the relevant Final Terms, and references in this Offering Circular to "**Registered Global Notes**" shall be construed as a reference to Regulation S Global Notes and/or Restricted Global Notes.

Each Registered Global Note which is not to be held under the new safekeeping structure (applicable to registered form global securities and which is required for such securities to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations) ("**New Safekeeping Structure**" or "**NSS**"), will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for The Depository Trust Company ("**DTC**") and each relevant Registered Global Note will be deposited on or about the issue date with either (i) the custodian for DTC (the "**DTC Custodian**"), or (ii) a depository or common depository for Euroclear and/or Clearstream, Luxembourg, and each Registered Global Note to be held under the New Safekeeping Structure, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Registered Global Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If the relevant Final Terms specifies the form of Notes as being "Definitive Registered Notes", then the Notes will at all times be represented by Definitive Registered Notes issued to each Holder of Notes in respect of their respective holdings.

Registered Global Note exchangeable for Definitive Registered Notes

If the relevant Final Terms specifies the form of Notes as being "Regulation S Global Notes exchangeable for Definitive Registered Notes" or "Restricted Global Note exchangeable for Definitive Registered Notes", then the Notes will initially be represented by one or more Registered Global Notes each of which will be exchangeable in whole, but not in part, for Definitive Registered Notes:

- (i) unless otherwise provided in the applicable Final Terms, if a written request for one or more Definitive Registered Notes is made by a holder of a beneficial interest in a Registered Global Note **provided that** such written notice or request, as the case may be, is submitted to the Registrar by the beneficial owner not less than 60 days (or such other period as may be indicated in the applicable Final Terms) prior to the requested date of such exchange; or

- (ii) if the relevant Final Terms specifies "in the limited circumstances described in the Regulation S Global Note/Restricted Global Note", then if any of the following events occurs:
 - (a) an Event of Default (as defined in Condition 8) has occurred and is continuing and the Issuer has not cured or otherwise made good such Event of Default; or
 - (b) at the option of the Issuer, if the Issuer or any Paying Agent, by reason of any change in, amendment to, or change in the interpretation of the laws of England and Wales or change in practice of any relevant authority is or will be required to make any deduction or withholding from any payment under such Registered Global Note which would not be required if the Notes represented by such Registered Global Note were in definitive form; or
 - (c) Euroclear or Clearstream, Luxembourg or any other clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, and an alternative clearing system satisfactory to the Issuer is not available; or
 - (d) in the case of any Registered Global Note held by or on behalf of DTC, if:
 - (A) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Registered Global Note and a successor depository satisfactory to the Issuer and the relevant Dealer is not available; or
 - (B) DTC ceases to be a clearing agency registered under the Exchange Act.

Whenever a Registered Global Note is to be exchanged for Definitive Registered Notes, each person having an interest in a Registered Global Note must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Definitive Registered Notes (including the name and address of each person in which the Notes represented by the Definitive Registered Notes are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Note is to be exchanged for Definitive Registered Notes, each person having an interest in the Restricted Global Note must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB that is also a QP and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Definitive Registered Notes issued in exchange for interests in the Restricted Global Note will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*".

Whenever a Registered Global Note is to be exchanged for Definitive Registered Notes, the Issuer shall procure that Definitive Registered Notes will be issued in an aggregate principal amount equal to the principal amount of the Registered Global Note within five business days of the delivery, by or on behalf of the registered holder of the Registered Global Note to the Registrar of such information as is required to complete and deliver such Definitive Registered Notes against the surrender of the Registered Global Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Fiscal Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Registered Note will be endorsed on that Definitive Registered Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Registered Global Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

Summary of Provisions relating to the Notes while in Global Form

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note became void, they had been the holders of Definitive Notes or Definitive Registered Notes, as applicable, in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system.

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions of the Notes to "Holders" of the Notes are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Registered Global Note, references in the Conditions of the Notes to "Holders" of the Notes are references to the person in whose name the relevant Registered Global Note is for the time being registered in the Register which (a) in the case of a Registered Global Note held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC or a common safekeeper; and (b) in the case of any Registered Global Note which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Registered Global Note (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or the Guarantor to the holder of such Global Note or Registered Global Note and in relation to all other rights arising under such Global Note or Registered Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Registered Global Note will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Registered Global Note, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the holder of such Global Note or Registered Global Note.

Transfers of Interests in Global Notes and Registered Global Notes

Transfers of interests in Global Notes and Registered Global Notes within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Guarantor, the Registrar, the Dealers or the Fiscal Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Registered Global Note or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Registered Global Note to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Registered Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of a Definitive Registered Note representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Fiscal Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Registered Global Note will be effected through the Fiscal Agent, the DTC Custodian, the Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Registered Global Note resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Upon the issue of a Registered Global Note to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the account of DTC participants. Ownership of beneficial interests in such Registered Global Note will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Registered Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer and the Guarantor that it will take any action permitted to be taken by a holder of Registered Notes represented by a Registered Global Note held by or on behalf of DTC (including, without limitation, the presentation of such Registered Global Note for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Registered Global Note are credited, and only in respect of such portion of the aggregate nominal amount of such Registered Global Note as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Registered Global Note for Definitive Registered Notes (which will bear the relevant legends set out in "*Transfer Restrictions*").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Registered Global Note among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Registrar, the Dealers or the Paying Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect

participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Registered Global Note is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Definitive Registered Notes for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

Conditions applicable to Global Notes

Each Global Note and Registered Global Note will contain provisions which modify the Conditions of the Notes as they apply to the Global Note or Registered Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Registered Global Note which, according to the Conditions of the Notes, require presentation and/or surrender of a Note or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Registered Global Note to or to the order of any Fiscal Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payment Record Date: Each payment in respect of a Registered Global Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means a day on which each clearing system for which the Registered Global Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 7.06 (*Optional Early Redemption (Put)*) the bearer of a Permanent Global Note or the holder of a Registered Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent or Registrar (as applicable) specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 7.03 (*Optional Early Redemption (Call)*) in relation to some only of the Notes, the Permanent Global Note or Registered Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Registered Global Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Registered Global Note is, registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to "Holders" of the Notes may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the "Holders" of the Notes in accordance with Condition 15 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, in conjunction with the relevant Final Terms, will be applicable to each Series of Notes:

The Notes are issued in accordance with an amended and restated fiscal agency agreement dated 11 May 2016 (the "**Fiscal Agency Agreement**", which expression shall include any further amendments or supplements thereto) and made between Municipality Finance Plc (Kuntarahoitus Oyj) (the "**Issuer**"), the Municipal Guarantee Board (Kuntien takauskeskus) (the "**Guarantor**"), Citibank, N.A. London Branch, in its capacity as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch, in its capacity as such), as well as in its other capacities as set out in the Fiscal Agency Agreement, Citigroup Global Markets Deutschland AG in its capacity as registrar (the "**Registrar**", which expression shall include any successor to Citigroup Global Markets Deutschland AG, in its capacity as such) and, as transfer agent (a "**Transfer Agent**", which expression shall include any successor or addition to Citigroup Global Markets Deutschland AG in its capacity as such) and certain other financial institutions named therein in their capacities as paying agents (the "**Paying Agents**", which expression shall include the Fiscal Agent and any successor or additional paying agents appointed in accordance with the Fiscal Agency Agreement). The Guarantor has, for the benefit of the Holders of the Notes from time to time, executed and delivered a deed of guarantee (the "**Guarantee**"), dated 11 May 2016 under which it has unconditionally and irrevocably guaranteed the due and punctual payment of all amounts due by the Issuer under the Notes as and when the same shall become due and payable. Copies of the Fiscal Agency Agreement and the Guarantee are available for inspection at the specified office of each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and to be bound by, all of the provisions of the Fiscal Agency Agreement, the Deed of Covenant (as defined in Condition 1.04) and the Guarantee insofar as they relate to the relevant Notes.

The Notes are issued in series (each a "**Series**"), and each Series will be the subject of the applicable final terms (the "**Final Terms**"), a copy of which will be available for inspection at the specified office of the Fiscal Agent or, as the case may be, the Registrar.

References in these Terms and Conditions to Notes are to Notes of the relevant Series and references to any Final Terms are to the Final Terms relating to the Notes of such Series. References in these Terms and Conditions to Coupons are to Coupons relating to Notes of the relevant Series.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions in conjunction with the relevant Final Terms.

Notes issued through the Norwegian Central Securities Depository Verdipapirsentralen ASA of Biskop Gunnerus gate 14 A, 0185 Oslo, Norway ("**VPS**") are in dematerialised form. An entity ("**Norsk Tillitsmann ASA**") may be appointed as VPS trustee (the "**VPS Trustee**"), and will in such case act for the benefit of the Holders for the time being of the VPS Notes in accordance with the provisions of a VPS trustee agreement (the "**VPS Trustee Agreement**") and these terms and conditions. A VPS Agent will act as an agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes (the "**VPS Agent**").

Any references in these terms and conditions to Receipts, Coupons, and Talons shall not apply to VPS Notes and no global or definitive Notes will be issued in respect thereof. These terms and conditions shall be construed accordingly.

1. **Form and Denomination**

- 1.01 Notes will be issued in bearer form, in registered form or in uncertificated book entry form (in the case of VPS Notes), as specified in the Final Terms.

Notes in registered form may not be exchanged for Notes in bearer form or VPS Notes, Notes in bearer form may not be exchanged for Notes in registered form or VPS Notes and VPS Notes may not be exchanged for notes in bearer form or notes in registered form.

Form of Bearer Notes

- 1.02 Notes issued in bearer form ("**Bearer Notes**") will be represented upon issue by a temporary global note (a "**Temporary Global Note**") in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. On or after the date (the "**Exchange Date**") which is forty days after the original issue date of the Notes and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form as set out in the Temporary Global Note or in such other form as is customarily used in such circumstances by the relevant clearing system) has been received, interests in the Temporary Global Note may be exchanged for:
- (i) interests in a permanent global note (a "**Permanent Global Note**") representing the Notes and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement; or
 - (ii) if so specified in the relevant Final Terms, definitive Notes ("**Definitive Notes**") in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.
- 1.03 If any date on which a payment of interest is due on the Notes occurs whilst any of the Notes are represented by the Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form as set out in the Temporary Global Note or in such other form as is customarily used in such circumstances by the relevant clearing system) has been received by Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system without any requirement for certification.
- 1.04 Interests in a Permanent Global Note will, if so specified in the Final Terms, be exchangeable in whole (but not in part only), at the option of the Holder (as defined in Condition 2) of such Permanent Global Note, for Definitive Notes. This option will be disappplied to the extent that the multiple trading amount is not an integral multiple of the specified denomination of the Note. In order to exercise such option the Holder must, not less than forty-five days before the date on which delivery of Definitive Notes is required, deposit the relevant Permanent Global Note with the Fiscal Agent with the form of exchange notice endorsed thereon duly completed. Interests in a Permanent Global Note will, in any event, be exchangeable for Definitive Notes if any Note becomes due and payable in accordance with Condition 8.02 or if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system should be closed for business for a continuous period of fourteen days (other than by reason of public holidays) or should announce an intention permanently to cease business. If default is made by the Issuer in the required delivery of Definitive Notes and such default is continuing at 6.00 p.m. (London time) on the thirtieth day after the day on which the relevant notice period expires or such Permanent Global Note becomes so exchangeable, such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights of the Account Holders (as defined in the Deed of Covenant) with Euroclear and Clearstream, Luxembourg in relation thereto under a deed of covenant (the "**Deed of Covenant**") dated 11 May 2016 executed and delivered by the Issuer in relation to the Notes.
- 1.05 Interest-bearing Definitive Notes will, if so specified in the Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below.

Form of Registered Notes

- 1.06 Notes issued in registered form ("**Registered Notes**") will be substantially in the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. Notes purchased in a private placement in the United States will only be in the form of Registered Notes.

- 1.07 Unless otherwise provided with respect to a particular Series of Registered Notes, Registered Notes of each Tranche sold outside the United States in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933 (the "**Securities Act**") will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons (each a "**Regulation S Global Note**"). Notes in definitive registered form issued in exchange for Regulation S Global Notes or otherwise sold or transferred in reliance on Regulation S under the Securities Act (each a "**Regulation S Definitive Note**"), together with the Regulation S Global Notes, are referred to herein as "**Regulation S Notes**". With respect to all offers or sales of an unsold allotment or subscription and in any case prior to expiry of the period that ends 40 days after the later of the relevant issue date and completion of the distribution of each Tranche of Notes, as certified to the Fiscal Agent or the Issuer by the relevant Dealer, in the case of a nonsyndicated issue, or by each such Dealer as to the Notes of such Tranche purchased by or through it, in the case of a syndicated issue in which case, the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified (the "**Distribution Compliance Period**"), beneficial interests in a Regulation S Global Note may be offered or sold only in accordance with Rule 903 of Regulation S of the Securities Act (save as otherwise provided in Condition 2) and may be held only through Euroclear or Clearstream, Luxembourg. After expiry of such Distribution Compliance Period, beneficial interests in a Regulation S Note may be held through the Depository Trust Company ("**DTC**") directly by a participant in DTC or indirectly through a participant in DTC.
- 1.08 Registered Notes of each Tranche sold in private transactions in reliance upon Rule 144A under the Securities Act to qualified institutional buyers ("**QIBs**") within the meaning of Rule 144A under the Securities Act that are also qualified purchasers ("**QPs**") as defined in Section 2(a)(51)(A) of the United States Investment Company Act of 1940, as amended, will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons (each a "**Restricted Global Note**" and, together with any Regulation S Global Note, the "**Registered Global Notes**"). Notes in definitive form issued in exchange for Restricted Global Notes (each a "**Restricted Definitive Note**" and, together with any Regulation S Definitive Note, the "**Definitive Registered Notes**") or otherwise sold or transferred in accordance with the requirements of Rule 144A under the Securities Act, together with the Restricted Global Notes, are referred to herein as "**Restricted Notes**".
- 1.09 Restricted Notes shall bear a legend specifying certain restrictions on transfer (each a "**Legend**"), such Notes being referred to herein as "**Legended Notes**". Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of a Legend, the Registrar shall (save as provided in Condition 2) deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.
- 1.10 Subject as otherwise provided in Condition 2, Definitive Registered Notes may be exchanged or transferred in whole or in part in the specified denominations for one or more Definitive Registered Notes of like aggregate nominal amount.
- 1.11 Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar.

Form of VPS Notes

- 1.12 Each Tranche of notes issued through VPS ("**VPS Notes**") will be created and held in uncertificated book entry form in accounts with the VPS. VPS Notes will not be evidenced by any physical note or document of title other than a statement of account made by the VPS.

Denomination of Bearer Notes

- 1.13 Bearer Notes will be in the denomination or denominations (each of which denominations must be integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Notes

of one denomination will not be exchangeable after their initial delivery for Bearer Notes of any other denomination.

Denomination of Registered Notes

- 1.14 Registered Notes will be in the minimum denomination specified in the Final Terms which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorised Denomination (as defined below) and, in the case of Notes having a maturity of 183 days or less, the specified denomination shall be at least U.S.\$250,000 (or the equivalent in any other currency or currencies).

Denomination of VPS Notes

- 1.15 VPS Notes will be in the minimum denomination specified in the Final Terms or integral multiples thereof.
- 1.16 "**Authorised Denomination**" means, in the case of a Restricted Note, U.S.\$250,000 (or its equivalent rounded upwards as specified in the relevant Final Terms) and higher integral multiples of U.S.\$1,000, or the higher denomination or denominations specified in the applicable Final Terms.
- 1.17 Any minimum authorised denomination required by any law or directive or regulatory authority in respect of the currency of issue of any Note shall be such as applied on or prior to the date of issue of such Note.

Currency of Notes

- 1.18 Notes may be denominated in any currency (including, without limitation, Australian Dollars, Canadian Dollars, Euro, Japanese Yen, British Pounds Sterling, Swedish Kronor, Norwegian Kroner and United States Dollars), subject to compliance with all applicable legal and/or regulatory requirements.
- 1.19 For the purposes of these Terms and Conditions, references to Notes shall, as the context may require, be deemed to be to Temporary Global Notes, Permanent Global Notes, Definitive Notes or, as the case may be, Registered Notes of the relevant Series.

The Depository Trust Company

- 1.20 Registered Notes denominated in United States Dollars will, if so specified in the Final Terms, be the subject of an application by the Issuer to DTC for the acceptance of such Registered Notes into DTC's book-entry settlement system. If such application is accepted, one or more Registered Notes (each a "**DTC Note**") in denominations equivalent in aggregate to the aggregate principal amount of the relevant Registered Notes which are to be held in such system will be issued to DTC and registered in the name of Cede & Co., or such other person as may be nominated by DTC for the purpose, as nominee for DTC **provided that** no DTC Note may have a denomination of more than U.S.\$500,000 and that, subject to such restriction, DTC Notes will always be issued in the largest possible denomination. Thereafter, such registered nominee will be the holder of record and entitled to rights in respect of each DTC Note.

Accordingly, each person having a beneficial interest in a DTC Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. So long as Registered Notes are traded through DTC's book-entry settlement system, ownership of beneficial interest in the relevant DTC Note will (unless otherwise required by applicable law and/or regulatory requirement) be shown on, and transfers of such beneficial interest may be effected only through, records maintained by (i) DTC or its registered nominee (as to participant-interests) or (ii) institutions having accounts with DTC.

2. Title

- 2.01 Title to Bearer Notes passes by delivery. References herein to the "**Holders**" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or of such Coupons.

- 2.02 Title to Registered Notes passes by registration in the register which is kept by the Registrar, as specified in the Final Terms. References herein to the "**Holders**" of Registered Notes are to the persons in whose names such Notes are so registered.

Title to the VPS Notes passes by book entries in the records of the VPS. On the issue of such VPS Notes, the Issuer will send a VPS Letter to the VPS Trustee (if applicable), with a copy sent to the VPS Account Manager, or alternatively directly to the VPS Account Manager, as further described above. The Issuer and the VPS Trustee may rely on a certificate of the VPS or one issued on behalf of the VPS by an account-carrying institution as to a particular person being a Holder of VPS Notes. Transfers of interest in the relevant VPS Notes will take place between the direct or indirect account holders in the VPS in accordance with the rules and procedures for the time being of the VPS. References herein to the "**Holders**" of VPS Notes are to the persons in whose names such VPS Notes have been entered in the records of VPS. Where a nominee is so evidenced it shall be treated by the Issuer as the Holder of the relevant VPS Note.

- 2.03 The Holder of any Note or Coupon will (except as otherwise required by applicable law and/or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Exchange and Transfer of Registered Notes

- 2.04 Interests in any Registered Global Note will be exchangeable in whole (not in part) for Definitive Registered Notes of the same type, at the request of the Holder if (i) Euroclear or Clearstream, Luxembourg or any other clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, and an alternative clearing system satisfactory to the Issuer is not available, or (ii) in the case of any Registered Global Note held by or on behalf of DTC, if DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Registered Global Note and a successor depository satisfactory to the Issuer and the relevant Dealer is not available, or (iii) in the case of any Registered Global Note held by or on behalf of DTC, if DTC ceases to be a clearing agency for the purposes of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") or, (iv) an Event of Default (as defined in Condition 8) has occurred and is continuing and the Issuer has not cured or otherwise made good such Event of Default, or (v) unless otherwise provided in the applicable Final Terms, if a written request for one or more Definitive Registered Notes is made by a Holder of a beneficial interest in a Registered Global Note or (vi) at the option of the Issuer, if the Issuer or any Paying Agent, by reason of any change in, amendment to, or change in the interpretation of the laws of England and Wales or change in practice of any relevant authority is or will be required to make any deduction or withholding from any payment under such Registered Global Note which would not be required if the Notes represented by such Registered Global Note were in definitive form; **provided that** in the case of (v) above such written notice or request, as the case may be, is submitted to the Registrar by the beneficial owner not less than 60 days (or such other period as may be indicated in the applicable Final Terms) prior to the requested date of such exchange. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Definitive Registered Notes to be delivered, **provided that**, notwithstanding the above (except upon the occurrence of an event described in (vi) above), no Definitive Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.
- 2.05 Transfers of any Registered Global Note held by DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of DTC or to a successor DTC or such successor's nominee.
- 2.06 Prior to expiry of the applicable Distribution Compliance Period, transfers by the Holder of, or of a beneficial interest in, a Regulation S Note to a transferee in the United States or to a U.S. person (as defined in Regulation S) will only be made:
- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Fiscal Agency Agreement, amended as appropriate (a "**Transfer Certificate**"),

copies of which are available from the specified office of the Registrar or of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person is either (A) a QIB who is also a QP; (B) it is not a broker-dealer who own and invest on a discretionary basis less than US\$25 million in securities of unaffiliated issuers; (C) it is not a participant-directed employee plan, such as a 401(k) plan; (D) it is acting for its own account, or the account of one or more QIBs each of which is a QP; (E) it is not formed for the purpose of investing in the Notes or the Issuer; (F) it will, and each account for which it is purchasing will hold and transfer at least US\$ 200,000 in principal amount of Notes at any time; (G) it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) it will provide notice of the transfer restrictions set forth in the Offering Circular to any subsequent transferees; or

- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

In each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

- 2.07 In the case of 2.06(i) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of 2.06(ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (a) beneficial interests in Regulation S Notes may be held through DTC directly by an independent participant in DTC or indirectly through an independent participant in DTC and (b) such certification requirements will no longer apply to such transfers.

- 2.08 Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Note, upon receipt by the Registrar of a duly completed transfer certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person is (A) a QIB who is also a QP; (B) it is not a broker-dealer who own and invest on a discretionary basis less than US\$25 million in securities of unaffiliated issuers; (C) it is not a participant-directed employee plan, such as a 401(k) plan; (D) it is acting for its own account, or the account of one or more QIBs each of which is a QP; (E) it is not formed for the purpose of investing in the Notes or the Issuer; (F) it will, and each account for which it is purchasing will hold and transfer at least US\$ 200,000 in principal amount of Notes at any time; (G) it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) it will provide notice of the transfer restrictions set forth in the Offering Circular to any subsequent transferees; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

- 2.09 Holders of Definitive Registered Notes may exchange such Definitive Registered Notes in whole (not in part) for interests in a Registered Global Note of the same type at any time.

- 2.10 Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will be transferable and exchangeable for Definitive Registered Notes or for a beneficial interest in another Registered Global Note only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be (the "**Applicable Procedures**").
- 2.11 Under the terms and subject to the conditions set forth in the Fiscal Agency Agreement, a Definitive Registered Note may be transferred in whole (in the authorised denominations set out in the applicable Final Terms) by the Holder or Holders surrendering the Definitive Registered Note for registration of the transfer of the Definitive Registered Note at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may prescribe, including any restrictions imposed by the Issuer on transfers of Definitive Registered Notes originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note transferred. If the Definitive Registered Note is listed, admitted to trading and/or quotation on a listing authority, stock exchange and/or quotation system, the Issuer shall maintain a Transfer Agent in the location of such listing authority, stock exchange and/or quotation system if required to do so by the Rules of such listing authority, stock exchange and/or quotation system.
- 2.12 Exchanges or transfers by a Holder of a Definitive Registered Note for an interest in, or to a person who takes delivery of such Note through, a Registered Global Note of the same type will be made no later than 45 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent of the Definitive Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.
- 2.13 In the event of a partial redemption of Notes under Condition 7.05, the Issuer shall not be required:
- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the 15th day before the date of the partial redemption and ending on the date fixed for such partial redemption (both inclusive); or
 - (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.
- 2.14 No Holder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.
- 2.15 Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax, duty or other governmental charges which may be imposed in relation to it.

3. **Status of the Notes**

The Notes of each Series constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other

unsecured and unsubordinated obligations of the Issuer, present and future, but (in the event of insolvency) only to the extent permitted by Finnish law relating to creditors' rights.

4. **Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct and unsecured obligations of the Guarantor and rank at least *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor, present and future, but (in the event of insolvency) only to the extent permitted by Finnish law relating to creditors' rights.

5. **Negative Pledge**

As long as any of the Notes remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will procure that no Indebtedness (as defined below) of the Issuer and no guarantee by it of any Indebtedness of any third party will be secured by any Charge (as defined below) upon any of its present or future property, assets or revenues unless the Issuer shall simultaneously with, or prior to, the creation of such Charge take any and all action necessary to procure that all amounts payable by it under the Notes are secured equally and rateably by such Charge, **provided, however, that** any security provided by the Issuer to the Guarantor as collateral for the amounts payable by the Issuer to the Guarantor in respect of guarantees issued by the Guarantor on behalf of the Issuer shall not be regarded as a Charge securing Indebtedness for the purposes of this Condition.

For the purposes of this Condition 5:

"Charge" means any mortgage, charge, lien (other than any lien arising by operation of law), pledge or other security interest; and

"Indebtedness" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures or other like notes (whether or not initially distributed by means of a private placing) which is, or is intended to be, or is capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other established securities market (for which purpose any such indebtedness shall be deemed not to be capable of being quoted, listed or ordinarily dealt in as aforesaid if the terms of its issue expressly so provide).

6. **Interest**

Notes may be interest-bearing or non-interest-bearing, as specified in the Final Terms. The Final Terms in relation to each Series of interest-bearing Notes shall specify which one (and one only) of Conditions 6A, 6B, 6C or 6D shall be applicable **provided that** Condition 6E will be applicable as specified therein and save to the extent inconsistent with the Final Terms.

6A. **Interest – Fixed Rate**

6A.01 Notes in relation to which this Condition 6A is specified in the Final Terms as being applicable shall bear interest from their date of issue (as specified in the Final Terms) at the rate or rates per annum specified in the Final Terms.

6A.02 The Notes shall bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder and (ii) the day which is five days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

6A.03 For the purposes of these Terms and Conditions:

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is so specified means, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (vii) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Interest Commencement Date" means the issue date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms.

6B. ***Interest – Floating Rate***

6B.01 Notes in relation to which this Condition 6B is specified in the Final Terms as being applicable shall bear interest at the rates per annum determined in accordance with this Condition 6B.

6B.02 The Final Terms in relation to each Series of Notes in relation to which this Condition 6B is specified as being applicable shall specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. For these purposes, "**Reuters Screen**" means the (or such other service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto).

6B.03 The Rate of Interest applicable to such Notes for each Interest Period (as defined in Condition 6E.02) shall be determined by the Rate-Setting Agent (as defined in Condition 6E.05) on the following basis:

- (i) the Rate-Setting Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean of the rates for deposits) in the relevant currency for a period of the

duration of the relevant Interest Period on the Relevant Screen Page as of 11.00 a.m. (London time) (or, in the case of Notes denominated in Euro, 11.00 a.m. Brussels time) on the second London Banking Day (or, in the case of Notes denominated in Euro, on the second TARGET Business Day) before (or, in the case of Notes denominated in Pounds Sterling, on) the first day of the relevant Interest Period (the "**Interest Determination Date**");

- (ii) if no such rate for deposits so appears (or, as the case may require, if fewer than two such rates for deposits so appear), the Rate-Setting Agent will request appropriate quotations and will determine the arithmetic mean of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market (or, in the case of Notes denominated in Euro, by four major banks in the Euro-zone interbank market), selected by the Rate-Setting Agent, at approximately 11.00 a.m. (London time) (or, in the case of Notes denominated in Euro, 11.00 a.m. Brussels time) on the Interest Determination Date to prime banks in the London interbank market (or, in the case of Notes denominated in Euro, the Euro-zone interbank market) for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time; and
- (iii) if fewer than two rates are so quoted, the Rate-Setting Agent will determine the arithmetic mean of the rates quoted by four major banks in the Business Centre (or, in the case of Notes denominated in Euro, by four major banks in the Euro-zone interbank market) (as defined in Condition 10D.03), selected by the Rate-Setting Agent, at approximately 11.00 a.m. (Business Centre time) (or, in the case of Notes denominated in Euro, 11.00 a.m. Brussels time) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time.

The Rate of Interest applicable to such Notes during each Interest Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean) so determined **provided that**, if the Rate-Setting Agent is unable to determine a rate (or, as the case may be, an arithmetic mean) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Notes during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean) last determined in relation to such Notes in respect of a preceding Interest Period.

- 6B.04 The Rate-Setting Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the Calculation Amount for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount and multiplying the product by the relevant Day Count Fraction.
- 6B.05 if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (i) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (ii) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

6B.06 Unless otherwise specified in the applicable Final Terms, in no event shall the Rate of Interest or Interest Amount be less than zero.

6C. ***Interest – Swap-Related (ISDA)***

6C.01 Notes in relation to which this Condition 6C is specified in the Final Terms as being applicable shall bear interest at the rates per annum determined in accordance with this Condition 6C.

6C.02 Each such Note shall bear interest from its date of issue (as specified in the Final Terms). Such interest will be payable on such dates and in such amounts as would have been payable (regardless of any event of default or termination event thereunder) by the Issuer had it entered into a swap transaction (to which applied a swap master agreement and the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.); (the "**ISDA Definitions**"), with the Calculation Agent under which:

- the Reset Date was the first day of the relevant Interest Period or such other day as specified in the relevant Final Terms;
- the Fixed Rate Payer or, as the case may be, the Floating Rate Payer was the Issuer;
- the Calculation Agent was the Rate-Setting Agent;
- the Effective Date was such date of issue; and
- all other terms were as specified in the Final Terms.

6C.03 If Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option (as defined in the ISDA Definitions and as specified in the relevant Final Terms), where:

(a) one rate shall be determined as if the Designated Maturity (as defined in the ISDA Definitions) were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(b) the other rate shall be determined as if the Designated Maturity (as defined in the ISDA Definitions) were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

6C.04 Unless otherwise specified in the applicable Final Terms, in no event shall the Rate of Interest or Interest Amount be less than zero.

6D. ***Interest – Other Rates***

Notes in relation to which this Condition 6D is specified in the Final Terms as being applicable shall bear interest at the rates per annum and be payable in the amounts and in the manner determined in accordance with the Final Terms.

6E. ***Interest – Supplemental Provision***

6E.01 Conditions 6E.02, 6E.03, 6E.04 and 6E.05 shall be applicable in relation to all Notes.

Interest Payment Date Conventions

6E.02 The Final Terms may specify which of the following conventions shall be applicable, namely:

- (i) the "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" in which case interest shall be payable in arrear on each date (each an "**Interest Payment Date**") which numerically corresponds to their date of issue or such other date as may be specified in the Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred **provided that**:
 - (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day in that calendar month;
 - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;
- (ii) the "**Following Business Day Convention**", in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the Final Terms **provided that**, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day;
- (iii) the "**Modified Following Business Day Convention**", in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the Final Terms **provided that**, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day;
- (iv) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (v) such other convention as may be specified in the Final Terms.

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Notification of Items Determined by the Rate Setting Agent

6E.03 The Rate-Setting Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a Calculation Period, Interest Amount, floating amount or other item, as the case may be, determined by it to be notified to the Fiscal Agent who will cause all such determinations to be notified to the other Paying Agents and, in the case of Registered Notes, the Registrar (from whose respective specified offices such information will be available) as soon as practicable after such determination but in any event not later than the fourth London Banking Day thereafter and,

in the case of Notes admitted to the Official List of the United Kingdom Financial Conduct Authority (the "FCA"), cause each such Rate of Interest, floating rate, Interest Payment Date, final day of a Calculation Period, Interest Amount, floating amount or other item, as the case may be, determined by it to be notified to the FCA. For the purposes of these Terms and Conditions, "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

- 6E.04 The Rate-Setting Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or last day of a Calculation Period (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of the extension or abbreviation of the relevant Interest Period or Calculation Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- 6E.05 The determination by the Rate-Setting Agent of all rates of interest and amounts of interest for the purposes of this Condition 6 shall, in the absence of manifest error, be final and binding on all parties. As used herein, the "**Rate-Setting Agent**" means the Fiscal Agent or such other agent as may be specified in the Final Terms.
- 6E.06 In the case of partly-paid Notes (other than partly-paid Notes which are non-interest-bearing) interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as indicated in the applicable Final Terms.

7. **Redemption and Purchase**

Redemption at Maturity

- 7.01 Unless previously redeemed, or purchased and cancelled, Notes shall be redeemed at their principal amount (or at such other redemption amount as may be specified in the Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

Early Redemption or Substitution for Taxation Reasons

- 7.02 If, in relation to any Series of Notes (i) as a result of any change in the laws of the Republic of Finland or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the Final Terms on the occasion of the next payment due in respect of such Notes the Issuer would be required to pay additional amounts as provided in Condition 9 and (ii) such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent and in the case of VPS Notes, to the VPS and the VPS Account Manager, of a certificate duly signed by an authorised signatory of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option, having given no less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders in accordance with Condition 15 (which notice shall be irrevocable):

- (A) redeem all (but not some only) of the Notes comprising the relevant Series at their principal amount (or at such other redemption amount as may be specified in the Final Terms), together with accrued interest (if any) thereon provided, however (and except in the case of Notes which bear interest at a floating rate), that no such notice of redemption may be given earlier than ninety days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due; or
- (B) substitute, without the consent of any Holders of Notes **provided that** no payment in respect of any such Series is overdue, an Affiliate to assume liability for the due and punctual payment of all payments on all Notes then outstanding and the performance of

all the Issuer's other obligations under all the Notes then outstanding and the Fiscal Agency Agreement and the Deed of Covenant.

Upon any such assumption, the assuming company shall succeed to the rights and obligations of the Issuer (or any previous assuming company) under the Notes, the Fiscal Agency Agreement and the Deed of Covenant and the Issuer or any previous assuming company shall be released from its liability on the Notes, the Fiscal Agency Agreement and the Deed of Covenant. Such assumptions shall be permitted only if the assuming company, the Issuer and the Guarantor enter into a deed poll (the "**Deed Poll**") whereby (i) the assuming company assumes the obligations of the Issuer under the Notes, the Fiscal Agency Agreement and the Deed of Covenant, (ii) the assuming company and the Guarantor agree to indemnify each Holder and each Account Holder against (a) any tax, duty, fee or governmental charge which is imposed on such Holder or Account Holder with respect to such Note or Deed of Covenant, as the case may be, and which would not have been so imposed had such assumption not been made, (b) any tax, duty, fee or governmental charge imposed on or relating to the act of assumption and (c) any costs or expenses of the act of assumption, (iii) the Guarantor unconditionally guarantees (irrespective of the validity, regularity or enforceability against the assuming company of any Note, the Deed of Covenant, the Fiscal Agency Agreement or the Deed Poll or of any action to enforce the same and substantially to the effect scheduled to the Fiscal Agency Agreement) all payments in respect of the Notes, the Fiscal Agency Agreement, the Deed of Covenant and the Deed Poll and (iv) the assuming company and the Guarantor warrant that all necessary governmental approvals and consents for the assumption by the assuming company of its obligations and the giving and implementation of the Guarantor's guarantee have been obtained and are in full force and the obligations of the assuming company under the Notes, the Deed of Covenant, the Fiscal Agency Agreement and the Deed Poll and of the Guarantor under its guarantee to guarantee payments in respect of the Notes, the Deed of Covenant, the Fiscal Agency Agreement and the Deed Poll are legal, valid, binding and enforceable in accordance with their terms **provided that** no substitution shall take place pursuant to Condition 7.02(B) unless the assuming company and the Guarantor have obtained legal opinions containing no material qualifications from independent legal advisers of recognised standing in the country of incorporation of the assuming company, Finland and in England that the obligations of the assuming company and of the Guarantor are legal, valid and binding and that all consents and approvals as aforesaid have been obtained.

As used herein, "**Affiliate**" means any entity controlled, directly or indirectly, by the Guarantor, any entity that controls the Issuer, directly or indirectly, or any entity under common control with the Issuer. For this purpose, "**control**" of the Issuer or any entity means ownership of a majority of the voting power of the Issuer or such entity.

Not less than thirty nor more than ninety days prior to the effective date of the assumption by the assuming company, the Issuer shall procure the notification to the Holders, in accordance with Condition 15, of the assumption and stating that copies, or pending execution thereof final drafts, of the Deed Poll and other relevant documents and of the legal opinions are available for inspection by Holders at the specified offices of the Fiscal Agent and the Registrar. The originals of the Deed Poll and other documents will be delivered to the Fiscal Agent to hold until there are no claims outstanding in respect of the Notes, the Deed of Covenant, the Fiscal Agency Agreement or the Deed Poll. The assuming company, the Issuer and the Guarantor shall in the Deed Poll acknowledge the right of every Holder of any Note or, as the case may be, every Account Holder to the production of such documents.

Upon the assumption becoming effective, references in these Conditions to the "**Republic of Finland**", shall be deemed to be replaced by references to the country of incorporation and, if different, the country of tax residence of the assuming company.

Optional Early Redemption (Call)

- 7.03 If this Condition 7.03 is specified in the Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the Final Terms, redeem all (but not, unless and to the extent specified otherwise in the relevant Final Terms, some only) of the Notes at their principal amount (or such other redemption amount as may be specified in the Final Terms) together with accrued interest (if any) thereon.

7.04 The appropriate notice referred to in Condition 7.03 is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Notes) and the Holders of the Notes, which notice shall be duly signed by the Issuer and shall specify:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes which are to be redeemed; and
- (iii) the due date for such redemption, which shall be not less than thirty days (or such lesser period as may be specified in the Final Terms) after the date on which such notice is validly given and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

Partial Redemption

7.05 If some only of the Notes of a Series are to be redeemed on any date in accordance with Condition 7.03:

- (i) in the case of Bearer Notes the Notes to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Notes may be listed, traded and/or quoted (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion);
- (ii) in the case of Registered Notes, the Notes shall be redeemed *pro rata* to their principal amounts, subject always as aforesaid; and
- (iii) in the case of VPS Notes, Notes to be redeemed shall be selected in accordance with the rules of the VPS.

Optional Early Redemption (Put)

7.06 If this Condition 7.06 is specified in the Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note, redeem such Note on the date or the next of the dates specified in the Final Terms at its principal amount (or such other redemption amount as may be specified in the Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date specified (or such other period as may be specified in the Final Terms), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar.

In the case of VPS Notes, the Holders must, within the notice period, give notice to the relevant VPS Account Manager of such exercise in accordance with the standard procedures of the VPS from time to time.

Purchase of Notes

7.07 The Issuer may at any time purchase Notes in the open market or otherwise and at any price **provided that**, in the case of interest-bearing Definitive Notes, all unmatured Coupons appertaining thereto are purchased therewith.

Cancellation of Redeemed and Purchased Notes

- 7.08 All unmatured Notes redeemed or purchased in accordance with this Condition 7 and, in the case of interest-bearing Definitive Notes, any unmatured Coupons attached thereto or surrendered or purchased therewith may be cancelled reissued or resold, (save for VPS Notes, which will be deleted from the records of VPS and cannot thereafter be reissued or resold).

8. Events of Default

- 8.01 Unless otherwise specified in the Final Terms, the following events or circumstances (each an "**Event of Default**") shall be events of default in relation to the Notes of any Series, namely;

- (i) the Issuer fails to pay any amount payable in respect of any Note for a period of more than ten days from the due date to make payment thereof; or
- (ii) default is made by the Issuer or the Guarantor in the performance or observance of any other obligation, condition or provision binding on it under or in respect of any of such Notes and such default continues for ninety days after written notice of such failure, requiring the Issuer or, as the case may be, the Guarantor to remedy the same, shall first have been given to the Fiscal Agent by the Holder of any such Note at the time outstanding; or
- (iii) any indebtedness for or in respect of borrowed money of the Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (howsoever called) or the Issuer or the Guarantor fails to make any payment in respect of any indebtedness for or in respect of borrowed money on the due date for payment as extended by any applicable grace period or any security given by the Issuer or the Guarantor for any indebtedness for borrowed money becomes enforceable or if default is made by the Issuer or the Guarantor in making any payment due under any guarantee and/or indemnity given by it in relation to any indebtedness for borrowed money of any other person in an aggregate amount of at least €50,000,000 (or its equivalent in any other currency or currencies); or
- (iv) the Issuer or the Guarantor is adjudicated or found bankrupt or insolvent, or suspends payments, any order or action is made or taken by any competent court or administrative agency, or any resolution is passed by the Issuer or the Guarantor, to apply for judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor or a substantial part of their assets, or the Issuer or the Guarantor is wound up or dissolved; or
- (v) the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect.

- 8.02 If any Event of Default shall occur in relation to any Series of Notes, any Holder of a Note of the relevant Series may by written notice to the Issuer declare such Note and (if the Note is interest-bearing) all interest then accrued on such Note to be forthwith due and payable, whereupon the same shall become immediately due and payable at its principal amount (or at such other amount as may be specified in the Final Terms) without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding unless prior to the time when the Issuer receives such notice all Events of Default in respect of all the Notes shall have been cured.

9. Taxation

- 9.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Finland or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, the Issuer or (as the case may be) the Guarantor will pay such additional amounts as may be necessary in order that the net amounts receivable by the

Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of payment on any Note or Coupon:

- (i) presented for payment by or on behalf of a Holder who is liable to such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Finland other than the mere holding of such Note or Coupon; or
- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days.

9.02 The Issuer or (as the case may be) the Guarantor is permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a Holder, beneficial owner or an intermediary that is not an agent of the Issuer or (as the case may be) the Guarantor not being entitled to receive payments free of FATCA withholding. The Issuer or (as the case may be) the Guarantor will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Issuer or the Guarantor, or either of their agents or any other party.

9.03 For the purposes of these Terms and Conditions, the "**Relevant Date**" means the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent or, as the case may be, the Registrar on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Notes in accordance with Condition 15.

9.04 Any reference in these Terms and Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking given in addition thereto or in substitution therefor.

9.05 The Final Terms may set forth certain additional tax consequences to Holders of Notes of a particular Series.

10. **Payments**

10A. ***Payments Bearer Notes***

10A.01 This Condition 10A is applicable in relation to Notes specified in the Final Terms as being in bearer form.

10A.02 Payment of amounts (including accrued interest) due on the redemption of Bearer Notes will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

10A.03 Payment of amounts due in respect of interest on Bearer Notes will be made:

- (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside the United States and, in the case of a Temporary Global Note, upon due certification as required therein;
- (ii) in the case of Definitive Notes without Coupons attached thereto at the time of the initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside the United States; and

- (iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside the United States.

10A.04 If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Note is not a Business Day, then the Holder thereof will not be entitled to payment in such a place of the amount due until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.

10A.05 Each Definitive Note initially delivered with Coupons attached thereto should be surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:

- (i) in the case of Definitive Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time prior to the tenth anniversary of the due date of such final redemption or, if later, the fifth anniversary of the date of maturity of such Coupon; and
- (ii) in the case of Definitive Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

10B. ***Payments Registered Notes***

10B.01 Condition 10B is applicable in relation to Notes specified in the Final Terms as being in registered form.

10B.02 Payment of amounts (including accrued interest) due on the final redemption of Registered Notes will be made against presentation and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of the final redemption amount of Registered Notes is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.

10B.03 Payment of amounts (whether principal, interest or otherwise) due (other than in respect of the final redemption of Registered Notes) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at:

- (i) in the case of Registered Notes which are not in global note form, opening of business (Frankfurt time) on the fifteenth Frankfurt Banking Day before the due date for such payment where "**Frankfurt Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Frankfurt; or
- (ii) in the case of Registered Notes which are in global note form, close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means a day on which each clearing system for which the Registered Note is being held is open for business,

(the "**Record Date**").

10B.04 The provisions of Condition 10D.02, payments of interest due (other than in respect of the final redemption of Registered Notes) in respect of Registered Notes will be made by a cheque drawn on a bank (in the case of payment in Japanese Yen to a non-resident of Japan, an authorised foreign exchange bank) in the Business Centre and posted to the address (as recorded in the

register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Business Day immediately preceding the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account (in the case aforesaid, a non-resident account with an authorised foreign exchange bank).

10C. ***Payments VPS Notes***

Payments of principal and interest will be made to the Holder of VPS Notes shown in the records of the VPS in accordance with and subject to the rules and regulations from time to time regulating the VPS.

10D. ***Payments – General Provisions***

10D.01 Save as otherwise specified herein, this Condition 10D is applicable in relation to Notes whether in bearer or in registered form.

10D.02 Payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Notes will be made by cheque drawn on, or by transfer to, an account (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account) maintained by the payee with, a bank (in the case aforesaid, an authorised foreign exchange bank) in the Business Centre. Payments will, without prejudice to the provisions of Condition 9, be subject in all cases to any applicable fiscal or other laws and regulations.

10D.03 For the purposes of these Terms and Conditions:

"Business Centre" has the meaning specified in the relevant Final Terms;

"Business Day" means (unless varied or restated in the Final Terms) a day:

- (a) in relation to Notes payable in Euro, which is a TARGET Business Day and in each (if any) Business Centre; and
- (b) in relation to Notes payable in any other currency, which is a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the Business Centre(s);

"No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Euro" means the currency introduced at the start of the third state of European economic and monetary union, and as defined in Article 2 of Council Regulations (EC) No 974/98 of 3 May 1998 on the introduction of the euro as amended;

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"TARGET Business Day" means any day on which TARGET 2 or its successor is open for the settlement of payments in euro.

"Treaty" means the Treaty establishing the European Union, as amended;

11. ***Prescription***

11.01 Bearer Notes and Coupons will become void unless presented for payment within ten years (or, in the case of Coupons and save as provided in Condition 10A.05, five years) after the due date for payment.

- 11.02 Claims against the Issuer in respect of Registered Notes will be prescribed unless made within ten years (or, in the case of claims in respect of interest, five years) after the due date for payment.

12. The Paying Agents and the Registrars

- 12.01 The initial Paying Agents and the Registrar and their respective initial specified offices are specified below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar **provided that** it will at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in continental Europe (but outside the United Kingdom), and (iv), so long as any Notes are listed on the Official List of the Financial Services Authority, a Paying Agent with a specified office in London. The Paying Agents and the Registrar reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Registrar will be notified promptly to the Holders.
- 12.02 The Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive.

13. Replacement of Notes

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes and Coupons) or of the Registrar (in the case of Registered Notes), subject to all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Notes are listed and/or traded, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Fiscal Agent or, as the case may be, the Registrar may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered.

14. Meetings of Holders

The Fiscal Agency Agreement contains provisions, which are binding on the Issuer, the Guarantor and the Holders of Notes (other than VPS Notes) or Coupons, for convening meetings of the Holders of Notes (other than VPS Notes) of any Series to consider matters affecting their interests, including the modification or waiver of the Terms and Conditions applicable to any Series of Notes (other than VPS Notes).

The VPS Trustee Agreement might contain provisions for convening meetings of the Holders of VPS Notes to consider any matter affecting their interests, including sanctioning by a majority of two-thirds of votes (as more fully set out in the VPS Trustee Agreement) of a modification of the VPS Notes or any of the provisions of the VPS Trustee Agreement or the VPS Account Manager Agreement. Such a meeting may be convened by the Issuer, the VPS Trustee, or by Holders of VPS Notes holding not less than 10 per cent. of the Voting VPS Notes (as defined in the VPS Trustee Agreement). The quorum at any such meeting for passing a resolution requiring a two-thirds voting majority is one or more persons holding at least one half of the Voting VPS Notes or at any adjourned meeting one or more persons being or representing Holders of VPS Notes whatever the nominal amount of the VPS Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS Notes, the VPS Trustee Agreement or the VPS Account Manager Agreement (including modifying the date of maturity of the VPS Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS Notes or altering the currency of payment of the VPS Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the VPS Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the VPS Notes for the time being outstanding. A resolution passed at any meeting of the Holders of VPS Notes shall be binding on all the Holders of VPS Notes, whether or not they are present at such meeting.

15. **Notices**

To Holders of Bearer Notes

- 15.01 Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified in the Final Terms, be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable, if published in a leading English-language newspaper having general circulation in Europe or, in the case of a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and any other relevant clearing system, as the case may be, for communication by them to the persons shown in their respective records as having interests therein **provided that**, in the case of Notes admitted to the Official List of the Financial Services Authority, the requirements of the Financial Services Authority have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or such delivery. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

15.02 ***To Holders of VPS Notes***

In the case of VPS Notes, notices shall be given in accordance with the procedures of the VPS as amended from time to time.

To Holders of Registered Notes

- 15.03 Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail to them (or, in the case of joint Holders, the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

To the Issuer or the Guarantor

- 15.04 Notices to the Issuer or the Guarantor, as the case may be, will be deemed to be validly given if, in the case of the Issuer, delivered at P.O. Box 744 Jaakonkatu 3A, 5th floor FI-00101, Helsinki, Finland and, in the case of the Guarantor, if delivered at Yrjönkatu 11 A 1, FI-00120, Helsinki, Finland and clearly marked on their exterior in the case of notices to the Issuer "Urgent – Attention: Managing Director/Deputy Managing Director" and in the case of notices to the Guarantor "Urgent – Attention: Managing Director" (or at such other address and for such other attention as may have been notified to the Holders of the Notes in accordance with this Condition 15) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's or Guarantor's, as the case may be, principal office is open for business.

16. **Further Issues**

The Issuer may from time to time without the consent of the Holders of any Notes of any Series but with the consent of the Guarantor create and issue further Notes having terms and conditions the same as those of the Notes of such Series or the same except for the amount of the first payment of interest (if any) and having the benefit of the Guarantee, which may be consolidated and form a single Series with the outstanding Notes of such Series.

17. **Law and Jurisdiction**

- 17.01 The Notes, the Fiscal Agency Agreement, the Guarantee and the Deed of Covenant and all non contractual obligations arising out of or in connection with any of them are governed by English law except VPS Notes that will be governed by Norwegian law. Further, the VPS Trustee Agreement and the VPS Account Manager Agreement will be governed by and shall be construed in accordance with Norwegian law.
- 17.02 The Issuer agrees for the benefit of the Holders of the Notes that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes (including any non-contractual obligations arising out of or in connection with the Notes). However, the Issuer agrees, for the exclusive benefit of the VPS Trustee and the Holders of VPS

Notes that the courts of Norway are to have jurisdiction to settle any disputes which may arise out of, or in connection with, the VPS Trustee Agreement, the VPS Notes and the VPS Account Manager Agreement.

- 17.03 The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.
- 17.04 Condition 17.02 is for the benefit of the Holders of the Notes only. As a result, nothing in this Condition 17 prevents any Holder of a Note from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders of the Notes may take concurrent Proceedings in any number of jurisdictions.
- 17.05 The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Jordans Trust Company Limited at 20-22 Bedford Row, London WC1R 4JS or at any other address of the Issuer in Great Britain at which service of process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Holder of a Note addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder of a Note shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder of a Note to serve process in any other manner permitted by law. This Condition applies to proceedings in England and to Proceedings elsewhere.
- 17.06 The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- 17.07 To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18. **Provision of Information**

For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser being designated but such Holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

19. **Third Party Rights**

Except as set forth in Condition 18 (Provision of Information), no person shall have any right to enforce any of these Conditions under the Contracts (Rights of Third Parties) Act 1999.

PRO FORMA FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [•]

MUNICIPALITY FINANCE PLC (Kuntarahoitus Oyj)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

THE MUNICIPAL GUARANTEE BOARD (Kuntien takauskeskus)

under the €25,000,000,000

Programme for the Issuance of Debt Instruments

PART A – CONTRACTUAL TERMS

This document constitutes the final terms relating to the issue of Notes described herein. [Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 11 May 2016 [and the supplemental Offering Circular dated [date]] (the "**Offering Circular**"). These Final Terms contain the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus/Offering Circular with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 11 May 2016. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus/Offering Circular dated [date] [and the supplemental Base Prospectus/Offering Circular dated [date], save in respect of the Conditions which are extracted from the [Base Prospectus/Offering Circular] dated [date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[These Final Terms are available for viewing at www.rns-pdf.londonstockexchange.com]

[Include this language where application has been made for a Series of Notes to be admitted to the Official List of the FCA and trading on the London Stock Exchange's Regulated Market.]

- | | | | |
|----|--------|---|--|
| 1. | (i) | Issuer: | Municipality Finance Plc (Kuntarahoitus Oyj) |
| | (ii) | Guarantor: | The Municipal Guarantee Board (Kuntien takauskeskus) |
| 2. | [(i)] | Series Number: | [] |
| | [(ii)] | Tranche Number: | [] |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). | [] |
| 3. | | Specified Currency or Currencies: | [] |

4. Aggregate Nominal Amount:
- [(i)] Series: []
- [(ii)] Tranche: []
5. (i) Issue Price: [] per cent. of the Aggregate Nominal Amount
[plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)
6. (i) Specified Denominations: []
- (ii) Calculation Amount: []

The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the Specified Denomination is expressed to be EUR 100,000 or its equivalent and multiples of a lower principal amount (for example EUR 1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

7. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date: []
8. Maturity Date: []

[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available].

9. Interest Basis: [] per cent. Fixed Rate]
- [specify reference rate] +/- [] per cent. Floating Rate]
- [Zero Coupon]
- [Index-Linked Interest]
- [Other (*specify*)]
- (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
- [Index-Linked Redemption]

- [Dual Currency]
- [Partly Paid]
- [Instalment]
- [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption / payment basis]
12. Put/Call Options: [Investor Put]
- [Issuer Call]
- [(further particulars specified below)]
13. (i) Status of the Notes: Senior
- (ii) Status of the Guarantee: Senior
- (iii) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] and [], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"/not adjusted.]
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (iv) Broken Amount(s): []
- [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]
- (v) Day Count Fraction: [30/360]/[Actual/Actual ([ICMA]/ ISDA)/other)]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes.)

16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
- (i) Interest Period: []
- (Interest Period and Specified Interest Payment Dates are alternatives. An Interest Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (ii) Specified Interest Payment Dates: []
- (Interest Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (iv) Business Centre(s): []
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate
Determination/ISDA Determination/ other (give details)]
- (vi) Party responsible for calculating the Rate(s) Interest and Interest Amount(s) (if not the Fiscal Agent): *[Name] shall be the Calculation of Agent (no need to specify if the Fiscal Agent is to perform this function)]*
- (vii) Screen Rate Determination:
- Reference Rate: [] *[For example, LIBOR or EURIBOR]*
 - Interest Determination Date(s): []
 - Relevant Screen Page: [] *[For example, Reuters LIBOR 01/EURIBOR 01]*
- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []

- (ix) Linear Interpolation: [Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (x) Margin(s): [+/-][] per cent. per annum
- (xi) Minimum Rate of Interest: [] per cent. per annum
- (xii) Maximum Rate of Interest: [] per cent. per annum
- (xiii) Day Count Fraction: []
- (iv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: [] [*Consider whether it is necessary to specify a Day Count Fraction*]
18. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (Need to include a description of market disruption or settlement disruption events and adjustment provisions)*
- (iv) Interest Period(s)/Specified Interest Payment Dates: []
- (Interest Periods and Specified Interest Payment Dates are alternatives. An Interest Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention.)*
- (v) Business Day Convention: [*Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*]

other (give details)]

- (vi) Business Centre(s): []
- (vii) Minimum Rate/Amount of [] per cent. per annum Interest:
- (viii) Maximum Rate/Amount of [] per cent. per annum Interest:
- (ix) Day Count Fraction: []

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible: []
(Need to include a description of market: disruption or settlement disruption events and adjustment provisions)
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [] per Calculation Amount
 - (b) Maximum Redemption Amount: [] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): []

21. **Put Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
 - (ii) Optional Redemption Amount(s) [] per Calculation Amount
and method, if any, of
calculation of such amount(s):
 - (iii) Notice period: []
22. **Final Redemption Amount of each Note** [[] per Calculation Amount other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible []
for calculating the Final
Redemption Amount:
- (iii) Provisions for determining Final []
Redemption Amount where
calculated by reference to Index
and/or Formula and/or other
variable:
- (iv) Date for determining Final []
Redemption Amount where
calculated by reference to Index
and/or Formula and/or other
variable:
- (v) Provisions for determining Final []
Redemption Amount where
calculation by reference to Index
and/or Formula and/or other
variable is impossible or
impracticable or otherwise
disrupted:
- (vi) Payment Date: []
- (vii) Minimum Final Redemption [] per Calculation Amount
Amount:
- (viii) Maximum Final Redemption [] per Calculation Amount
Amount:

23. **Early Redemption Amount**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *[Not applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. **Form of Notes:**

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]*

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice.]

[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].*

VPS Notes:

VPS Notes issued in uncertificated book entry form

Registered Notes:

[Regulation S Global Note exchangeable for Definitive Registered Notes on [•] days' notice/in the limited circumstances described in Regulation S Global Note]

[Restricted Global Note exchangeable for Definitive Registered Notes on [•] days' notice/in the limited circumstances described in the Restricted Global Note]

[Regulation S Global Note (U.S.\$/EUR nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]

[Restricted Global Note (U.S.\$ nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]

25. **New Global Note:**

[Yes][No]

26. **Business Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/give details. *Note that this item relates to the date and place of payment, and not interest period end dates, to which item 15(ii), 16(iii) and 18(v) relates*]

27. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and**

[Yes/No. *If yes, give details*]

* If the minimum denomination is EUR 100,000 + EUR 1,000 (or equivalent in another currency) or other multiples of less than EUR 100,000, the Holder's option to request Bearer Notes in definitive form on a specified number of days' notice/at any time should be disappplied.

* If the minimum denomination is EUR 100,000 + EUR 1,000 (or equivalent in another currency) or other multiples of less than EUR 100,000, the Holder's option to request Bearer Notes in definitive form on specified number of days' notice/at any time should be disappplied.

dates on which such Talons mature):

28. Details relating to Partly Paid Notes: [Not Applicable/*give details*]
amount of each payment comprising the
Issue Price and date on which each
payment is to be made and consequences
(if any) of failure to pay, including any
right of the Issuer to forfeit the Notes and
interest due on late payment:
29. Details relating to Instalment Notes: [Not Applicable/*give details*]
amount of each instalment, date on
which each payment is to be made:
30. Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

31. (i) If syndicated, names and address of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (ii) Date of [Subscription] []
Agreement:
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
32. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
33. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
34. Additional selling restrictions: [Not Applicable/Rule 144A/3(c)(7) *give details*]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the issue and admission to trading on the Regulated Market of the London Stock Exchange plc of the Notes described herein pursuant to the €25,000,000,000 Programme for the Issuance of Debt Instruments of Municipality Finance Plc (Kuntarahoitus Oyj) guaranteed by The Municipal Guarantee Board (Kuntien takauskeskus).]*

* Relevant only in relation to Notes that are listed.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms.

SIGNED on behalf of the Issuer:

By:
Duly authorised

By:
Duly authorised

SIGNED on behalf of the Guarantor:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/Luxembourg/other (*specify*)/ None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original security is already admitted to trading.)

2. RATINGS

Ratings: The Notes to be issued have been rated:

[Moody's]: []

[Standard & Poor's]: []

[Other]: []

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended.

3. OPERATIONAL INFORMATION

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)] [include this text for registered notes] and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)] [include this text for registered notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

ISIN Code: []

Common Code: []

[CUSIP No:] [] [Not Applicable]

[Select "Not Applicable" if no Restricted Registered Notes will be issued]

Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking *société anonyme* and DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

[Verdipapirsentralen, Norway. VPS identification number: [•] The Issuer shall be entitled to obtain information from the register maintained by the VPS for the purposes of performing its obligations under the issue of VPS Notes.]

Delivery: Delivery [against/free of] payment

Names and addresses of additional []
Paying Agent(s) (if any):

USE OF PROCEEDS

The proceeds of the issue of each Series of Notes will be used by the Issuer only in accordance with the Municipal Guarantee Board Act, as amended.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth consolidated cash and cash equivalents and capitalisation (including short term debt, long-term debt and shareholders' equity) of the Issuer as at 31 December 2015.

The information in this table should be read in conjunction with "*Management's Discussion and Analysis of Financial Position and Results of Operations of the Group*" and the Group Consolidated Financial Statements and the notes to those statements included elsewhere in this Offering Circular.

| | As at 31 December 2015 |
|---|------------------------------|
| | (Euro '000) |
| Cash and balances with central banks | 1,813,813 |
| Indebtedness: | |
| Liabilities to credit institutions | 4,893,270 |
| Liabilities to the public and public sector entities | 954,026 |
| Debt securities issued | 24,804,490 |
| Total Indebtedness | 30,651,786 |
| Shareholders' equity | |
| Share capital | 42,583 |
| Reserve fund | 277 |
| Fair value reserve | 11,354 |
| Reserve for invested non-restricted equity | 40,366 |
| Retained earnings | 601,065 |
| Total equity attributable to parent company equity holders | 695,645 |
| Non-controlling interest | 216 |
| Other equity instruments issued | 347,454 |
| Total Equity | 1,043,314 |
| Total capitalisation⁽¹⁾ | 31,695,100 |

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

SELECTED FINANCIAL INFORMATION RELATING TO THE GROUP

The following tables set out, in summary form, selected consolidated financial information for the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, as derived from the Group Consolidated Financial Statements which are prepared in accordance with EU IFRS. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Group Consolidated Financial Statements and the section entitled "*Management's Discussion and Analysis of Financial Position and Results of Operations of the Group*" appearing elsewhere in this Offering Circular.

INCOME STATEMENT DATA

Consolidated Income Statement

| | For the year ended 31 December | | |
|--|--------------------------------|----------------|----------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Interest income..... | 158,462 | 212,351 | 180,014 |
| Interest expense | 13,782 | (52,343) | (30,524) |
| NET INTEREST INCOME..... | 172,245 | 160,008 | 149,490 |
| Commission income | 5,157 | 5,047 | 1,933 |
| Commission expense | (3,776) | (3,834) | (4,135) |
| Net income from securities and foreign exchange transactions..... | (3,865) | (5,711) | 5,023 |
| Net income from available-for-sale financial assets | 6,336 | 6,629 | 214 |
| Net income from hedge accounting..... | 583 | 3,693 | 9,617 |
| Other operating income | 21 | 11 | 5 |
| Administrative expenses..... | (16,653) | (14,721) | (14,802) |
| Depreciation and impairment on tangible and intangible assets..... | (1,600) | (1,442) | (1,196) |
| Other operating expenses | (6,646) | (5,521) | (4,937) |
| Impairment losses on other financial assets | - | - | 54 |
| OPERATING PROFIT..... | 151,801 | 144,160 | 141,266 |
| Income taxes | (30,307) | (28,908) | (16,567) |
| PROFIT FOR THE FINANCIAL PERIOD..... | 121,494 | 115,252 | 124,699 |
| Profit attributable to:..... | | | |
| Equity holders of the parent company | 121,379 | 115,044 | 124,697 |
| Non-controlling interest..... | 115 | 207 | 1 |

Consolidated Statement of Comprehensive Income

| | For the year ended 31 December | | |
|---|--------------------------------|----------------|----------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Profit for the financial period..... | 121,494 | 115,252 | 124,699 |
| Available-for sale financial assets (fair value reserve): | | | |
| Net change in fair value | (17,972) | 14,462 | 1,004 |
| Net amount transferred to profit or loss..... | (6,562) | (3,769) | (2,356) |
| IAS39 Reclassification adjustment..... | 84 | 92 | 167 |
| Taxes relating to components of other comprehensive income..... | 4,890 | (2,157) | 290 |
| Change in corporate tax rate..... | - | - | 1,254 |
| TOTAL COMPREHENSIVE INCOME..... | 101,934 | 123,880 | 125,057 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent company | 101,820 | 123,673 | 125,056 |
| Non-controlling interest..... | 115 | 207 | 1 |

FINANCIAL POSITION DATA

| | As at 31 December | | |
|---|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| ASSETS | | | |
| Cash and balances with central banks | 1,813,813 | 592,907 | 354,232 |
| Loans and advances to credit institutions | 614,294 | 1,072,099 | 589,144 |
| Loans and advances to the public and public sector entities | 20,275,561 | 19,337,730 | 17,882,282 |
| Debt securities | 7,003,318 | 6,416,586 | 5,985,644 |
| Shares and participations | 9,620 | 9,789 | 10,050 |
| Derivative contracts | 3,925,025 | 2,321,699 | 1,094,150 |
| Intangible assets | 5,812 | 4,757 | 4,740 |
| Tangible assets | 2,298 | 2,465 | 2,525 |
| Other assets | 6,277 | 2,196 | 1,977 |
| Accrued income and prepayments | 232,792 | 249,032 | 231,656 |
| TOTAL ASSETS | 33,888,811 | 30,009,259 | 26,156,402 |
| LIABILITIES AND EQUITY | | | |
| Liabilities to credit institutions | 4,893,270 | 3,882,771 | 2,264,386 |
| Liabilities to the public and public sector entities | 954,026 | 963,662 | 929,209 |
| Debt securities issued | 24,804,490 | 23,230,298 | 20,269,298 |
| Derivative contracts | 1,799,692 | 934,399 | 1,818,359 |
| Other liabilities | 2,131 | 2,056 | 1,395 |
| Accrued expenses and deferred income | 217,768 | 249,902 | 268,590 |
| Subordinated liabilities | 35,542 | 37,943 | 48,974 |
| Deferred tax liabilities | 138,576 | 114,124 | 85,967 |
| TOTAL LIABILITIES | 32,845,497 | 29,415,155 | 25,686,178 |
| EQUITY AND NON-CONTROLLING INTEREST | | | |
| Share capital | 42,583 | 42,583 | 42,583 |
| Reserve fund | 277 | 277 | 277 |
| Fair value reserve | 11,354 | 30,914 | 22,285 |
| Reserve for invested non-restricted equity | 40,366 | 40,366 | 40,366 |
| Retained earnings | 601,065 | 479,686 | 364,641 |
| Total equity attributable to parent company equity holders | 695,645 | 593,825 | 470,153 |
| Non-controlling interest | 216 | 279 | 71 |
| Other equity instruments issued | 347,454 | - | - |
| TOTAL EQUITY AND NON-CONTROLLING INTEREST | 1,043,314 | 594,104 | 470,224 |
| TOTAL LIABILITIES AND EQUITY | 33,888,811 | 30,009,259 | 26,156,402 |

CASH FLOW DATA

| | For the year ended 31 December | | |
|--|--------------------------------|-------------|-----------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Cash flow from operating activities | 813,006 | (1,084,822) | (62,468) |
| Cash flow from investing activities | (2,488) | (1,348) | (3,709) |
| Cash flow from financing activities | 346,188 | (10,000) | (40,098) |
| Change in cash and cash equivalents | 1,156,706 | (1,096,170) | (106,275) |
| Cash and cash equivalents at 1 January | 789,003 | 1,885,173 | 1,991,448 |
| Cash and cash equivalents at 31 December | 1,945,709 | 789,003 | 1,885,173 |

KEY PERFORMANCE INDICATORS

The following table sets out some of the key indicators of the results and performance of the Group and the Issuer used by management. FIN-FSA, which is the authority for supervision of Finland's financial and insurance sectors, defines what key indicators need to be presented as part of the "Report of the Board of Directors". The Report of the Board of Directors, which includes some of the key indicators below, is not governed by EU IFRS, however all of the key indicators below are calculated based on our

consolidated financial information which is presented in accordance with EU IFRS. These key indicators are not directly comparable with those related to other credit institutions.

Certain key indicators do not have official definitions from EU IFRS or FIN-FSA and are presented to clarify certain indicators used by management, such as our funding portfolio or lending portfolio. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Group Consolidated Financial Statements and the section entitled "*Management's Discussion and Analysis of Financial Position and Results of Operations of the Group*" appearing elsewhere in this Offering Circular.

| | As at and for the year ended 31 December | | |
|--|--|--------|--------|
| | 2015 | 2014 | 2013 |
| Turnover ⁽¹⁾ (mEUR)..... | 166.7 | 222.0 | 196.8 |
| Net interest income (mEUR) | 172.2 | 160.0 | 149.5 |
| % of turnover | 103.3% | 72.1% | 76.0% |
| Operating profit (mEUR) | 151.8 | 144.2 | 141.3 |
| % of turnover | 91.1% | 64.9% | 71.8% |
| Cost-to-income ratio ⁽²⁾ | 0.16x | 0.15x | 0.15x |
| Lending portfolio ⁽³⁾ (mEUR) | 20,088 | 19,205 | 17,801 |
| Funding portfolio ⁽⁴⁾ (mEUR) | 28,419 | 26,616 | 23,108 |
| Total assets (mEUR)..... | 33,889 | 30,009 | 26,156 |
| Return on equity (%) (ROE) ⁽⁵⁾ | 14.84% | 21.66% | 30.58% |
| Return on assets (%) (ROA) ⁽⁶⁾ | 0.38% | 0.41% | 0.48% |
| Equity ratio (%) ⁽⁷⁾ | 3.08% | 1.98% | 1.80% |
| Own funds (mEUR)..... | 1,068.8 | 623.1 | 511.5 |
| Tier 1 capital..... | 1,033.8 | 557.2 | 454.2 |
| Capital adequacy ratio, Tier 1 capital, (%) ⁽⁸⁾ | 62.49% | 29.98% | 35.42% |
| Capital adequacy ratio (%) ⁽⁹⁾ | 64.61% | 33.53% | 39.88% |
| Leverage ratio (%) ⁽¹⁰⁾ | 3.15 | 1.8 | 1.7 |

⁽¹⁾ Turnover is calculated as the sum of interest income, commission income, net income from securities and foreign exchange transactions, net income from available-for-sale financial assets, net income from hedge accounting and other operating income.

⁽²⁾ Cost-to-income ratio is calculated as the sum of commission expenses, administrative expenses, depreciations and other operating expenses divided by the sum of net interest income, commission income, net income from securities and foreign exchange transactions, net income from available-for-sale financial assets, net income from hedge accounting and other operating income.

⁽³⁾ Lending portfolio is calculated as loans and advances to the public and public sector entities less leasing receivables.

⁽⁴⁾ Funding portfolio is calculated as the sum of liabilities to credit institutions, liabilities to the public and public sector entities and debt securities issued less collateral received.

⁽⁵⁾ Return on equity (per cent.) (ROE) is calculated as operating profit less income taxes divided by average total equity and non-controlling interest (average of the beginning of the year and the end of the year).

⁽⁶⁾ Return on assets (per cent.) (ROA) is calculated as operating profit less income taxes divided by average total assets (average of the beginning of the year and the end of the year).

⁽⁷⁾ Equity ratio (per cent.) is calculated as the sum of total equity and non-controlling interest and appropriations less deferred tax liabilities divided by total assets.

⁽⁸⁾ Capital adequacy ratio, Tier 1 capital (per cent.) equals total Tier 1 capital divided by risk-weighted assets.

⁽⁹⁾ Capital adequacy ratio (per cent.) equals total own funds divided by risk-weighted assets.

⁽¹⁰⁾ Leverage ratio (per cent.) equals total Tier 1 capital divided by Total Exposure. Total Exposure is calculated as the total of on-balance sheet exposures (excluding derivatives and intangible assets), derivative exposure and off-balance sheet exposure. See note 59 to the Group's Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP

The discussion below is based on the Group Consolidated Financial Statements.

The following discussion of the Group's results of operations, financial position and cash flows should be read in conjunction with the Group Consolidated Financial Statements and other financial information included in other sections of this Offering Circular, specifically jointly with the data presented in "Selected Financial Information Relating to the Group". This section includes forward-looking statements that reflect the current views of the Board of Directors and due to their nature involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of the factors discussed below and in other sections of this Offering Circular, particularly in "Risk Factors" (see also "Forward-Looking Statements"). Investors should read the whole of this Offering Circular and not base their decisions or opinions solely upon the information contained in this section.

The summary of critical accounting policies and estimates according to which the Group Consolidated Financial Statements were prepared is provided in this section. See "—Critical accounting policies".

Overview

Municipality Finance Plc (Kuntarahoitus Oyj) (the "**Issuer**") was established on 1 May 2001, when the old Municipality Finance Plc (established in 1989) and Municipal Housing Finance Plc (established in 1993) were merged to form a new company, Municipality Finance Plc, a credit institution referred to in the (Finnish) Credit Institutions Act. On 26 April 2001, the Issuer was granted a credit institution licence by the Ministry of Finance.

The Issuer serves the Finnish municipal sector which consists of municipalities, municipal federations and a range of organisations owned or controlled by municipalities, and corporations designated by state authorities engaging in housing on social grounds. The Issuer's mission is to be, as a financial institution owned by the municipal sector and the Republic of Finland, the most sought-after and active partner in municipal-sector financial services in Finland. The Issuer's aim is to ensure under all market conditions cost-effective financial services for the municipal and social housing sector, to operate efficiently and grow profitably, and to improve its self-sufficiency and increase its own funds primarily through funds from its operations in compliance with the Municipal Guarantee Board Act and all relevant and applicable rules and legislation. The Issuer focuses actively on customer relations and creates solutions and services for its customers.

The Issuer's fully paid-up capital was approximately Euro 43 million and its own funds amounted to approximately Euro 1,068.8 million at 31 December 2015. The Issuer's total assets on 31 December 2015 were Euro 33.89 billion, of which the lending portfolio represented approximately Euro 20.1 billion.

The Issuer's five largest shareholders at 31 December 2015 were Keva (formerly named "The Local Government Pensions Institution") (30.66 per cent.), the Republic of Finland (16.00 per cent.), City of Helsinki (10.41 per cent.), City of Espoo (3.96 per cent.) and VAV Asunnot Oy (City of Vantaa) (2.47 per cent.).

Significant Factors Affecting Operating and Financial Results

Pricing, cost of funding and liquidity

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

The Finnish economy has had limited economic growth recently and real GDP growth was estimated to be 0.2 per cent. in 2015 according to the Ministry of Finance. However, economic growth is expected to

gain momentum in 2016 with real GDP increasing to 1.2 per cent. according to forecasts by the Ministry of Finance.

The Group requires ongoing access to funding in order to originate new lending contracts. The Group front-loads its expected funding requirements and seeks to maintain a liquidity buffer for at least six months of undisturbed operation including accounting for new lending. As a result, as at 31 December 2015, the Group's liquidity buffer was approximately 11 months. The main sources of funding used by the Group for lending activities are its EUR 25 billion Programme for the Issuance of Debt Instruments ("**Programme**"), its EUR 800 million domestic debt programme, its EUR 4 billion Euro-Commercial Paper Programme and its Australian dollar 2 billion Medium Term Note Programme. Since 2010, Municipality Finance Plc has held the status of central bank counterparty, and together with its securities portfolio, the Group's entire municipal loan book can be used as eligible collateral for borrowings from the Finnish central bank, which acts as a substantial liquidity buffer.

As a result of the significant volume of funding the Group requires, the Group historically realised significant expenses in acquiring its funding. However, the Group's funding has been diversified, the price development in the related funding markets has been favourable and the lending volumes have increased. The Group focuses on achieving lending prices which offer a target margin over its cost of funding. If the Group's cost of funding were to increase, it may be forced to increase its pricing to its customers which may reduce its market share.

Additionally, because the Group front-loads much of its funding needs, the Group has significant assets for investment. Therefore, the Group must manage the cost of securing the funding against any returns on holding the funds to meet the Group's liquidity requirements prior to such funds being used for lending purposes. The credit risk of the investment and the stability of its valuation are two of the most important criterion for investment of the Group's funds. The objective of the Group's investment operations is to manage the investment assets by investing them securely with sufficient return to ensure that the Group's liquidity enables it to continue flexible lending operations under all market conditions. As a result, the Group maintains a high proportion of liquid funds. Investment assets comprise the Group's own funds and acquired funding. Investments in 2015 were primarily made in core countries in the eurozone, including the Nordic countries. In investments with a maturity of over one year, the focus was on AAA-rated covered bonds, on transactions issued by highly rated supranational, sovereign and agency-issuers and on senior bank papers issued by lower risk banks. During 2015, the Group reduced the proportion of senior bank bonds, while increasing the proportion of covered bonds, sovereign and public corporation investments. The Group's liquidity portfolio had an average rating of AA at year-end 2015 (2013 AA+ and 2014 AA). Higher rated assets often have lower yields than less highly rated assets. As a result, the more conservative the Group's investments are, the more likely interest income from investment activity will decrease. Further, as part of its management of funding the Group sometimes uses its funds to buy-back or redeem existing debt, which can sometimes impact the Group's net interest income.

The volume of the Group's lending and its market share

The Issuer is a credit institution owned by Finnish municipalities, Keva (the pension fund for Finnish municipalities) and the Republic of Finland and focuses solely on offering market-based financing to municipalities and municipal federations, municipality-controlled entities and non-profit housing corporations. The Issuer specialises in long-term loan arrangements that are used in particular for infrastructure investments and the construction, renting or maintenance of social housing in Finland in accordance with the Act on MGB. As such, the Issuer conducts its lending operations exclusively in Finland and its lending growth is reliant on the prospects of municipalities and municipal federations, municipality-controlled entities and non-profit housing corporations in Finland. Therefore the macroeconomic factors relating to Finland, and more specifically its municipalities, such as GDP, the inflation rate, interest rates, currency exchange rates, tax rates and the Republic of Finland's decisions related to social housing together with various other factors, have a material impact on customer demand and margins for Group's products and services.

Municipalities' investment needs grew in the 2000s. According to a report by the Ministry of Finance, Finnish municipalities have more than 500 mandatory service providing responsibilities, whose main focus is on health care, social services and education. In addition to this, municipalities bear a significant responsibility for developing and maintaining society's other infrastructure, such as energy and water supply, amongst other areas. Despite the growth of debt in absolute terms, municipalities' relative indebtedness has increased moderately since 2009, as the income available to them has also grown

correspondingly. However, debt may become a problem for the municipalities in the future if the absolute amount of debt is allowed to increase at the current pace. Municipalities receive an annual share of the revenues from corporate taxes collected by the state. According to the Association of Finnish Local and Regional Authorities, an average Finnish municipality funds approximately half of its activities by its own tax revenues, although the proportion varied between 75 and 18 per cent. for the year ended 31 December 2014. In 2014, the municipalities raised approximately Euro 21.1 billion from taxation according to the Association of Finnish Local and Regional Authorities.

Overall demand for the Group's services has remained stable in 2015, while demand for certain services experienced significant growth. The Group played a particularly important role in financing state-subsidised housing construction. The long-term lending portfolio increased by 4.6 per cent. as compared to 2014. There was also continued demand for short-term financing, with the amounts outstanding under Group's municipal commercial paper and municipal company commercial paper programmes increasing by 7.9 per cent. as compared to 2014. However, the total amount of financing acquired by customers during 2015 under these programmes decreased by 4.2 per cent. as compared to 2014. Additionally, demand among municipalities, municipal federations and municipal enterprises for derivative products remained high in 2015, reflecting customers' need for the management of interest rate risk. Furthermore, demand for leasing financing, which the Group has been offering since 2010, grew solidly in 2015. The leasing portfolio increased by 40.7 per cent. as compared to 2014, driven by customers' interest in leasing-based solutions for real estate financing.

Competition to attract municipal customers has increased in 2015, as a result of the increase in demand for loans described above. However, due to its strong financial position, the Group was able to respond to market competition and maintain its status as the most important financing provider for the Finnish municipal sector.

The total volume of loan tender requests received by the Group in 2015 increased by 10.2 per cent. compared with 2014. The total volume of loan tender requests received by the Group in 2014 decreased by 13.8 per cent. compared with 2013.

The total value of loan tender requests received by the Group in the year ended 31 December 2015 was Euro 4,834 million, of which the Group won Euro 3,181 million, compared with Euro 4,387 million for the year ended 31 December 2014 of which it won Euro 2,814 million and Euro 5,090 million for the year ended 31 December 2013 of which it won Euro 3,442 million.

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

The Group's lending is denominated in euros although at 31 December 2015 the Group had bonds outstanding denominated in several different currencies. The Group's funding portfolio as at 31 December 2015 was Euro 28,419 million compared with Euro 26,616 million and Euro 23,108 million as at 31 December 2014 and 2013, respectively. Of this total amount as at 31 December 2015, 18 per cent. was denominated in euros and 82 per cent. in foreign currencies. However, the Group hedges against all currency risks by using derivative contracts to translate foreign currency denominated funding into euros.

Also, while the Group's lending and funding is in both floating and fixed interest rates, the Group also hedges all of its fixed rate interest exposure (both borrowings and loans to customers) to floating rate.

In addition to loans, the Group offers to its customers customised derivative agreements for the management of their interest risks. The Group arranges back-to-back derivative agreements with other financial institutions for any derivative agreements it offers to municipalities, municipal federations and municipal enterprises.

As a result of these activities, the Group had derivative contracts with a nominal value of Euro 63,563.8 million as at 31 December 2015 compared with Euro 56,680.1 million and Euro 52,745.0 million as at 31 December 2014 and 2013, respectively.

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

| As at 31 December 2015 | | | |
|--|-------------------|------------------|--------------------|
| | Nominal value | Fair Value | |
| | Total | Positive | Negative |
| Euro ('000) | | | |
| Contracts held for trading | | | |
| Interest rate derivatives | | | |
| Interest rate swaps | 6,155,860 | 149,993 | (153,949) |
| Interest rate options | 52,386 | 512 | (518) |
| Currency derivatives | | | |
| Cross currency interest rate swaps | 15,746 | 1,241 | (1,240) |
| Forward exchange contracts | 975,475 | 25,263 | - |
| Equity derivatives | 2,497,686 | 202,551 | (202,551) |
| Other derivatives | 69,058 | 8,925 | (8,925) |
| Total | 9,766,211 | 388,485 | (367,183) |
| Contracts in hedge accounting | | | |
| Interest rate derivatives | | | |
| Interest rate swaps | 33,436,498 | 553,489 | (402,602) |
| Interest rate options | 10,588 | - | (99) |
| Currency derivatives | | | |
| Cross currency interest rate swaps | 20,350,511 | 2,983,050 | (1,029,808) |
| Total | 53,797,597 | 3,536,539 | (1,432,509) |
| Grand total | 63,563,808 | 3,925,025 | (1,799,692) |

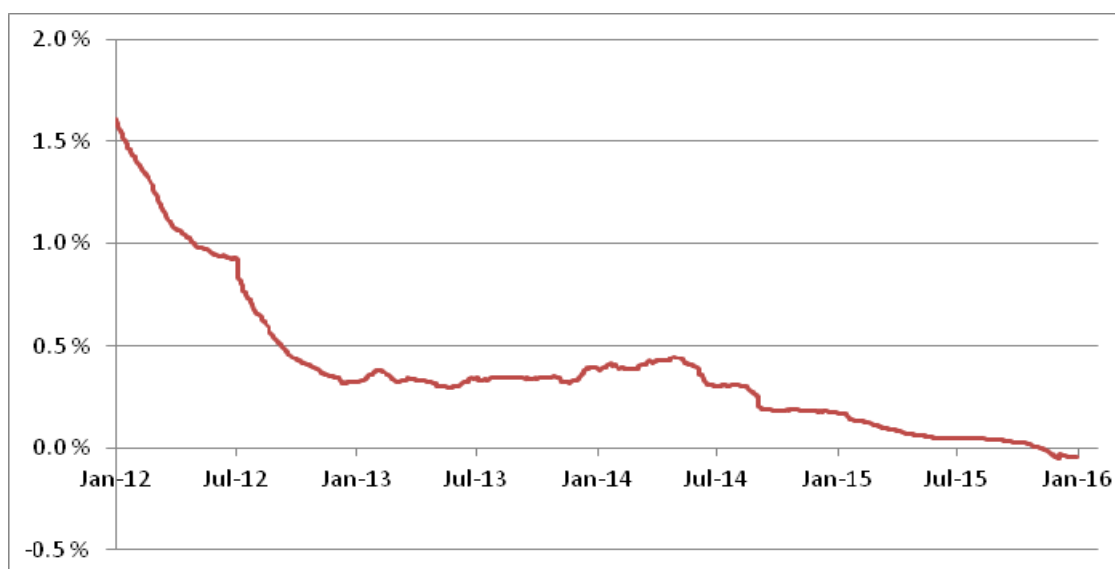
| | As at 31 December | | | | | |
|--|-------------------|------------------|------------------|-------------------|------------------|--------------------|
| | 2014 | | | 2013 | | |
| | Nominal value | Fair value | | Nominal value | Fair value | |
| | Total | Positive | Negative | Total | Positive | Negative |
| | (Euro '000) | | | | | |
| Contracts held for trading | | | | | | |
| Interest rate derivatives | | | | | | |
| Interest rate swaps..... | 5,333,590 | 143,914 | (151,784) | 6,431,774 | 44,682 | (59,360) |
| Interest rate options | 62,661 | 2,752 | (2,948) | 42,206 | 802 | (629) |
| Forward rate agreements | - | - | - | 5,000 | - | (2) |
| Currency derivatives | | | | | | |
| Cross currency interest rate swaps | 27,838 | 33 | (33) | 39,160 | 145 | (142) |
| Forward exchange contracts | 898,665 | 42,978 | (1) | 1,442,027 | - | (26,134) |
| Equity derivatives | 1,567,862 | 64,723 | (64,723) | 2,232,366 | 88,486 | (88,486) |
| Other derivatives..... | 166,096 | 22,263 | (22,143) | 253,285 | 34,422 | (34,182) |
| Total | 8,056,710 | 276,663 | (241,632) | 10,445,819 | 168,537 | (208,935) |
| Contracts in hedge accounting | | | | | | |
| Interest rate derivatives | | | | | | |
| Interest rate swaps..... | 28,787,923 | 599,447 | (441,699) | 25,339,097 | 273,041 | (257,090) |
| Interest rate options..... | 68,044 | - | (588) | 73,461 | - | (1,285) |
| Currency derivatives | | | | | | |
| Cross currency interest rate swaps | 19,767,470 | 1,445,589 | (250,480) | 16,886,601 | 652,572 | (1,351,049) |
| Total | 48,623,437 | 2,045,036 | (692,767) | 42,299,159 | 925,613 | (1,609,424) |
| Grand total | 56,680,147 | 2,321,699 | (934,399) | 52,744,978 | 1,094,150 | (1,818,359) |

While the Group uses derivatives only for hedging purposes, certain derivatives entered into by the Group do not qualify for hedge accounting and create volatility in the Group's income statement. This volatility is a function of the volatility of market interest rates and currency exchange rates and the related fair value changes of those derivatives which the Group must recognise on its income statement. The total nominal value of derivative contracts not included in hedge accounting under EU IFRS was Euro 9,766.2 million as at 31 December 2015. Changes in the fair value of such derivatives are recognised on the income statement during the period in which they occur as one component of the net result for the line item "Net income from securities and foreign exchange transactions". The Group recognised changes in fair value of derivative contracts of Euro 5.3 million, Euro 6.1 million and Euro 21.0 million the years ended 31 December 2015, 2014 and 2013, respectively.

Interest rate movements

The Group hedges its lending portfolio and funding into floating rate euros. As a result, the Group's interest income and interest expense are sensitive to interest rate movements. As interest rates decrease the Group's interest earned on its existing lending portfolio will decrease and the interest paid under its existing funding will decrease. Thus, the Group's profitability is based on its ability to manage the margin between the interest income and the interest expense. Interest rates declined in 2012, while remaining broadly stable in 2013 and 2014 at low rates. In 2015, interest rates began to decline again the Euribor 6-month interest rate became negative in November 2015 and as at 10 May 2016 was still negative.

The table below shows the Euribor 6-month interest rate for 2012 to 2015.



As a result, the Group's interest income declined from 2011 to 2013 even though the volume of the Group's lending increased as well as the margin it sets on such lending. Also, the Group's interest expense declined from 2011 to 2013 even as the Group had more outstanding debt securities in 2013 than in 2011. In 2014, with interest rates remaining similar to 2013 levels, the Group's interest income and interest expense increased in line with the Group's increased lending portfolio. However, from 2012 to 2014, the Group's net interest income increased steadily given the increase in loan volume and interest rate margin and its successful funding operations. As a result of the decline in interest rates in 2015 and the Group hedging its interest expenses with derivatives, the Group realized a gain on its interest expense for 2015. Interest income also declined in 2015, but the Group's net interest income increased as a result of the increase in the Group's overall lending portfolio. Should interest rates fall further, the Group may experience declines in its interest income and interest expense. Conversely, should interest rates rise the Group's interest income and interest expense may rise even if there is a reduction in the volume of the lending or funding.

In light of the proposed implementation of CRR and CRD IV based on the Basel III Standards in recent and also coming years, the Group has focused on increasing its profitability, which has included generally increasing the lending margins charged on its lending (although adjusting the margin to maintain certain lending volumes) which began gradually in mid-2011. At the same time, the Issuer's shareholders have elected not to distribute dividends for the Issuer to allow the transfer of profits to retained earnings, thereby increasing the Issuer's Tier 1 capital and improving the Group's leverage ratio. See "*Risk Factors – The proposed leverage ratio requirement under the current Basel III proposals may have an adverse effect on the Group*".

Summary of Key Consolidated Statement Income Items

Interest Income

The interest income of the Group depends primarily on the level of its interest earning assets, as well as the average rate earned on its interest earning assets. Interest income consists of loans and advances to

credit institutions and central banks, loans and advances to the public and public sector entities, debt securities, derivative contracts, leasing operations and other interest income. The largest component of interest income of the Group is income from loans and advances to the public and public sector entities. The volume development for loans and advances to the public and public sector entities is closely linked to the economic situation, the need to carry out investment programmes, the level of competition in the relevant banking sector and interest rate levels.

The effective interest method is applied to interest income. Commissions and fees received and paid, transaction expenses as well as any premiums and discounts are taken into account when the effective interest rate is calculated. The effective interest rate calculation is a method of calculating the amortised cost of financial assets or liabilities and allocating interest income to a given period.

The effective interest rate is the percentage rate at which estimated future cash payments or receipts are discounted over the period to the expiry of the financial instrument to the net financial position value of the asset or liability. When calculating the effective interest rate, the Group estimates cash flows taking into account all the contractual terms and conditions of a given financial instrument, excluding potential future loan losses.

Interest income and expense on derivative financial instruments hedging the Group's loans and investments is recognised as an offsetting item in interest income.

Interest Expense

The interest expense of the Group depends primarily on the level of its interest-bearing liabilities, as well as the average rate paid on its interest-bearing liabilities. Interest expense consists of liabilities to the public and public sector entities, liabilities to credit institutions and central banks, debt securities issued, derivative contracts, subordinated liabilities and other interest expense. The largest expense component of interest expense of the Group is expense from debt securities issued.

The effective interest method is applied to interest expense. See "*—Interest Income*".

Interest expense and income on derivative financial instruments hedging the Group's liabilities and debt securities issued is recognised as an offsetting item in interest expense.

Commission Income

Commission income includes commission and fees received for financial advisory services, primarily conducted by Inspira, the Issuer's subsidiary, in addition to commission income received in other operations.

Commission Expense

Commission expenses include the guarantee fee paid to MGB, custody fees and debt programme fees and costs.

Net Income from Securities and Foreign Exchange Transactions

Net income from securities and foreign exchange transactions consists of gains and losses resulting from foreign exchange measurements and changes in the fair value of assets and liabilities valued using the fair value option. This also includes fair value changes of derivatives which are not included in hedge accounting. Monetary receivables and liabilities denominated in a foreign currency have been converted into euros using the European Central Bank's average exchange rate on the financial position date.

Net Income from Available-for-Sale Financial Assets

Net income from available-for-sale financial assets consists primarily of the realised capital gains and losses on financial assets as well as unrealised gains and losses transferred from the fair value reserve, in addition to impairment recognised through profit or loss on the Group's investment portfolio.

Impairment on debt securities available-for-sale is recognised when there is objective evidence on the impairment of the item.

Net Income from Hedge Accounting

Net income from hedge accounting includes the net income from the measurement at fair value of the Group's lending and funding portfolio and the derivatives hedging them (to the extent such hedging qualifies for fair value hedge accounting).

Administrative Expenses

Administrative expenses of the Group are primarily generated by personnel expenses. Staff costs are driven by the overall number of the Group's full-time equivalent employees, as well as the level of wages and salaries and pension costs. The main components of the Group's other administrative expenses are IT, maintenance of fixed assets and rents, as well as promotion and advertising activities.

Other Operating Expenses

Other operating expenses consists of rental expenses and other expenses from credit institution operations, in addition to fees paid to the Financial Stability Authority.

Impairment Losses on other Financial Assets

Impairment losses on other financial assets consists of the impairment loss on any debt securities held to maturity. The Group determines on a monthly basis whether there is objective evidence of impairment of financial assets other than those recorded at fair value through profit or loss.

Income Taxes

Income tax expense is mainly determined by the statutory tax rates applicable in Finland and generally comprise accrual-based taxes that are determined based on the profits generated by the Group, and changes in deferred taxes. Taxes have been adjusted by taxes related to previous years. The corporate income tax rate for the Group's operations in Finland was 20 per cent., 20 per cent. and 24.5 per cent. for the years ended 31 December 2015, 2014 and 2013, respectively.

Results of Operations

The following tables set forth, as of the dates indicated, certain summary financial information about the results of the Group's operations:

| | For the year ended 31 December | | | Change | Change |
|--|--------------------------------|----------------|----------------|--------------|--------------|
| | 2015 | 2014 | 2013 | 2014 to 2015 | 2013 to 2014 |
| | (Euro '000) | | | % | |
| Interest income..... | 158,462 | 212,351 | 180,014 | (25.4) | 18.0 |
| Interest expense..... | 13,782 | (52,343) | (30,524) | 126.3 | (71.5) |
| NET INTEREST INCOME..... | 172,245 | 160,008 | 149,490 | 7.6 | 7.0 |
| Commission income..... | 5,157 | 5,047 | 1,933 | 2.2 | 161.1 |
| Commission expense..... | (3,776) | (3,834) | (4,135) | 1.5 | 7.3 |
| Net income from securities and foreign exchange transactions..... | (3,865) | (5,711) | 5,023 | 32.3 | (213.7) |
| Net income from available-for-sale financial assets..... | 6,336 | 6,629 | 214 | (4.4) | 2,997.7 |
| Net income from hedge accounting..... | 583 | 3,693 | 9,617 | (84.2) | (61.6) |
| Other operating income..... | 21 | 11 | 5 | 90.9 | 120.0 |
| Administrative expenses..... | (16,653) | (14,721) | (14,802) | (13.1) | 0.5 |
| Depreciation and impairment on tangible and intangible assets..... | (1,600) | (1,442) | (1,196) | (11.0) | (20.6) |
| Other operating expenses..... | (6,646) | (5,521) | (4,937) | (20.4) | (11.8) |
| Impairment losses on other financial assets..... | - | - | 54 | - | - |
| OPERATING PROFIT..... | 151,801 | 144,160 | 141,266 | 5.3 | 2.0 |
| Income taxes..... | (30,307) | (28,908) | (16,567) | (4.8) | (74.5) |
| PROFIT FOR THE FINANCIAL PERIOD..... | 121,494 | 115,252 | 124,699 | 5.4 | (7.6) |
| Profit attributable to: | | | | | |
| Equity holders of the parent company..... | 121,379 | 115,044 | 124,697 | | |
| Non-controlling interest..... | 115 | 207 | 1 | | |

Net Interest Income

The table below sets forth, for the periods indicated, the principal components of the Group's net interest income.

| | For the year ended 31 December | | | Change | Change |
|---|--------------------------------|----------------|----------------|---------------|--------------|
| | 2015 | 2014 | 2013 | 2014 to 2015 | 2013 to 2014 |
| | (Euro '000) | | | % | |
| Interest income | | | | | |
| Loans and advances to credit institutions and central banks | (3,356) | 182 | 338 | (1,944.0) | (46.2) |
| Loans and advances to the public and public sector entities | 232,722 | 265,070 | 260,267 | (12.2) | 1.8 |
| Debt securities | 82,654 | 94,711 | 88,154 | (12.7) | 7.4 |
| Derivative contracts | (157,190) | (153,568) | (171,555) | (2.4) | 10.5 |
| Leasing operations | 2,239 | 1,630 | 1,279 | 37.4 | 27.4 |
| Other interest income | 1,393 | 4,326 | 1,531 | (67.8) | 182.6 |
| Total | 158,462 | 212,351 | 180,014 | (25.4) | 18.0 |

| | For the year ended 31 December | | | Change | Change |
|--|--------------------------------|----------------|----------------|----------------|--------------|
| | 2015 | 2014 | 2013 | 2014 to 2015 | 2013 to 2014 |
| | (Euro '000) | | | % | |
| Interest expense | | | | | |
| Liabilities to the public and public sector entities | 20,276 | 20,858 | 22,563 | (2.8) | (7.6) |
| Liabilities to credit institutions and central banks | 46,265 | 45,632 | 59,212 | 1.4 | (22.9) |
| Debt securities issued | 652,673 | 596,251 | 320,135 | 9.5 | 86.2 |
| Derivative contracts | (734,891) | (612,980) | (374,177) | (19.9) | (63.8) |
| Subordinated liabilities | 1,572 | 1,648 | 1,850 | (4.6) | (10.9) |
| Other interest expense | 322 | 934 | 942 | (65.5) | (0.8) |
| Total | (13,782) | 52,343 | 30,524 | (126.3) | 71.5 |
| Net interest income | 172,245 | 160,008 | 149,490 | 7.6 | 7.0 |

2015 versus 2014

Net interest income increased by Euro 12.2 million, or 7.6 per cent., to Euro 172.2 million for the year ended 31 December 2015, compared to Euro 160.0 million for the year ended 31 December 2014 primarily due to an increase in the volume of new loans and its lending portfolio value. Further, even though the value of new lending in 2015 was less than it was in 2014, the Group's overall lending portfolio value increased by 4.6 per cent.

Interest income

Interest income decreased by Euro 53.9 million, or 25.4 per cent., to Euro 158,462 million for the year ended 31 December 2015, compared to Euro 212,351 million for the year ended 31 December 2014 primarily due to a decrease in interest rates, which lead to negative interest income on certain assets. This was partially offset by an increase in the lending portfolio.

Interest income from loans and advances to the public and public entities decreased by Euro 32.4 million, or 12.2 per cent., to Euro 232.7 million for the year ended 31 December 2015, compared to Euro 265.1 million for the year ended 31 December 2014 primarily due to a decrease in interest rates which was partially offset by an increase in its lending portfolio.

Interest income from debt securities (i.e., the Group's investment portfolio) decreased by Euro 12.0 million, or 12.7 per cent., to Euro 82.7 million for the year ended 31 December 2015, compared to Euro 94.7 million for the year ended 31 December 2014 primarily due to a decrease in interest rates which were partially offset by an increase in debt security investments.

Interest expense payable on derivative contracts increased by Euro 3.6 million, or 2.4 per cent., to Euro 157.2 million for the year ended 31 December 2015, compared to Euro 153.6 million for the year ended 31 December 2014 primarily due to the decrease in interest rates.

Interest expense

Interest expense was a gain of Euro 13.8 million for the year ended 31 December 2015, compared to an expense of Euro 52.3 million for the year ended 31 December 2014 primarily due to an increase in interest income received on derivative contracts.

Interest expense from debt securities issued increased by Euro 56.4 million, or 9.5 per cent., to Euro 652.7 million for the year ended 31 December 2015, compared to Euro 596.3 million for the year ended 31 December 2014 primarily due to an increase in the amount of debt securities issued, partially offset by a decline in interest rates.

Interest income received on derivative contracts increased by Euro 121.9 million, or 19.9 per cent., to Euro 734.9 million for the year ended 31 December 2015, compared to Euro 613.0 million for the year ended 31 December 2014 primarily due to market moves on the Group's derivative financial instruments.

2014 versus 2013

Net interest income increased by Euro 10.5 million, or 7.0 per cent., to Euro 160.0 million for the year ended 31 December 2014, compared to Euro 149.5 million for the year ended 31 December 2013 primarily due to an increase in the Issuer's interest rate margin on new lending and its lending portfolio value. As discussed previously, the Issuer has focused on increasing its profitability by generally increasing its lending margins, although adjusting it as necessary to maintain certain lending volumes as part of its strategy to improve its leverage ratio to meet the current proposed Basel III requirement. This process continued in 2014 when the Issuer benefited from a greater proportion of its outstanding loans bearing interest at the increased margin. Further, even though the value of new lending in 2014 was less than it was in 2013, the Group's overall lending portfolio value increased by 8%.

Interest income

Interest income increased by Euro 32.3 million, or 18 per cent., to Euro 212.4 million for the year ended 31 December 2014, compared to Euro 180.0 million for the year ended 31 December 2013 primarily due to the increased pricing margin on new lending and the increase of its lending portfolio value.

Interest income from loans and advances to the public and public entities increased by Euro 4.8 million, or 1.8 per cent., to Euro 265.1 million for the year ended 31 December 2014, compared to Euro 260.3 million for the year ended 31 December 2013 primarily due to increases in pricing margin on new lending and the increase of its lending portfolio value.

Interest income from debt securities (i.e., the Group's investment portfolio) increased by Euro 6.6 million, or 7.4 per cent., to Euro 94.7 million for the year ended 31 December 2014, compared to Euro 88.2 million for the year ended 31 December 2013 primarily due to an increase in debt security investments.

Further contributing to these increases, interest expense payable on derivative contracts decreased by Euro 18.0 million, or 10.5 per cent., to Euro 153.6 million for the year ended 31 December 2014, compared to Euro 171.6 million for the year ended 31 December 2013 primarily due to the decrease in interest rates.

Interest expense

Interest expense increased by Euro 21.8 million, or 71.5 per cent., to Euro 52.3 million for the year ended 31 December 2014, compared to Euro 30.5 million for the year ended 31 December 2013 primarily due to an increase in the amount of debt securities issued, which was partially offset by an increase interest income received from derivative contracts.

Interest expense from debt securities issued increased by Euro 276.1 million, or 86.2 per cent., to Euro 596.3 million for the year ended 31 December 2014, compared to Euro 320.1 million for the year ended 31 December 2013 primarily due to an increase in the amount of debt securities issued, partially offset by a decline in interest rates.

Interest income received on derivative contracts increased by Euro 238.8 million, or 63.8 per cent., to Euro 613.0 million for the year ended 31 December 2014, compared to Euro 374.2 million for the year ended 31 December 2013 primarily due to the increase in the amount of derivatives entered into.

Administrative Expenses

The table below sets forth for the periods indicated, the principal components of the Group's administrative expenses.

| | For the year ended 31 December | | |
|--|-----------------------------------|---------------|---------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Personnel expenses | | | |
| Wages and salaries..... | 8,745 | 7,476 | 8,355 |
| Pension costs..... | 1,728 | 1,479 | 1,603 |
| Other personnel related costs..... | 417 | 393 | 400 |
| Total | 10,891 | 9,348 | 10,358 |
| Other administrative expenses..... | 5,762 | 5,373 | 4,445 |
| Total Administrative Expenses | 16,653 | 14,721 | 14,802 |

The Group had 95, 90 and 83 total personnel as at 31 December 2015, 2014 and 2013, respectively.

Administrative expenses increased by Euro 2.0 million or 13.1 per cent., to Euro 16.7 million for the year ended 31 December 2015, compared to Euro 14.7 million for the year ended 31 December 2014 primarily due to an increase in personnel expenses.

Administrative expenses decreased by Euro 0.1 million or 0.5 per cent., to Euro 14.7 million for the year ended 31 December 2014, compared to Euro 14.8 million for the year ended 31 December 2013 primarily due to a decrease in personnel expenses.

Income Taxes

Income taxes increased by Euro 1.4 million, or 4.8 per cent., to Euro 30.3 million for the year ended 31 December 2015, compared to Euro 28.9 million for the year ended 31 December 2014 due to the increase in profit before tax.

Income taxes increased by Euro 12.3 million, or 74.5 per cent., to Euro 28.9 million for the year ended 31 December 2014, compared to Euro 16.6 million for the year ended 31 December 2013 due to the increase in profit before tax.

Financial Position

Assets

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

| | As at 31 December | | |
|--|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Assets | | | |
| Cash and balances with central banks..... | 1,813,813 | 592,907 | 354,232 |
| Loans and advances to credit institutions..... | 614,294 | 1,072,099 | 589,144 |
| Loans and advances to the public and public sector entities..... | 20,275,561 | 19,337,730 | 17,882,282 |
| Debt securities..... | 7,003,318 | 6,416,586 | 5,985,644 |
| Shares and participations | 9,620 | 9,789 | 10,050 |
| Derivative contracts | 3,925,025 | 2,321,699 | 1,094,150 |
| Intangible assets | 5,812 | 4,757 | 4,740 |
| Tangible assets | 2,298 | 2,465 | 2,525 |
| Other assets | 6,277 | 2,196 | 1,977 |
| Accrued income and prepayments..... | 232,792 | 249,032 | 231,656 |
| Total Assets | 33,888,811 | 30,009,259 | 26,156,402 |

As of 31 December 2015, the main components of the total assets of the Group were loans and advances to the public and public sector entities, debt securities and derivative contracts, representing 59.8 per cent., 20.7 per cent. and 11.6 per cent., respectively, of total assets. As of 31 December 2015, total assets had increased by Euro 3,879.5 million, or by 12.9 per cent., to Euro 33,888.8 million, compared to Euro

30,009.3 million as of 31 December 2014. The increase was mainly attributable to an increase in the derivative contracts of 1,603.3 million, the balances with central banks of 1,220.9 million and the portfolio of loans and advances to the public and public sector entities of Euro 937.9 million compared to balances as of 31 December 2014.

As of 31 December 2014, the main components of the total assets of the Group were loans and advances to the public and public sector entities, debt securities and derivative contracts, representing 64.4 per cent., 21.4 per cent. and 7.7 per cent., respectively, of total assets. As of 31 December 2014, total assets had increased by Euro 3,852.9 million, or by 14.7 per cent., to Euro 30,009.3 million, compared to Euro 26,156.4 million as of 31 December 2013. The increase was mainly attributable to an increase in the portfolio of loans and advances to the public and public sector entities of Euro 1,455.4 million and an increase in the balance of derivative contracts compared to balances as of 31 December 2013.

The main components of the Group's assets and the key drivers of the changes in the assets of the Group as of the indicated dates are described below.

Loans and advances to the public and public sector entities

Loans and advances to the public and public sector entities increased by Euro 937.9 million, or 4.9 per cent., to Euro 20,275.6 million as at 31 December 2015, compared to Euro 19,337.7 million as at 31 December 2014 primarily due to an increase in new lending compared to the lending that matured during the period.

Loans and advances to the public and public sector entities increased by Euro 1,455.4 million, or 8.1 per cent., to Euro 19,337.7 million as at 31 December 2014, compared to Euro 17,882.3 million as at 31 December 2013 primarily due to an increase in the volume of lending by the Group.

Debt securities

The following table sets forth, as of the dates indicated, information on the composition of debt securities of the Group:

| | As at 31 December | | |
|--|-------------------|------------------|------------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Debt securities issued by public sector entities | 3,027,928 | 2,234,429 | 1,578,395 |
| Held to maturity..... | 1,027,138 | 760,583 | 652,008 |
| Municipal commercial papers..... | 1,027,138 | 760,583 | 652,008 |
| Available for sale..... | 1,894,560 | 1,411,914 | 900,169 |
| Government bonds..... | 439,602 | 543,752 | 517,258 |
| Bonds issued by other public sector entities..... | 1,454,958 | 868,162 | 382,910 |
| Fair value option..... | 106,230 | 61,932 | 26,217 |
| Government treasury bills..... | 15,000 | - | - |
| Bonds issued by other public sector entities..... | 20,216 | 61,932 | 26,217 |
| Commercial paper issued by other public sector entities..... | 71,014 | - | - |
| Debt securities issued by other than public sector entities | 3,975,390 | 4,182,156 | 4,407,250 |
| Held to maturity..... | 145,732 | 173,885 | 172,816 |
| Bank bonds..... | - | 5,000 | 4,999 |
| Other debt securities..... | 57,432 | 84,090 | 115,849 |
| Commercial papers..... | 88,300 | 84,796 | 51,968 |
| Available for sale..... | 3,428,173 | 3,185,044 | 3,448,459 |
| Bank bonds..... | 3,424,146 | 3,165,120 | 3,426,636 |
| Other debt securities..... | 4,026 | 19,924 | 21,823 |
| Fair value option..... | 401,486 | 823,227 | 785,975 |
| Bank certificates of deposit..... | 280,060 | 409,980 | 119,896 |
| Bank bonds..... | 121,426 | 413,247 | 666,079 |
| Total debt securities | 7,003,318 | 6,416,586 | 5,985,644 |
| Eligible for central bank refinancing..... | 5,078,673 | 4,764,450 | 4,658,293 |
| Total non-interest bearing..... | - | 5,000 | 4,999 |

Debt securities increased by Euro 586.7 million, or 9.1 per cent., to Euro 7,003.3 million as at 31 December 2015, compared to Euro 6,416.6 million as at 31 December 2014 primarily due to an increase in the amount of funds invested in debt securities.

Debt securities increased by Euro 430.9 million, or 7.2 per cent., to Euro 6,416.6 million as at 31 December 2014, compared to Euro 5,985.6 million as at 31 December 2013 primarily due to an increase in the amount of funds invested in debt securities.

Derivative contracts

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

Derivative contract assets increased by Euro 1,603.3 million, or 69.1 per cent., to Euro 3,925.0 million as at 31 December 2015, compared to Euro 2,321.7 million as at 31 December 2014 primarily due to changes in interest rates and currency exchange rates.

Derivative contract assets increased by Euro 1,227.5 million, or 112.2 per cent., to Euro 2,321.7 million as at 31 December 2014, compared to Euro 1,094.1 million as at 31 December 2013 primarily due to changes in interest rates and currency exchange rates.

Liabilities

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

| | As at 31 December | | |
|--|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Liabilities | | | |
| Liabilities to credit institutions | 4,893,270 | 3,882,771 | 2,264,386 |
| Liabilities to the public and public sector entities | 954,026 | 963,662 | 929,209 |
| Debt securities issued | 24,804,490 | 23,230,298 | 20,269,298 |
| Derivative contracts | 1,799,692 | 934,399 | 1,818,359 |
| Other liabilities | 2,131 | 2,056 | 1,395 |
| Accrued expenses and deferred income | 217,768 | 249,902 | 268,590 |
| Subordinated liabilities | 35,542 | 37,943 | 48,974 |
| Deferred tax liabilities | 138,576 | 114,124 | 85,967 |
| Total Liabilities | 32,845,497 | 29,415,155 | 25,686,178 |

As of 31 December 2015, the main components of the total liabilities of the Group were debt securities issued, liabilities to credit institutions and derivative contracts, representing 75.5 per cent., 14.9 per cent., and 5.5 per cent., respectively, of total liabilities. As of 31 December 2015, total liabilities had increased by Euro 3,430.3 million, or by 11.7 per cent., to Euro 32,845.5 million, compared to Euro 29,415.2 million as of 31 December 2014. The increase was mainly attributable to an increase in the amount of debt securities issued of Euro 1,574.2 million and an increase in the amount of liabilities to credit institutions of Euro 1,010.5 million, which is mainly attributable to an increase in received collateral.

As of 31 December 2014, the main components of the total liabilities of the Group were debt securities issued, liabilities to credit institutions and liabilities to the public and public sector entities, representing 79.0 per cent., 13.2 per cent., and 3.3 per cent., respectively, of total liabilities. As of 31 December 2014, total liabilities had increased by Euro 3,729 million, or by 14.5 per cent., to Euro 29,415.2 million, compared to Euro 25,686.2 million as of 31 December 2013. The increase was mainly attributable to an increase in the amount of debt securities issued of Euro 2,961.0 million and an increase in the amount of liabilities to credit institutions, which was partially offset by a decrease in the derivative contracts balance compared to the balances as of 31 December 2013.

The main components of the Group's liabilities and the key drivers of the changes in the liabilities of the Group as of the indicated dates are described below.

Debt securities issued

The total amount (nominal value) of unmatured bonds and other funding issued by the Issuer as at 31 December 2015 was:

| | As at 31 December 2015 |
|---|---------------------------------------|
| | <i>(Euro '000)</i> |
| Domestic funding | |
| Kuntaobligaatiot | 11,378 |
| Total | 11,378 |
| International funding | |
| Debt instruments issued under EMTN Programmes | 19,126,087 |
| Debt instruments issued under the AUD Programme | 511,218 |
| Debt instruments issued under stand-alone MTN documentation | 2,123,313 |
| Total | 21,760,618 |
| Other domestic funding | |
| Commercial Papers of the Issuer | 1,230,475 |
| Debenture loans | 35,000 |
| Total | 1,265,475 |
| Other international funding | 2,953,870 |
| Total | 25,991,341 |

Debt securities issued by the Group increased by Euro 1,574.2 million, or 6.8 per cent., to Euro 24,804.5 million for as at 31 December 2015, compared to Euro 23,230.3 million as at 31 December 2014 primarily due to an increase in the volume of debt securities issued by the Group to accommodate its increased funding requirements.

Debt securities issued by the Group increased by Euro 2,961 million, or 14.6 per cent., to Euro 23,230.3 million for as at 31 December 2014, compared to Euro 20,269.3 million as at 31 December 2013 primarily due to an increase in the volume of debt securities issued by the Group to accommodate its increased funding requirements.

For more information on the Group's debt securities issued, see "*Contingent Liabilities—Commitments*" below.

Liabilities to credit institutions

Liabilities to credit institutions increased by Euro 1,010.5 million, or 26.0 per cent., to Euro 4,893.3 million as at 31 December 2015, compared to Euro 3,882.8 million as at 31 December 2014 primarily due to an increase in received collateral.

Liabilities to credit institutions increased by Euro 1,618.4 million, or 71.5 per cent., to Euro 3,882.8 million as at 31 December 2014, compared to Euro 2,264.4 million as at 31 December 2013 primarily due to an increase in the volume of funding by the Group from credit institutions and the increase in received collateral.

Liabilities to the public and public sector entities

Liabilities to the public and public sector entities consist of primarily of bilateral loans from public sector entities. Liabilities to the public and public sector entities decreased by Euro 9.7 million, or 1.0 per cent., to Euro 954.0 million as at 31 December 2015, compared to Euro 963.7 million as at 31 December 2014 primarily due to the decrease of funding acquired from the public and public sector entities compared to liabilities falling due.

Liabilities to the public and public sector entities consist of primarily of bilateral loans from public sector entities. Liabilities to the public and public sector entities increased by Euro 34.5 million, or 3.7 per cent., to Euro 963.7 million as at 31 December 2014, compared to Euro 929.2 million as at 31 December 2013 primarily due to the increase of funding acquired from the public and public sector entities.

Derivative contracts

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

Derivative contracts liabilities for the Group increased by Euro 865.3 million, or 92.6 per cent., to Euro 1,799.7 million as at 31 December 2015, compared to Euro 934.4 million as at 31 December 2014 primarily due to changes in interest rates and currency exchange rates.

Derivative contracts liabilities for the Group decreased by Euro 884.0 million, or 48.6 per cent., to Euro 934.4 million as at 31 December 2014, compared to Euro 1,818.4 million as at 31 December 2013 primarily due to changes in interest rates and currency exchange rates.

Capital Adequacy

The Group has calculated its capital adequacy since the financial year ended 31 December 2007 according to the Basel II capital adequacy requirements. As a credit institution, the Group is also required to comply with CRR and CRD IV based on Basel III requirements, to the extent that they will be applied to credit institutions such as the Group which specialise in servicing the local government sector. Basel III will also be taken into account in the Group's future capital adequacy planning.

The capital adequacy requirement for credit risk is calculated using Pillar I and the standard method, and the capital adequacy requirement for operative risks using the basic method. 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. For capital adequacy calculations of credit risk, the Group uses methods for reducing the credit risk such as guarantees provided by the municipalities as well as deficiency guarantees given by the Republic of Finland. For derivatives, netting agreements, collateral agreements (ISDA/Credit Support Annex) and guarantees granted by the Municipal Guarantee Board are used for reducing the capital adequacy requirement related to the counterparty risk of derivative counterparties.

The Board of Directors monitors and approves the plan for capital adequacy management, which is revised annually. The latest revision was made on 26 April 2016 and the current plan extends to 2020. The possible implementation of the Basel III leverage ratio requirement in 2018 has forced the Issuer to begin preparations at this early stage, as the implementation of the leverage ratio would mean that requirements concerning the Issuer's own funds would be increased significantly. The leverage ratio requirement is based on comparing total own funds with financial position assets without the consideration for the risks related to the assets that are incorporated into capital adequacy calculations.

The adequacy of own funds is also followed up in monthly business analyses.

The table below shows the Group's own funds for the periods indicated. For 2015, 2014 and 2013, the information has been presented based on the new rules implemented with effect from 1 January 2014.

| Consolidated own funds, Group | For the year ended 31 December | | |
|--|--------------------------------|----------------|----------------|
| | 2015 | 2014 | 2013* |
| | (Euro '000) | | |
| Common Equity Tier 1 before adjustments | 692,573 | 562,977 | 447,925 |
| Adjustments to Common Equity Tier 1 | (6,244) | (6,622) | (4,740) |
| Common Equity Tier 1 (CET1) | 686,329 | 556,354 | 443,185 |
| Additional Tier 1 capital before adjustments | 347,454 | 807 | 8,807 |
| Adjustments to Additional Tier 1 capital | - | - | - |
| Additional Tier 1 Capital (AT1) | 347,454 | 807 | 8,807 |
| Tier 1 Capital (T1) | 1,033,782 | 557,162 | 451,992 |
| Tier 2 capital before adjustments | 35,000 | 65,914 | 57,285 |
| Adjustments to Tier 2 capital | - | - | - |
| Tier 2 Capital (T2) | 35,000 | 65,914 | 57,285 |
| Total own funds | 1,068,782 | 623,075 | 509,277 |

* Own funds at 31 December 2013 taking into account the changes pursuant to the EU Capital Requirements Regulation (EU 575/2013) effective as of 1 January 2014.

Minimum requirement for own funds, Group

| | 31 December 2015 | | 31 December 2014 | | 31 December 2013* | |
|--|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| | Capital requirement | Risk-weighted assets | Capital requirement | Risk-weighted assets | Capital requirement | Risk-weighted assets |
| | (Euro '000) | | | | | |
| Credit and counterparty risk, standard method | 107,434 | 1,342,928 | 127,077 | 1,588,468 | 109,667 | 1,370,836 |
| Exposures to regional governments or local authorities | 368 | 4,598 | - | - | - | - |
| Exposures to multilateral development banks | 1,367 | 17,089 | - | - | - | - |
| Exposures to institutions | 69,645 | 870,561 | 77,840 | 972,994 | 60,869 | 760,858 |
| Exposures to public sector entities | 3,320 | 41,501 | 1,367 | 17,089 | - | - |
| Exposures in form of covered bonds | 16,283 | 203,542 | 15,258 | 190,731 | 16,733 | 209,159 |
| Items representing securitisation positions | 15,743 | 196,792 | 27,028 | 337,851 | 29,129 | 364,112 |
| Exposures in form of shares in CIUs | 108 | 1,354 | 101 | 1,258 | 132 | 1,651 |
| Other items | 599 | 7,490 | 5,484 | 68,545 | 2,804 | 35,056 |
| Market risk | 47 | 594 | 6 | 73 | 0 | 0 |
| Credit valuation adjustment risk (CVA VaR), standard method | 1,009 | 12,613 | 1,586 | 19,829 | - | - |
| Operational risk, basic method | 23,851 | 298,143 | 19,994 | 249,928 | 15,609 | 195,117 |
| TOTAL | 132,342 | 1,654,278 | 148,664 | 1,858,298 | 125,276 | 1,565,953 |

* Capital requirement and risk-weighted assets at 31 December 2013 taking into account the changes pursuant to the EU Capital Requirements Regulation (EU 575/2013) effective as of 1 January 2014.

| | For the year ended 31 December | | |
|---|--------------------------------|--------|--------|
| | 2015 | 2014 | 2013* |
| Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets, % | 41.49% | 29.94% | 28.30% |
| Ratio of Tier 1 capital (T1) to risk-weighted assets, % | 62.49% | 29.98% | 28.86% |
| Ratio of total own funds to risk-weighted assets, % | 64.61% | 33.53% | 32.52% |

In addition to the above, the table below shows the own funds for the Issuer only for the periods indicated. For 2015, 2014 and 2013 the information has been presented based on the new rules implemented with effect from 1 January 2014.

| Own funds, Parent company | For the year ended 31 December | | |
|--|-----------------------------------|----------------|----------------|
| | 2015 | 2014 | 2013* |
| | <i>(Euro '000)</i> | | |
| Common Equity Tier 1 before adjustments | 692,341 | 562,770 | 447,844 |
| Adjustments to Common Equity Tier 1 | (6,397) | (6,996) | (5,338) |
| Common Equity Tier 1 (CET1) | 685,945 | 555,773 | 442,506 |
| Additional Tier 1 capital before adjustments | - | 807 | 8,807 |
| Adjustments to Additional Tier 1 capital | 346,935 | - | - |
| Additional Tier 1 Capital (AT1) | 346,935 | 807 | 8,807 |
| Tier 1 Capital (T1) | 1,032,879 | 556,581 | 451,313 |
| Tier 2 capital before adjustments | 35,000 | 65,914 | 57,285 |
| Adjustments to Tier 2 capital | - | - | - |
| Tier 2 Capital (T2) | 35,000 | 65,914 | 57,285 |
| Total own funds | 1,067,879 | 622,494 | 508,598 |

* Own funds at 31 December 2013 taking into account the changes pursuant to the EU Capital Requirements Regulation (EU 575/2013) effective as of 1 January 2014.

Minimum requirement for own funds, Parent company

| | 31 December 2015 | | 31 December 2014 | | 31 December 2013* | |
|--|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| | Capital requirement | Risk-weighted assets | Capital requirement | Risk-weighted assets | Capital requirement | Risk-weighted assets |
| | (Euro '000) | | | | | |
| Credit and counterparty risk, standard method | 107,416 | 1,342,696 | 127,044 | 1,588,049 | 109,622 | 1,370,280 |
| Exposures to regional governments or local authorities | 368 | 4,598 | - | - | - | - |
| Exposures to multilateral development banks | 1,367 | 17,089 | - | - | - | - |
| Exposures to institutions | 69,637 | 870,462 | 77,829 | 972,864 | 60,865 | 760,810 |
| Exposures to public sector entities | 3,320 | 41,501 | 1,367 | 17,089 | - | - |
| Exposures in form of covered bonds | 16,283 | 203,542 | 15,258 | 190,731 | 16,733 | 209,159 |
| Items representing securitisation positions | 15,743 | 196,792 | 27,028 | 337,851 | 29,129 | 364,112 |
| Exposures in form of shares in CIUs | 108 | 1,354 | 101 | 1,258 | 132 | 1,651 |
| Other items | 589 | 7,356 | 5,460 | 68,256 | 2,764 | 34,549 |
| Market risk | 47 | 594 | 6 | 73 | 0 | 0 |
| Credit valuation adjustment risk (CVA VaR), standard method | 1,009 | 12,613 | 1,586 | 19,829 | - | - |
| Operational risk, basic method | 23,569 | 294,618 | 19,721 | 246,516 | 15,306 | 191,321 |
| TOTAL | 132,042 | 1,650,520 | 148,357 | 1,854,467 | 124,928 | 1,561,601 |

* Capital requirement and risk-weighted assets at 31 December 2013 taking into account the changes pursuant to the EU Capital Requirements Regulation (EU 575/2013) effective as of 1 January 2014.

| | For the year ended 31 December | | |
|--|--------------------------------|--------|--------|
| | 2015 | 2014 | 2013* |
| Ratio of Common Equity Tier 1 (CET1) to risk-weighted assets | 41.56% | 29.97% | 28.34% |
| Ratio of Tier 1 capital (T1) to risk-weighted assets | 62.58% | 30.01% | 28.90% |
| Ratio of total own funds to risk-weighted assets | 64.70% | 33.57% | 32.57% |

The Group's own funds totalled Euro 1,068.8 million at the end of 2015 (2014: Euro 623.1 million; 2013: Euro 509.3 million). Common Equity Tier 1 (CET1) totalled Euro 686.3 million (2014: Euro 556.4 million; 2013: Euro 443.2 million), and it takes into account the net of tax impact of the Group's own Debt Valuation Adjustment (DVA) amounting to Euro negative 0.4 million (2014: Euro negative 1.9 million; 2013: nil). Tier 1 capital amounted to Euro 1,033.8 million (2014: Euro 557.2 million; 2013: Euro 452.0 million). Own funds include the proceeds from the Group's AT1 issuance in September of 2015 ("AT1 Securities") and the profit of the financial year 2015 based on the permission received from the European Central Bank. Tier 1 capital does not include a provision for dividend distribution of the parent company, as the Board of Directors evaluates the amount of dividends paid out each year based on the decision of the Annual General Meeting and submits its dividend proposal based on the company's financial situation, the applicable regulation and taking into account the company's ownership structure.

Additional Tier 1 capital includes Euro 347.5 million from the net proceeds of the Group's AT1 issuance in September 2015. As a result, only a certain proportion, defined by the competent authority, of these items could be included in own funds going forward. During 2014, Euro 0.8 million of the capital investments can be included in additional Tier 1 capital. A subordinated debenture loan (I/2003) of Euro 10 million was included in the additional Tier 1 capital at the end of 2013. This loan was repaid with the permission of the Finnish Financial Supervisory Authority on 10 June 2014.

Tier 2 capital at the end of 2015 was Euro 35 million consisting of a debenture loan maturing on 9 May 2021. The Group has the right to prematurely repay the loan principal and accumulated interest from 9 May 2016.

The Group's capital adequacy increased significantly from 2014 to 2015, with the ratio of total own funds to risk-weighted assets being 64.61 per cent. as of 31 December 2015 compared to 33.53 per cent. as of 31 December 2014. This increase was primarily a result of the AT1 Securities. At the end of 2013, the ratio of total own funds to risk-weighted assets based on the new capital adequacy regulation was 32.52 per cent.

In December 2010, the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy and liquidity framework, known as Basel III, with a revised version published in June 2011 (the "**Basel III Standards**"), which were significantly more stringent than the former requirements under Basel II. Basel III is intended to increase the quality and quantity of capital, to increase capital required to be held against risk weighted assets and to introduce a new liquidity framework (incorporating a leverage ratio, liquidity coverage ratio and a net stable funding ratio). While the Basel III Standards themselves are not legally binding in any jurisdiction, new rules in the form of a new directive and regulation of the European Commission have entered into force in order to implement the Basel III Standards. The Basel III Standards implementing European Commission rules consist of a new Capital Requirements Regulation which entered into force on 28 June 2013 and a Fourth Capital Requirements Directive which entered into force on 17 July 2013. The rules became effective on 1 January 2014, although certain requirements will be phased in over the coming years.

The Basel III Standards and consequently the CRR include a leverage ratio requirement. The Basel III Standards set the minimum leverage ratio at 3 per cent. while the CRR includes currently no minimum threshold. As at 31 December 2015, the Group's leverage ratio, calculated under the current Basel III Standards, was 3.15 per cent. However, the Board of Directors has proposed not to pay any dividends and to transfer the amount which otherwise would have been paid as dividends into retained earnings to boost the Group's capital, in attempt to meet the leverage ratio requirement. In addition, in light of the leverage ratio requirement, the Issuer has focused on increasing its profitability by continuously forecasting lending volumes and adjusting lending margins and thereby increase the amount of funds transferred to retained earnings.

The Annual General Meeting of the Issuer held on 23 March 2011 decided on changing the dividend policy in such a way that in the future, the Board of Directors evaluates the amount of dividend paid out each year and gives its proposal on the payment of dividends based on the Group's economic situation and the applicable regulations, taking into account the Issuer's structure of ownership. At the Annual General Meeting of the Issuer held on 26 March 2013 the Annual General Meeting adopted the proposal of the Board of Directors not to distribute a dividend and to retain the distributable funds of Euro 21,641,120.68 in equity. At the Annual General Meeting of the Issuer held on 26 March 2014 the Annual General Meeting adopted the proposal of the Board of Directors not to distribute a dividend and to retain the distributable funds of Euro 42,232,539.73 in equity. At the Annual General Meeting of the Issuer held on 26 March 2015 the Annual General Meeting adopted the proposal of the Board of Directors not to distribute a dividend and to retain the distributable funds of Euro 53,158,350.27 in equity. At the Annual General Meeting of the Issuer held on 22 March 2016 the Annual General Meeting adopted the proposal of the Board of Directors not to distribute a dividend and to retain the distributable funds of Euro 54,688,359.49 in equity.

Contingent Liabilities

In the ordinary course of business, the Group enters into transactions which, upon being concluded, are not disclosed in the Group's statement of financial position as assets or liabilities, but result in contingent liabilities. The main item of these off-financial position liabilities of the Group is financial commitments, mainly binding loan commitments granted.

| Breakdown of off-financial position unmatured commitments | As at 31 December 2015 |
|---|---------------------------|
| | (Euro '000) |
| Binding loan commitments..... | 1,336,880 |

Commitments

As a rule, debt instruments for loans issued to the municipal sector by the Issuer have been given to the Guarantor as collateral.

On 31 December 2015, the Issuer had given collateral to the Guarantor as follows:

| Bonds | As at 31 December 2015 |
|--|-------------------------------|
| | <i>(Euro '000)</i> |
| Loans pledged to the Guarantor | 17,385,787 |
| Debt securities pledged to the Guarantor | 5,455,469 |

The following is a breakdown of the Issuer's financial liabilities by maturity as at 31 December 2015:

| | Payment due by period as at 31 December 2015 | | | | | |
|---|---|-------------------|--------------------|-------------------|-------------------|----------------------|
| | Total | 0-3 months | 3-12 months | 1-5 years | 5-10 years | Over 10 years |
| | | | | | | <i>(Euro '000)</i> |
| Liabilities to credit institutions | 4,893,270 | 2,232,310 | 41,660 | 122,860 | 820,286 | 1,676,154 |
| Liabilities to the public and public sector entities..... | 954,026 | 43,597 | 14,666 | 499,564 | 214,029 | 182,171 |
| Debt securities issued..... | 24,804,490 | 4,289,979 | 5,992,095 | 12,074,575 | 1,484,364 | 963,477 |
| Subordinated liabilities | 35,542 | - | 35,542 | - | - | - |
| Total..... | 30,687,328 | 6,565,886 | 6,083,963 | 12,696,999 | 2,518,679 | 2,821,802 |

Cash Flows

The table below sets out, for the period indicated, information on the Group's net consolidated cash flows on operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the period.

| | For the year ended 31 December | | |
|--|---------------------------------------|-------------|--------------------|
| | 2015 | 2014 | 2013 |
| | | | <i>(Euro '000)</i> |
| Cash flow from operating activities | 813,006 | (1,084,822) | (62,468) |
| Cash flow from investing activities..... | (2,488) | (1,348) | (3,709) |
| Cash flow from financing activities | 346,188 | (10,000) | (40,098) |
| Change in cash and cash equivalents | 1,156,706 | (1,096,170) | (106,275) |
| Cash and cash equivalents at 1 January | 789,003 | 1,885,173 | 1,991,448 |
| Cash and cash equivalents at 31 December | 1,945,709 | 789,003 | 1,885,173 |

Operating Activities

The operating activities of the Group for the year ended 31 December 2015 generated net cash inflows of Euro 813.0 million, compared to net cash outflows of Euro 1,084.8 million and net cash outflow of Euro 62.5 million for the years ended 31 December 2014 and 2013, respectively. The main driver for this change was the change in collateral the Group received in connection with its derivative contracts. Generally, the Group requires counterparties to provide it with cash collateral for any obligations owed under derivative contracts, and the Group includes any such cash inflow or outflow in cash flow from operating activities. The Group's change in collateral was Euro 609.1 million in the year ended 31 December 2015 and was Euro 1,359.7 million and negative Euro 1,970.9 million in the years ended 31 December 2014 and 2013, respectively.

Investing Activities

The investing activities of the Group generated net cash outflows of Euro 2.5 million for the year ended 31 December 2015 and Euro 1.3 million and Euro 3.7 million for the years ended 31 December 2014 and 2013, respectively, from the acquisition of tangible and intangible assets.

Financing Activities

Net cash inflow from financing activities of Euro 346.2 million for the year ended 31 December 2015 was primarily due to the issuance of the AT1 Securities.

Net cash outflow from financing activities of Euro 10.0 million for the year ended 31 December 2014 was primarily due to the repayment of a Euro 10 million capital loan. On 10 June 2014 the Issuer repaid the EUR 10 million subordinated liability with consent of the Finnish Financial Supervisory Authority.

Net cash outflow from financing activities of Euro 40.1 million for the year ended 31 December 2013 was primarily due to the repayment of a Euro 40 million capital loan. On 31 March 2013, the Company repaid the perpetual loan of EUR 40 million with the permission of the Finnish Financial Supervisory Authority.

For the years ended 31 December 2015, 2014 and 2013 the Group paid dividends of Euro 0.2 million, nil and Euro 0.1 million, respectively.

Critical Accounting Policies

Preparation of the accounts in accordance with EU IFRS requires management estimates and assumptions 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 made as of the date of closing of the accounts. These are related to, among other things, the determination of fair value and the impairment of financial assets.

Where market price information is limited, the determination of financial assets that are not publicly quoted or other financial assets requires management judgement.

The Group determines on a monthly basis whether there is objective evidence of impairment of financial assets other than those recorded at fair value through profit or loss.

MUNICIPALITY FINANCE PLC

Introduction

Municipality Finance Plc was established on 1 May 2001, when the old Municipality Finance Plc (established in 1989) and Municipal Housing Finance Plc (established in 1993) were merged to form a new company, Municipality Finance Plc, a credit institution referred to in the (Finnish) Credit Institutions Act. On 26 April 2001, the Issuer was granted a credit institution licence by the Ministry of Finance.

The Issuer serves the Finnish municipal sector which consists of municipalities, municipal federations and a range of organisations owned or controlled by municipalities, and corporations designated by state authorities engaging in housing on social grounds. The Issuer has provided funding for the Finnish municipal sector since 1991. The Issuer's mission is to be, as a financial institution owned by the municipal sector and the Republic of Finland, the most sought-after and active partner in municipal-sector financial services in Finland. The Issuer's aim is to ensure cost-effective financial services for the municipal and social housing sector, to operate efficiently and grow profitably, and to improve its self-sufficiency and increase its own funds primarily through funds from its operations in compliance with the Municipal Guarantee Board Act (the "**MGB Act**") (see below "*The Municipal Guarantee Board*") and all relevant and applicable rules and legislation. The Issuer focuses actively on customer relations and creates solutions and services for its customers.

The risk management approach of the Issuer is based on risk avoidance and minimisation. In order to minimise risks and safeguard profits, derivatives are only used for hedging purposes. According to the Articles of Association, the Issuer's shares may not be assigned to anyone other than Keva (former name "the Local Government Pensions Institution"), municipalities, municipal federations, central organisations of municipalities, entities wholly owned by or under the control of municipalities or municipal federations or companies owned by such entities without the consent of the Issuer's Board of Directors.

Municipality Finance Plc's Financial Advisory Services, which was established in 2004, was turned into a subsidiary under the name Financial Advisory Services Inspira Ltd ("**Inspira**") in November 2007. Inspira focuses on independent expert advisory services for public-sector administration in various areas of funding. Its aim is to assist customers in providing different types of services and in meeting investment needs.

Funding by the Issuer is guaranteed by the Municipal Guarantee Board ("**MGB**") as are the Notes. MGB is an institution under public law which was established under the MGB Act and operates in accordance with it, as amended from time to time, to safeguard and develop the joint funding of the Finnish municipal sector. Its members are jointly responsible for its debts and obligations in accordance with the MGB Act. See "*The Municipal Guarantee Board*".

According to calculations carried out in accordance with the (Finnish) Financial Supervisory Authority, the Issuer's own funds amounted to approximately Euro 1,068.8 million on 31 December 2015. The Issuer's total assets on 31 December 2015 were Euro 33.89 billion, of which the loan portfolio represented approximately Euro 20.1 billion.

Customer finance

The Issuer grants financing:

- to municipalities and municipal federations (which are members of MGB);
- at preferential terms in accordance with European Union State aid rules to corporations designated by state authorities and engaging in the renting or production and maintenance of housing on social grounds, or corporations controlled by them; and
- at preferential terms in accordance with European Union State aid rules to entities totally owned or controlled by municipalities or municipal federations, or municipal enterprises provided they fall within certain categories. They should either provide public services falling within the sphere of municipal authority as provided for in the applicable legislation or carry out functions directly in service thereof. Alternatively, they should provide other services essential to citizens, if due to local or regional circumstances the provision of such services is necessary to ensure their availability or efficient provision. An absolute guarantee or a deficiency guarantee from a

municipality or municipal federation, a State deficiency guarantee or a guarantee from the State and a municipality are received as loan collateral in order for the Issuer to advance funds. In addition, a deficiency guarantee for a loan project requires mortgage security. A loan can be granted directly to a municipality or a municipal federation without separate collateral.

The Issuer offers also short-term funding products to municipalities, municipal federations and to organisations controlled by municipalities and municipal federations.

The loan portfolio was Euro 20.1 billion, 19.2 billion and Euro 17.8 billion as at 31 December 2015, 31 December 2014 and 31 December 2013, respectively. The municipal sector's funding needs depend on the size and project to be funded of each municipal-sector client.

By acquiring funding jointly through the Issuer, municipalities can benefit from the good overall credit standing of the entire municipal sector and raise funds in the wholesale market. Because of the Issuer's policy on guarantees and the composition of the Issuer's clientele, all lending by the Issuer is considered zero risk in the capital adequacy calculations of banks and credit institutions in Finland.

Neither the Issuer nor its predecessors has ever suffered any credit losses or had non-performing loans. The Issuer has no significant investments in other companies or corporations.

The Issuer started to offer green loans and green lending to its customers in the spring 2016, for projects that promote lower carbon emissions and climate resilient growth. These projects must target (a) a mitigation of climate change, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy programs and projects, (b) an adaptation to climate change, including investments in climate-resilient growth or (c) (at a maximum of 20 per cent. of the green lending) projects which are related to environmental management rather than directly related to climate change. The selection of the projects will be made with co-operation of the Issuer's Lending Department and its Green Loan Committee, which will have the final say in the approval of loans for these projects. The committee consists of two or more members from the environmental departments of the Issuer's customers and/or other environmental experts from relevant public sector entities. These projects will be financed as Green Bonds under the Programme. An amount equal to the net proceeds of the Green Bond issue will be credited to a special account that will support the Issuer's lending for the projects. Until disbursements are made to a project, the special account balance will be placed in liquidity reserves

Funding

The Issuer's long-term funding takes place in both the international (e.g. the euro zone, Japan, Australia, other Asian markets, Switzerland) and domestic capital markets.

International funding is usually obtained through bond issues. The main form of raising international funds is the issuance of bonds under the Programme. On 31 December 2015, the Issuer had a total of Euro 19.1 billion (Euro 18.5 billion on 31 December 2014) unmatured medium-term notes issued under the Programme. The Issuer also has an Australian dollar 2 billion Medium Term Note Programme for accessing the Australian markets. Total bonds outstanding under this program totalled Euro 511.2 million as at 31 December 2015 (Euro 255.5 million on 31 December 2014). In addition, as at 31 December 2015, the Issuer had standalone bond issues of USD 1.75 billion and USD 1 billion outstanding.

The Issuer obtains domestic funding through domestic bonds under its domestic Euro 800 million debt programme. In 1993, the old Municipality Finance Plc began to develop its domestic funding by issuing the first *Kuntaobligaatio* for subscription by the general public. "**Kuntaobligaatio**" is a registered trademark owned by the Issuer. On 31 December 2015, unmatured Municipal Bonds totalled approximately Euro 11.4 million (Euro 27.1 million on 31 December 2014).

The Issuer's short-term funding is obtained through the issuance of domestic commercial paper under a Euro 4 billion Euro-Commercial Paper Programme. Short-term funding is used for the municipal sector's short-term financial needs and for securing the liquidity required for the Issuer's normal business operations. Commercial paper is short-term, liquid, low-risk money market instruments for the investment needs of municipalities and other investors, for instance. Total commercial paper outstanding as at 31 December 2015 totalled Euro 1,230.0 million (Euro 1,259.3 million on 31 December 2014).

Liquidity

The Group front-loads its funding requirements and seeks to maintain liquidity for at least six months of undisturbed operation including accounting for new lending. As at 31 December 2015, the Group's liquidity buffer was approximately 11 months. The following assumptions are made when calculating the liquidity buffer: a) no new long-term funding, b) loans and other customer financing will continue in accordance with the estimated demand (budgeted amount), c) any collateral received under the bilateral CSA agreements is not included in the calculations, d) 30 per cent. of callable funding is assumed to be called every 10 months, e) short-term lending will be financed with the short-term ECP funding program and short-term debt does not finance long-term lending, f) central bank credit is not available, and g) from the pre-funding portfolio, liquidity is calculated only on the most liquid part of the portfolio. The main sources of funding used by the Group for lending activities are its Programme, its domestic debt programme, its Euro-Commercial Paper Programme and its AUD debt programme. Since 2010, Municipality Finance has held the status of central bank counterparty, and together with its securities portfolio, the Group's entire municipal loan book can be used as eligible collateral for transactions with the Finnish central bank, which acts as an additional liquidity buffer.

Risk Management

The Issuer aims to meet the financing needs of the municipal sector as diversified and cost-effectively as possible. The Issuer does not seek maximum profit from its business operations, which is why risk-taking is also minimised.

The practical aspects of risk management are the responsibility of the Managing Director and the Executive Management Team assisting him. The Issuer's Executive Management Team handles risk management matters at its meetings at least once a month.

The Issuer's task is to provide competitive funding for Finnish municipalities. In accordance with this principle, the only credit risk affecting the Issuer's lending portfolio is related to that of municipalities, municipal federations and the Republic of Finland. If any loans are granted to entities owned or controlled by municipalities, these must have municipalities as their majority owners and an absolute guarantee or a deficiency guarantee from a municipality or municipal federation or a deficiency guarantee from the Republic of Finland. The Issuer's entire lending portfolio bears zero risk in the capital adequacy calculation of banks and financial institutions. The same applies to all debt instruments of various durations issued by the Issuer itself. For hedging against interest rate and currency risks, the Issuer uses derivatives contracts.

The Group has two internal groups taking care of the risk management, the Credit Risk Group and the Asset and Liability Management ("ALM") Group. The Credit Risk Group is responsible for monitoring and supervising the Group's credit risk, as well as making decisions regarding the management of credit risk. The ALM Group is responsible for outlining the Group's strategic policies and risk management principles in relation to market, liquidity and funding risks.

Principles based on credit rating and contract types, approved by the Issuer's Board of Directors are applied of assessment of credit risk when contractual counterparties are being chosen.

In addition to credit risk and counterparty risk, the Issuer regularly monitors trends in market, liquidity and market liquidity, operational, legal and strategic risks and factors affecting them.

The Group assess its credit risks by utilising principles and limits based on external credit ratings which have been approved by the Board of Directors and are applied to the selection of counterparties. Nominal values of debt securities and market values of derivatives (fair value method) are used in monitoring credit risk. Further, the Issuer limits credit risk caused by the derivative agreement with ISDA Credit Support Annexes in place with all derivatives counterparties with material exposure. As at 31 December 2015, of the Issuer's 45 counterparties under ISDA Master Agreements, the Issuer had 45 Credit Support Annexes in force. Additionally, the Municipal Guarantee Board's guarantees are used for reducing the counterparty risks related to the derivative contracts of certain counterparties.

The Group manages its operation risk, or the risk of loss due to insufficient or failed internal processes, personnel, systems, or external factors. Operational risks also include risks arising from failure to comply with internal and external regulation (compliance risk), legal risks and reputational risk. Operational risks

may result in expenses, payable compensation, loss of reputation, false information on position, risk and 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 at a unit and company-specific level. The management of operational risks is the responsibility of the Group's functions/departments and in addition, the risk management function supports them and coordinates the work.

The Group uses various methods for managing operational risks. The Group has internal operational guidelines that are updated regularly and monitored for compliance. Key duties and processes have been charted and described. Internal instructions and processes are revised on a regular basis. The tasks of trading, risk control, back office functions, documentation and bookkeeping are separated. The Group has adequate substitution systems to ensure the continuity of key functions. The expertise of the personnel is maintained and improved through regular development discussions and training plans. The Group maintains adequate insurance cover and assesses the level of insurance cover on a regular basis. The Group has a contingency plan for situations where business operations are interrupted. The plan is designed to help the Group continue functioning and limit its losses in different disruptive scenarios. The annual mapping of operational risks and the damage report procedure for operational risk events are used as input in the Group's continuity planning.

The Group's compliance function 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 of the authorities concerning the operations of credit institutions are facing significant changes, which creates challenges for the Group's compliance operations. The Group has tried to minimise the risks related to this by means of active contacts with the authorities as well as arrangements of the Issuer's internal compliance operations (including reporting evaluation of effects).

The Group started extensive information system projects in 2011 to enhance its operations. The extent of these projects causes operational risks that the Group is trying to minimise by developing models related to project management and monitoring (including regular reporting).

The realisation of operational risks is monitored with systematic damage reporting, which is used to change operating principles or implement other measures to reduce operational risks where necessary. The Executive Management Team and the Board of Directors are kept up-to-date on the damage reports. No material losses were incurred as a result of operational risks in 2015.

Financial reporting

The Issuer publishes yearly an annual report and a mid-year interim report.

MANAGEMENT AND SHAREHOLDERS OF MUNICIPALITY FINANCE PLC

Administration of the Issuer

In accordance with the Issuer's Articles of Association, the Board of Directors consists of 5-8 members. The current 8 members were elected at the annual shareholders' meeting held on 26 March 2016 for a one year period.

| Board of Directors | Main duties outside the Issuer |
|--|---|
| Chairman Helena Walldén | No main duties outside the Issuer, professional board member |
| Vice Chairman Tapani Hellstén | Deputy CEO, Keva |
| Board members Fredrik Forssell | CIO, Internal equity & FI, Keva |
| Teppo Koivisto | Head of Division, State Treasury |
| Sirpa Louhevirta | Senior Vice President, Group Treasury and Real Estate, Sanoma Corporation |
| Vivi Marttila | Municipal Manager, Municipality of Simo |
| Tuula Saxholm | Finance Director, City of Helsinki |
| Juha Yli-Rajala | Director, City of Tampere |

The Board of Directors has approved the Corporate Governance rules for the Issuer, which largely follow the principles of corporate governance laid down by the (Finnish) Securities Market Association. The Board of Directors has also approved a Code of Conduct for the Issuer.

The Board of Directors has an Audit Committee, which has three members: Tuula Saxholm (Chairman), Tapani Hellstén and Vivi Marttila. The purpose of the Audit Committee is, as a preparatory body of the Board of Directors, to monitor the bookkeeping and the preparation of the final accounts, the final accounts and the internal control. The tasks and responsibilities of the committee have been defined in the rules of procedure, which the Board of Directors has approved. Internal auditing within the Issuer has been outsourced to Deloitte & Touche Oy. The Board of Directors approves internal audit plans annually.

The Board of Directors has a Risk Committee which has three members Fredrik Forssell (Chairman), Teppo Koivisto and Sirpa Louhevirta. The Risk Committee assists the Board in the matters with regard to the institution'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 institution's risk strategy and, in the event this is not the case, to present a remedy plan to the Board. Further, the Risk Committee shall assist the Remuneration Committee in the establishment of sound remuneration policies, and to assess whether the incentives provided by the remuneration system take into consideration the institution's risks, capital and liquidity requirements, and the likelihood and timing of the earnings.

The Board also has a Remuneration Committee, which has three members. The purpose of the Remuneration Committee is, as a preparatory body of the Board of Directors, to prepare remuneration matters and commitment schemes. The tasks and responsibilities of the committee have been defined in the rules of procedure, which the Board of Directors has approved. The members of the Remuneration Committee are Helena Walldén (Chairman), Teppo Koivisto and Juha Yli-Rajala.

The aggregate compensation paid to the members of the Board of Directors, excluding travel and out of pocket expenses related to their services on the Board of Directors, for the year ended 31 December 2015 was approximately Euro 0.2 million.

The Issuer's President and CEO is Pekka Averio, and the deputy to the President and CEO is Esa Kallio. The Issuer's Executive Management Team consists of the CEO, the Deputy to the CEO, Marjo Tomminen (Executive Vice President, CFO, Finance), Toni Heikkilä (Executive Vice President, CRO, Risk management and IT), Jukka Helminen (Executive Vice President, Customer Finance) and Mari Tyster (Executive Vice President, Administration and Legal).

The Issuer's offices are located at P.O. Box 744 (Jaakonkatu 3A, 5th Floor), FI-00101 Helsinki, which is the contact address for each person mentioned above. The documents mentioned in this Offering Circular can also be viewed at this address.

No member of the Board of Directors or member of the Executive Management Team is subject to existing or potential conflicts of interest between their duties related to the Issuer and their private interests or other duties.

Major Shareholders

As at 31 December 2015 the Issuer had 281 shareholders and the ten largest shareholders of the Issuer were:

| Shareholder | Shares | % of shares |
|---|------------|-------------|
| 1. Keva (former name "The Local Government Pensions Institution") | 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 (City of Vantaa)..... | 963,048 | 2.47 |
| 6. City of Tampere..... | 919,027 | 2.35 |
| 7. City of Oulu | 903,125 | 2.31 |
| 8. City of Turku | 615,681 | 1.58 |
| 9. City of Kuopio | 573,350 | 1.47 |
| 10. City of Lahti..... | 502,220 | 1.29 |

SELECTED FINANCIAL INFORMATION RELATING TO THE GUARANTOR

The following tables set out, in summary form, selected consolidated financial information on MGB as at and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, and have been derived from the Audited MGB Financial Statements which have been prepared where applicable in accordance with Finnish Accounting Principles. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Audited MGB Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations of the Guarantor" appearing elsewhere in this Offering Circular.

| INCOME STATEMENT DATA | For the year ended 31 December | | |
|---|--------------------------------|-----------------|-----------------|
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Ordinary operations | | | |
| Income | | | |
| Guarantee premiums..... | 2,300.0 | 2,300.0 | 2,300.0 |
| Expenses | | | |
| Staff expenses..... | (599.6) | (566.2) | (581.6) |
| Depreciation | (26.8) | (33.0) | (26.2) |
| Other expenses..... | (1,043.9) | (924.2) | (823.9) |
| Result from ordinary operations..... | 629.7 | 776.6 | 868.3 |
| Investment activities | | | |
| Income | 533.0 | 367.4 | 402.1 |
| Expenses | (108.1) | (94.3) | (95.2) |
| Result of investment activities | 424.8 | 273.1 | 306.9 |
| Result before transfer to fund | 1,054.5 | 1,049.7 | 1,175.2 |
| Transfer to fund | (1,054.5) | (1,049.7) | (1,175.2) |
| Result for the financial year | 0.00 | 0.00 | 0.00 |
| | | | |
| FINANCIAL POSITION DATA | For the year ended 31 December | | |
| | 2015 | 2014 | 2013 |
| | (Euro '000) | | |
| Assets | | | |
| Non-current assets | | | |
| Tangible assets..... | 226.4 | 248.6 | 149.3 |
| Other shares and similar rights of ownership..... | 2,266.0 | 2,266.0 | 2,266.0 |
| Investments | | | |
| Other investments | | | |
| Shares and similar rights of ownership..... | 8,285.8 | 7,902.2 | 6,203.6 |
| Debt securities..... | 7,022.3 | 6,054.8 | 6,520.3 |
| Current assets | | | |
| Debtors | | | |
| Guarantee receivables..... | 575.0 | 575.0 | 575.0 |
| Receivables..... | 106.2 | 92.4 | 127.4 |
| Cash and cash equivalents..... | 137.4 | 77.9 | 83.3 |
| Total assets | 18,619.0 | 17,216.8 | 15,924.7 |
| Equity and liabilities | | | |
| Equity | | | |
| Fund..... | 17,350.8 | 16,296.3 | 15,246.6 |
| Fair value reserve | 1,145.8 | 811.7 | 529.0 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade creditors | 40.6 | 30.2 | 38.4 |
| Accruals and deferred income | 81.7 | 78.6 | 110.7 |
| Other current liabilities | 0 | 0 | 0 |
| Total equity and liabilities | 18,619.0 | 17,216.8 | 15,924.7 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GUARANTOR

The discussion below is based on the Audited MGB Financial Statements.

The following discussion of MGB's results of operations, financial position and cash flows should be read and interpreted in conjunction with the Audited MGB Financial Statements and other financial information included in other sections of this Offering Circular, specifically jointly with the data presented in "Selected Financial Information Relating to the Guarantor". This section includes forward-looking statements that reflect the current views of the Board of MGB and due to their nature involve risks and uncertainties. The actual results of MGB could differ materially from those contained in any forward-looking statements as a result of the factors discussed below and in other sections of this Offering Circular, particularly in "Risk Factors" (see also "Forward-Looking Statements"). Investors should read the whole of this Offering Circular and not base their decisions or opinions solely upon the information contained in this section.

Overview

The Municipal Guarantee Board is a public law body established by the MGB Act, and together with the Issuer, are the main participants in the joint funding system of the municipal sector in Finland. Its main purpose is to safeguard and develop the joint funding of the Finnish municipal sector and secure that such funding is raised at preferential terms, based on the joint creditworthiness of the entire municipal sector.

MGB grants guarantees to support the raising of funds by the Issuer to be used for lending to the Finnish municipal sector or to Government designated non-profit organisations that engage in the construction, renting, management or maintenance of social housing in Finland. The MGB Act, as amended, sets out the terms and conditions as well as the specific requirements for the permissible use of the funds raised with the support of the Guarantee, and essentially forms part of the internal government administration in Finland.

The membership of MGB consists of all 297 mainland Finnish municipalities, representing 100 per cent. of the population of mainland Finland as at 11 May 2016. Due to the autonomy of the Province of Åland, the municipalities of the Province of Åland are not clients of the Issuer or members of MGB. As members of MGB, municipalities are responsible for the funding expenses and commitments of MGB that cannot be otherwise covered in proportion to their population at previous year-end as referred to in the Population Data Act (507/1993).

Significant factors Affecting Operating and financial Results

Guarantee fee and expenses

The expenses of MGB are mostly covered by income from guarantee fees. MGB currently has one financial institution to which it can grant guarantees—the Issuer. The rate for the guarantee commissions paid by the Issuer each year is set by MGB. Increases in the guarantee commissions are designed to reflect increases in the amount and risk of guarantees provided by MGB.

To secure its liquidity, MGB has an equity fund which accumulates funds from guarantee commissions charged by MGB. MGB also has a back-up facility agreement of Euro 150 million with an independent third party.

Investments

MGB invests the guarantee fee it receives as well as the funds in its equity fund. MGB has an investment policy approved by its Board of Directors. Under this policy, MGB allocates 50 per cent. of its investments to plain vanilla debt instruments issued by governments and banks (credit rating requirement S&P BBB/Moody's Baa3 or higher) and 50 per cent. to capital protected debt instruments issued by banks and debt instruments issued by corporations, shares of companies listed on the Helsinki stock exchange, investment funds and housing and real estate companies.

Results of Operations

The Year Ended 31 December 2015 Compared to the Year Ended 31 December 2014 and for the Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

The following tables set forth, as of the dates indicated, certain summary financial information about the results of the Guarantor's operations:

| INCOME STATEMENT DATA | For the year ended 31 December | | | Change | Change |
|---|--------------------------------|----------------|----------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2014 to 2015 | 2013 to 2014 |
| | (Euro '000) | | | (%) | |
| Ordinary operations | | | | | |
| Income | | | | | |
| Guarantee premiums..... | 2,300.0 | 2,300.0 | 2,300.0 | 0 | 0 |
| Expenses | | | | | |
| Staff expenses..... | (599.6) | (566.2) | (581.6) | 5.9 | (2.6) |
| Depreciation..... | (26.8) | (33.0) | (26.2) | (18.8) | 25.5 |
| Other expenses..... | (1,043.9) | (924.2) | (823.9) | 13.0 | 12.2 |
| Result from ordinary operations | 629.7 | 776.6 | 868.3 | (18.9) | (10.5) |
| Investment activities | | | | | |
| Income | 533.0 | 367.4 | 402.1 | 45.1 | (8.6) |
| Expenses | (108.1) | (94.3) | (95.2) | 14.6 | (1.0) |
| Result of investment activities | 424.8 | 273.1 | 306.9 | 55.5 | (11) |
| Result before transfer to fund | 1,054.5 | 1,049.7 | 1,175.2 | 0.5 | (10.6) |
| Transfer to fund..... | (1,054.5) | (1,049.7) | (1,175.2) | (0.5) | 10.6 |
| Result for the financial year..... | 0.00 | 0.00 | 0.00 | - | - |

Guarantee premium

The guarantee premium for MGB remained at Euro 2.3 million for the years ended 31 December 2015 and 2014.

The guarantee premium for MGB remained at Euro 2.3 million for the years ended 31 December 2014 and 2013.

Expenses

Expenses of MGB from ordinary operations relate primarily to staff expenses and other expenses. Staff expenses is composed primarily of salaries, pensions and other personnel related expense paid to the Board of Directors, the Managing Director, the Deputy MD and other staff. Other expenses consist primarily of general administration expenses, such as rating fees, the credit facility, information technology and insurance.

Expenses for MGB have increased slightly in 2015 to Euro 1.7 million, due to the increase in other expenses. The increase in other expenses in 2015 was primarily due to increased credit rating costs.

Expenses for MGB were relatively stable for the years ended 31 December 2014 and 2013, at Euro 1.5 million and Euro 1.4 million, respectively.

Result from investment activities

MGB invests the guarantee premium it receives as well as the funds in its equity fund. Investments are valued in the financial position at fair value, so the unrealised differences between their book value and fair value have been recognised in the fair value reserve under equity.

Result from investment activities for MGB remained relatively stable at Euro 0.4 million, Euro 0.3 million and Euro 0.3 million, for the years ended 31 December 2015, 2014 and 2013.

Financial Position

Equity and liabilities

As of 31 December 2015, 2014 and 2013, the main component of the equity and liabilities of MGB was MGB's fund, which operates in a way similar to restricted capital, which represented 93.2 per cent., 94.7 per cent. and 95.7 per cent. of total equity and liabilities, respectively.

As of 31 December 2015, total equity and liabilities was, Euro 18.6 million, compared to Euro 17.2 million as of 31 December 2014, mainly as a result of the transfer of the previous year's result into the fund of Euro 1.0 million.

As of 31 December 2014, total equity and liabilities was, Euro 17.2 million, compared to Euro 15.9 million as of 31 December 2013, mainly as a result of the transfer of the previous year's result into the fund of Euro 1.2 million.

Contingent Liabilities

The table below sets out the guarantees MGB has granted and counter-collateral it has received as 31 December 2015, 2014 and 2013, respectively:

| Guarantees and collateral | For the year ended 31 December | | |
|---|--------------------------------|--------------|--------------|
| | 2015 | 2014 | 2013 |
| | | (Euro '000) | |
| Guarantee limits granted | 39,141,021.9 | 39,144,266.7 | 36,096,764.6 |
| Guarantees in use | 25,956,341.3 | 24,745,111.8 | 23,522,726.7 |
| Collateral received and items affecting collateral situation | 27,998,694.4 | 26,238,799.3 | 24,854,349.7 |
| Balance of collateral and guarantees | 2,042,353.1 | 1,493,687.5 | 1,331,623.0 |
| Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net | 28,221.4 | 93,757.6 | 9,882.3 |

In connection with providing its guarantees, MGB requires the Issuer to pledge sufficient amount in accordance with the MGB Act of its loan portfolio and its investment portfolio as collateral. MGB has the right to assume the rights and obligations under the collateral it has received should it ever need to make a payment under the guarantees it provides.

Guarantee Activities by MGB

Guarantee liabilities on 31 December 2015

The most recent data on MGB's guarantee activities at the time of publication of this Offering Circular is from 31 December 2015.

| | As at 31 December 2015 |
|---|---------------------------------------|
| | <i>(Euro '000)</i> |
| A. Guarantee Limits Guaranteed | |
| EMTN Programme (Municipal Housing Finance Plc -30.4.2001) | 1,500.0 |
| EMTN Programme | 25,000.0 |
| Domestic Debt Programme | 800.0 |
| Euro-Commercial Paper Programme | 4,000.0 |
| AUD Debt Programme | 1,341.0 |
| Other domestic or foreign funding | 6,500.0 |
| Guarantee Limits Total | 39,141.0 |
| B. Current Guarantees 31 December 2015 | |
| EMTN Programme (Municipal Housing Finance Plc -30.4.2001) | 22.6 |
| EMTN Programme | 19,103.5 |
| Domestic Debt Programme | 11.4 |
| Euro-Commercial Paper Programme | 1,230.5 |
| AUD Debt Programme | 511.2 |
| Other domestic or foreign funding | 2,953.9 |
| Separate decisions | 2,123.3 |
| Current Guarantees Total | 25,956.3 |

Credit facilities

MGB has a credit facility of Euro 150 million available to be used for working capital purposes, including funding a capital injection into the Issuer if required.

THE MUNICIPAL GUARANTEE BOARD

The Municipal Guarantee Board is a public law body established by the MGB Act, and together with the Issuer, are the main participants in the joint funding system of the municipal sector in Finland. Its main purpose is to safeguard and develop the joint funding of the Finnish municipal sector and secure that such funding is raised at preferential terms, based on the joint creditworthiness of the entire municipal sector.

The MGB Act provides that MGB can grant guarantees to support the raising of such funds by the Issuer to be used for lending to the Finnish municipal sector or to Government designated non-profit organisations that engage in the construction, renting, management or maintenance of social housing in Finland. The MGB Act, as amended, sets out the terms and conditions as well as the specific requirements for the permissible use of the funds raised with the support of the Guarantee. The joint funding system of the Finnish municipal sector was established and is operated under the terms and conditions of the MGB Act, as amended, and essentially forms part of the internal government administration in Finland.

The expenses of the Municipal Guarantee Board are mostly covered by income from guarantee commissions. As at 31 December 2015, MGB had Euro 18.6 million in total assets. In addition, at the date of this Offering Circular, the Municipal Guarantee Board has a liquidity back-up facility from an independent third party of an amount equal to Euro 150 million to secure its liquidity. Any expenses or obligations that cannot be otherwise covered are the responsibility of member municipalities in proportion to their population at the preceding year-end, as specified in the (Finnish) Population Data Act. In addition, the Guarantor has the ability to seek funding in excess of the proportional requirement from the municipalities on a short term basis. The Guarantor can collect guarantee premiums on the guarantees granted by the Guarantor and the contributions of member municipalities without a court decision using an execution decree in the form required in the Act on the Collection of Taxes and Charges through Execution.

The compliance of MGB and the Issuer with the MGB Act (as amended) is subject to regular monitoring. The recent amendment of the MGB Act by Act 944/2006 in conjunction with the operation of certain Standing Orders issued by the Council of MGB, strengthen further the basis upon which the Commission Decision of June 2004 concerning the Finnish Municipal Guarantee (the Finnish joint funding system) concluded that the EU State aid rules will not apply to the Guarantee.

The membership of MGB consists of all 297 Finnish mainland municipalities, representing 100 per cent. of the population of mainland Finland as at [10] May 2016. Due to the autonomy of the Province of Åland, the municipalities of the Province of Åland are not clients of the Issuer or members of MGB. As members of MGB, municipalities are responsible for the funding expenses and commitments of MGB that cannot be otherwise covered in proportion to their population at previous year-end as referred to in the Population Data Act (507/1993).

MGB has the corporate authority to inject capital into Municipality Finance Plc if required. MGB's main access to funds are its Euro 150 million liquidity facility and its equity fund.

The guarantee of the Notes is an absolute irrevocable guarantee granted by MGB, which covers capital, interest and penalty interest.

MANAGEMENT OF THE MUNICIPAL GUARANTEE BOARD

Administration of MGB

The managing bodies of MGB consist of the Council and the Board of Directors. The Members and Deputy Members of the Council for the term office ending on 30 September 2017 were appointed by the Ministry of Finance on 29 August 2013.

The day-to-day management of MGB is handled by the Managing Director in accordance with instructions and orders from the Board of Directors. Heikki Niemeläinen is the Managing Director and Tuukka Salminen is the Deputy Managing Director.

The necessary provisions on the composition and terms of office, duties and other activities are laid down in the Standing Orders of MGB. The Standing Orders were adopted by the Council on 12 April 2007. The operations of MGB are supervised by the Guarantee Board Auditor appointed by the Ministry of Finance at the proposal of the Board of Directors. The Guarantee Board Auditor for the years 2014 to 2017 (appointed by the Ministry of Finance on 20 November 2013) is DHS Oy Audit Partners, Authorised Public Accountants. The responsibilities of the Guarantee Board Auditor are set out in the MGB Act. Deloitte & Touche Oy was the Guarantee Board Auditor in 2012 and 2013.

The financial statements of MGB for the years ended 31 December 2015, 2014 and 2013 have been audited without qualification by audit firm KPMG Oy Ab. KPMG Oy Ab is supervised by the Finnish Patent and Registration Office. The Council of MGB has elected KPMG Oy Ab as its independent auditor also for the year 2016. The office of KPMG Oy Ab and the responsible auditor is at Töölönlahdenkatu 3 A, FIN-00100 Helsinki, Finland.

| Council | Main duties outside the MGB |
|---|---|
| Chairman Mika Munkki | Agrologist and Farmer |
| Deputy Chairmen Reijo Vuorento | Assistant Director, The Association of Finnish Local and Regional Authorities |
| Matti Kankare | Project Director, National Coalition Party (retired) |
| Other members Kimmo Behm Markku Forss Pekka Heikkinen Hilkka Hiltunen Erkki Kukkonen Anni Laihanen Maarita Mannelin Terhi Päivärinta Ossi Sandvik Riikka Slunga-Poutsalo Jaakko Stenhäll Virpi Ylitalo | Municipal Manager, Municipality of Nurmijärvi Chairman, Municipality Board of Vesanto Director, City of Espoo Financial Manager, Ilomantsi Lutheran Church Mayor, City of Järvenpää Senior Advisor, The Regional Council of South Karelia Regional Planner, the Regional Council of Northern Karelia Director, The Association of Finnish Local and Regional Authorities Project Director, Finns Party Secretary General, Finns Party Sales Director, Arch Red Plc Savings Manager, Savings Bank Sinetti (retired) |
| Board | Main duties outside the MGB |
| Chairman Jari Blom | Managing Director, Jyvässeudun Hoivapalvelut Oy |
| Deputy Chairman Janne Laine | Mayor, City of Savonlinna |
| Other Board members Paula Aikio-Tallgren Pekka Alanen Sari Innanen Jaana Karrimaa Jaakko Niinistö | Entrepreneur, Virvatuli-Valaisimet Oy Kaupunkineuvos (in Finnish honorary title) Lecturer, The Federation of Education in Central Ostrobothnia Mayor, City of Harjavalta Deputy Mayor, City of Vantaa |

MGB's office is located at Yrjönkatu 11 A 1, FI-00120, Helsinki, Finland, which is also the contact address for each person mentioned above (including the Managing Director and the Deputy Managing Director). MGB's telephone number is (+358) (0) 9 6227 2880. The persons listed above (including the Managing Director and the Deputy Managing Director) are not subject to any existing or potential conflicts of interest between their duties related to MGB and their private interests or other duties.

THE MUNICIPAL SECTOR

Introduction

The local government administration in Finland is administered by a national network of self-governing municipalities, which has evolved over the centuries. The foundation of the present local government was established in the second half of the 19th century when legislation governing the municipal sector was enacted.

In 1917, the Republic of Finland gained its independence from the Russian Empire and the current Constitution was established. The Constitution enshrined a system of local government based on municipalities which are independent of the central government and which enjoy a strong, self-governing status.

Under the Finnish Local Government Act, municipalities are defined by geographic area and cover the entire state such that all land and people in Finland are represented in one of the municipalities. Authority in each municipality rests with a Municipal Council whose members are directly elected by secret and proportional ballot.

The municipal sector in Finland and other Nordic countries plays a more important role in the public sector than elsewhere in Europe. In 2015 Finnish municipalities and federations of municipalities employed approximately 425,000 persons, representing about one fifth of the work force.

According to the Association of Finnish Local and Regional Authorities in 2016 total expenditure by municipalities and joint municipal authorities is expected to amount to Euro 45.8 billion, approximately 22 per cent. of Finland's estimated gross domestic product. Measured in terms of personnel, local government is a substantially larger entity than central government.

The total interest-bearing debt portfolio of the Finnish municipalities and joint authorities was Euro 17.0 billion at the end of the year 2015. The Issuer believes the municipal sector debt will increase in the coming years. "Municipal sector" refers to municipalities, joint authorities and the municipally owned joint stock companies and other entities under the control of a municipality. "Local authorities" refers only to municipalities and joint authorities.

The local authorities' financing requirement for 2016 is estimated by the Association of Finnish Local and Regional Authorities to be approximately Euro 3.0 billion.

During the 2012-2015 electoral term, the government introduced big savings decisions which are expected to amount to 2.8 per cent. of GDP at an annual level in 2018. They included both tax increases as well as expenditure cuts, including cuts in central government transfers to local government sectors.

After the parliamentary election held in 2015, Prime Minister Sipilä's government was appointed to office. Sipilä's government set its target at reforming the social and healthcare system, including plans to establish autonomous regions. Sipilä's government programme states that there is a need in Finland to create new self-governing bodies to oversee tasks related to social and healthcare services.

Sipilä's Government has agreed on a consolidation programme, which will strengthen public finances. In addition to measures aimed at reducing public spending, re-allocations will be made which in net terms are expected to strengthen general government finances by around EUR 4 billion at 2019 prices. By the end of 2018, EUR 1.6 billion will be provided, on a one-off basis, for key government projects and reducing the repair debt.

In addition, the Government is committed to carrying out savings and structural reforms necessary to cover Finland's EUR 10 billion sustainability gap.

The aim of the Government's housing policy is to ensure a socially and regionally balanced and stable housing market, to eliminate homelessness and to improve the quality of housing.

In order for housing to be available at reasonable cost, the Government needs to ensure sufficient social housing production. In 2015, approximately 8,500 units were built and approximately 2,900 units were renovated with state interest subsidies. Currently, the Government is trying to find solutions to increase the production with a special focus on growth centres with high demand for housing. Loans and interest

subsidies will be channelled to the Helsinki metropolitan area, major growth centres and other regions with high demand for housing.

The Role of Municipalities

The Local Government Act and other legislation give the municipalities broad powers and responsibilities. The municipalities have long held primary responsibility for the provision of education and healthcare. In recent years, central government has increased the responsibilities of the municipalities, and the state grants and subsidies cover some 19 per cent. of the local government total expenditure.

The municipal sector is also an important provider of public transport, telecommunications, power, water and sewerage. Many of these functions are carried out through corporations and companies owned or controlled by municipalities and through municipal federations such as hospitals and educational institutions.

In addition to the provision of utilities and services, municipalities have important regulatory functions. They have a monopoly over building permissions, which give municipalities effective control over town and land-use planning. They are also direct owners of a large number of public buildings and public service institutions.

Apart from administrative buildings, municipalities own premises devoted to art and culture, sports facilities, schools, hospitals, medical centres, homes for the aged and day-care centres.

Municipalities own industrial and commercial premises, which are leased to the private sector and municipality-owned property companies own most social rental housing units.

Municipal Expenditure and Revenues

Individual municipalities have considerable freedom over their expenditure. In 2015, the estimated spending by the municipality sector on education and culture was Euro 12.0 billion and Euro 21.6 billion on health care and social welfare.

The Local Government Act obliges the municipalities to ensure sufficient revenues to cover their expenditure and, to this end, municipalities have a constitutional right to levy taxes on the income of the residents and the real estate owners within their areas. The municipalities decide on the tax rates on an annual basis. In addition, they receive an annual share of the revenues from corporate taxes collected by the state. An average Finnish municipality funds approximately half of its activities by its own tax revenues. The proportion varies, however, between 75 and 18 per cent. In 2015, the municipalities raised approximately Euro 21.8 billion from taxation.

Municipal income tax is levied at flat rates on the earned income of individuals. For 2016, the average tax rate is approximately 19.87 per cent., ranging from 22.50 to 16.50 per cent. of taxable income. Each municipality decides independently on its income tax rate; no upper limit is set. Municipal tax on real property is levied on real estate situated in Finland. The revenue is received by the municipality in which the property is situated. The average real estate rate based on the assessable value of the property is approximately 1.00 per cent. Municipalities receive presently a 30.92 per cent. share of corporation tax. A municipality's share is assessed by the taxable income of companies within the municipality's area. Municipalities also derive income from fees and charges. In 2015, the municipal sector's income from all different types of operations was approximately Euro 10.5 billion. Fees are earned, for example from health and social services and local government businesses such as water supplies, ports, public transport and sewerage.

According to the new Local Government Act, a municipal deficit has to be covered within a timeframe of four years after the financial statement has been authorized (starting from 2015). A municipality has to decide on detailed measures to cover the deficit. According to the new act also a municipal federation is required to cover a deficit. According to Finnish law a municipality (or a municipal federation) cannot be declared bankrupt.

In accordance with the Local Government Act, municipal companies that are active competitively in the markets had to be incorporated until the end of 2014. This applied mainly to energy and harbour companies. Since 1 January 2015 the income of these companies is no longer included in the accounts of

municipalities or municipal federations. These said incorporations have had no effect on the accounts of municipal groups.

Municipalities also receive grants from the central Government. Grants are typically given for the provision of social welfare, educational and healthcare services. In 2015, the municipal sector estimates to have received Euro 8.2 billion in grants from the central Government.

According to Association of Finnish Local and Regional Authorities, in 2016, taxes are expected to comprise 47 per cent. of the total revenues of municipalities and joint authorities, grants will comprise 19 per cent. and sales of goods and services will comprise 23 per cent. Other sources of income include rental income, interest income and income from municipally owned corporations.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Finland or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries, in particular if they may be classified as financial institutions under the FATCA rules. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Republic of Finland

The following summary outlines Finnish tax consequences to holders of Notes who are not residents of Finland for tax purposes and who are not engaged in business in Finland for Finnish tax purposes through a permanent place of business in Finland or otherwise and Notes are not connected to taxable presence in Finland. Purchasers are urged to consult their professional advisers as to the tax consequences of holding or transferring Notes.

Under Finnish tax legislation, acquiring, holding and disposing of Notes will be exempt from all taxes, duties, fees and imposts of whatever nature, imposed or levied by or within the Republic of Finland or by any province, municipality or other political sub-division or taxing authority thereof and therein.

The issuance of Notes is not subject to tax in Finland. Finland will not levy withholding tax on the payments of interest, principal and/or other amounts under the Notes. This applies notwithstanding the clauses in tax treaties between Finland and other countries to the extent Finland is granted a right to tax payments relating to instruments such as the Notes.

The above holders of the Notes are not liable to pay Finnish capital gains tax on Notes and transfer of Notes is not subject to Finnish transfer tax.

Transfer of Notes by a non-resident by way of a gift or by reason of the death of the owner as a result of statutory inheritance or by a will is not subject to Finnish gift or inheritance tax on condition that the beneficiary of the gift, inheritance or a will is not a Finnish resident.

United States Federal Income Taxation

The following is a description of certain material U.S. federal income tax consequences of the acquisition, ownership, retirement or other taxable disposition of Notes by a U.S. Holder (as defined below). The discussion addresses only U.S. Holders who purchase Notes in the original offering at the original offering price, hold the Notes as capital assets for U.S. federal income tax purposes and, except as set forth below, does not address aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organisations;
- persons that will own Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- certain former citizens or long-term residents of the United States;

- holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax, the Medicare tax on net investment income, or the alternative minimum tax consequences of the acquisition, ownership, retirement or other taxable disposition of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of this offering. Each prospective purchaser should consult its tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This description is based on the Internal Revenue Code of 1986 as amended (the "**Code**"), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of Notes who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or a trust (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of the entity and a partner in such entity generally will depend on the status of the partner and the activities of the entity. Such partner or entity should consult its own tax adviser as to the U.S. federal income tax consequences of holding Notes.

The U.S. federal income tax consequences to a U.S. Holder will depend on the specific terms and conditions applicable to the relevant Tranche of Notes and its Final Terms. If necessary, additional U.S. federal income tax consequences relevant to a particular Tranche of Notes may be set forth in the applicable Final Terms or Drawdown Offering Circular. The following is a general description of certain U.S. federal income tax consequences that may be relevant to the Notes and each U.S. Holder should consult its own tax advisor with respect to the relevant Final Terms or Drawdown Offering Circular for a specific Tranche of Notes.

Payments of Stated Interest

Payments on the Notes, including any additional amounts with respect thereto as described under "*Terms and Conditions of the Notes — Taxation*", generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with the U.S. Holder's method of tax accounting for United States federal income tax purposes.

In addition to interest on Notes, a U.S. Holder will be required to include in income the amount of any foreign tax withheld from the interest payments received by such holder. Thus, a U.S. Holder could be required to report income in an amount greater than the cash the holder actually receives in respect of payments on Notes. A U.S. Holder may be entitled to deduct or credit this tax, subject to certain limitations (including that by electing to deduct or credit a particular foreign tax, such election will apply to all of such holder's applicable foreign taxes for a particular tax year).

Interest income (as discussed below) will constitute foreign source "passive category" income, or, in the case of certain U.S. Holders, "general category" income for foreign tax credit purposes. The rules relating to foreign tax credits and the timing thereof are complex and a U.S. Holder should consult its own tax

adviser regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Sale, Exchange, Retirement or Other Taxable Disposition

Upon the sale, exchange, retirement or other taxable disposition of Notes, U.S. Holders will recognise taxable gain or loss equal to the difference, if any, between the amount realised on the sale, exchange, retirement or other taxable disposition, other than amounts attributable to accrued but unpaid interest which will be taxable as interest to the extent not previously included in income, and the U.S. Holder's adjusted tax basis in the Notes. A U.S. Holder's adjusted basis in a Note generally will be the amount paid for the Note reduced by any payments other than payments of interest.

Any gain or loss realised on the sale, exchange, retirement or other taxable disposition of Notes generally will be treated as U.S. source gain or loss, as the case may be. Consequently, U.S. Holders may not be able to claim a credit for any non-U.S. tax imposed upon a taxable disposition of Notes unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from non-U.S. sources. The deductibility of capital losses is subject to limitations.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain U.S. Holders or their U.S. paying agents or other intermediaries. Information reporting generally will apply to payments of principal of, and interest on, Notes, and to proceeds from the sale or redemption of Notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient, including a corporation, and certain other persons). The payor will be required to backup withhold on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a U.S. Holder (other than an exempt recipient) if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. U.S. Holders generally will be entitled to credit any amounts withheld under the backup withholding rules against their U.S. federal income tax liability provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

Foreign Asset Reporting

Certain U.S. Holders who are individuals, and in certain circumstances, entities, are required to report information relating to an interest in Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisers regarding their information reporting obligations, if any, with respect to their ownership and disposition of Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. Financial institution may be, or be deemed to be "established" in a participating Member

State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Commerzbank Aktiengesellschaft, Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Nomura International plc, Nordea Bank Danmark A/S, RBC Europe Limited, SMBC Nikko Capital Markets Limited and The Royal Bank of Scotland plc (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, the Dealers are set out in an amended and restated dealer agreement dated 11 May 2016 (the "**Dealer Agreement**" which expression shall include any further amendments or supplements thereto), and made between the Issuer, the Guarantor, and the Dealers. Any such agreement will *inter alia* make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers. The Issuer may sell Notes from time to time to persons or institutions who are not Dealers.

The United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to or for the account or benefit of U.S. persons as defined in Regulation S except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**D Rules**") unless the relevant Final Terms specifies that Bearer Notes will be issued in accordance with the provisions of the United States Treasury § 1.163-5(c)(2)(i)(C) (the "**C Rules**").

Each Dealer has agreed or will agree that, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it has not offered and sold, and will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until forty days after the later of the date of issue of the relevant Notes and of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or in the case of a sale of a Tranche of Notes to or through more than one Dealer by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until forty days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by a Dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

Each purchaser of a Note, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Joint Lead Managers as follows:

It understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law, and that the Notes are being offered for sale in transactions not requiring

registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and Regulation S and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or pursuant to a transaction not subject thereto.

It is either (i) (A) a QIB who is also a QP; (B) it is not a broker-dealer who own and invest on a discretionary basis less than US\$25 million in securities of unaffiliated issuers; (C) it is not a participant-directed employee plan, such as a 401(k) plan; (D) it is acting for its own account, or the account of one or more QIBs each of which is a QP; (E) it is not formed for the purpose of investing in the Notes or the Issuer; (F) it will, and each account for which it is purchasing will hold and transfer at least US\$ 200,000 in principal amount of Notes at any time; (G) it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) it will provide notice of the transfer restrictions set forth in the Offering Circular to any subsequent transferees, or (ii) it is purchasing the Notes in an offshore transaction (as defined in Regulation S) in accordance with Regulation S.

It is purchasing the Notes for its own account or for the account of investors meeting the requirements of paragraph (b) above for which it is acting as a fiduciary or agent and with respect to which it has the authority to make these acknowledgements, representations and agreements, in each case not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act.

If it is a QIB that is also a QP purchasing the Notes pursuant to Rule 144A, it will not offer, sell, pledge or otherwise transfer the Notes except (i) (A) to the Issuer, (B) to a person whom the purchaser reasonably believes is a QIB that is also a QP in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (D) in a transaction that is otherwise exempt from the registration requirements of the Securities Act but only upon delivery to the Issuer of an opinion of counsel in form and scope satisfactory to the Issuer and (ii) in accordance with all applicable securities laws of the States of the United States.

It acknowledges that certificates in respect of Notes purchased pursuant to Rule 144A, unless otherwise agreed by the Issuer, will bear a legend to the following effect:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO MUNICIPALITY FINANCE PLC; (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ALSO A QUALIFIED PURCHASER AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940 (A "QP") THAT (A) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (B) IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, (C) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OF THIS NOTE, (D) IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN US\$200,000, (E) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (F) WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE; (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), OR (4) IN A TRANSACTION THAT IS OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT BUT ONLY UPON DELIVERY TO MUNICIPALITY FINANCE PLC OF AN OPINION OF COUNSEL IN FORM AND SCOPE SATISFACTORY TO MUNICIPALITY FINANCE PLC; IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY

INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT UNDER THE TRUST DEED TO COMPEL ANY BENEFICIAL OWNER THAT IS A US PERSON AND IS NOT A QIB THAT IS ALSO A QP TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH BENEFICIAL OWNER.

THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A US PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, BUT RATHER INTENDS TO RELY ON AN EXEMPTION FROM REGISTRATION THEREUNDER WHICH LIMITS THE TYPE OF INVESTORS THAT MAY BE PERMITTED TO PURCHASE AN INTEREST IN THIS NOTE TO THOSE WHO ARE "QUALIFIED PURCHASERS" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT.

It acknowledges that certificates in respect of Notes purchased pursuant to Regulation S, unless otherwise agreed by the Issuer, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

Each purchaser further acknowledges that the Joint Lead Managers and their affiliates and otherwise will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Global Certificates for the account of one or more QIBs that are also QPs, the purchaser thereof represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) **No deposit taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The Kingdom of Norway

Notes denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway unless, the regulation relating to the offer of VPS Notes (as defined below) and the registration in the VPS (as defined below) of VPS Notes has been complied with.

"**VPS Notes**" means Notes cleared through the Norwegian Central Securities Depository, the Verdipapirsentralen (the "**VPS**") with legal title thereto being evidence by book entries in the VPS.

Canada

The Notes have not been and will not be qualified by a prospectus filed under Canadian securities legislation. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and

agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 276 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - 1. to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) of the SFA or Section 276(4)(i)(B) of the SFA;
 - 2. where no consideration is or will be given for the transfer;
 - 3. where the transfer is by operation of law;
 - 4. as specified in Section 276(7) of the SFA; or
 - 5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Offering Circular or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Offering Circular or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or

change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Offering Circular.

NOTICE TO PURCHASERS AND HOLDERS OF RESTRICTED NOTES AND TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Rule 144A Notes

Each purchaser of a beneficial ownership interest in Rule 144A Notes, by accepting delivery of this Offering Circular and the Rule 144A Notes, will be deemed to have represented, agreed and acknowledged that:

1. it is (a) QIB that is also a QP, (b) not a broker-dealer which owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acting for its own account, or for the account of a QIB that is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A;
2. it will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than US\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees; in addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book entry depositories;
3. it understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it or any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP, or (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any state or another jurisdiction of the United States;
4. it understands that the Issuer has the power to compel any beneficial owner of Rule 144A Notes that is a US person and is not a QIB that is also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honor the transfer of an interest in the Rule 144A Notes to a US person who is not a QIB that is also a QP;
5. it understands that the Rule 144A Notes will bear a legend to the following effect:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO MUNICIPALITY FINANCE PLC; (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940 (A "**QP**") THAT (A) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (B) IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, (C) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OF THIS NOTE, (D) IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN US\$200,000, (E) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (F) WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE; (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE

903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), OR (4) IN A TRANSACTION THAT IS OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT BUT ONLY UPON DELIVERY TO MUNICIPALITY FINANCE PLC OF AN OPINION OF COUNSEL IN FORM AND SCOPE SATISFACTORY TO MUNICIPALITY FINANCE PLC; IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT UNDER THE TRUST DEED TO COMPEL ANY BENEFICIAL OWNER THAT IS A US PERSON AND IS NOT A QIB THAT IS ALSO A QP TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH BENEFICIAL OWNER.

THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A US PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, BUT RATHER INTENDS TO RELY ON AN EXEMPTION FROM REGISTRATION THEREUNDER WHICH LIMITS THE TYPE OF INVESTORS THAT MAY BE PERMITTED TO PURCHASE AN INTEREST IN THIS NOTE TO THOSE WHO ARE "**QUALIFIED PURCHASERS**" AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT.

6. it acknowledges that the Issuer, the Guarantor, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantor, and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account;
7. it understands that the Rule 144A Notes will be evidenced by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with the foregoing acknowledgements, representations and agreements and applicable securities laws; and
8. it is relying on the information contained in this Offering Circular in making its investment decision with respect to the Rule 144A Notes. It acknowledges that none of the Issuer, the Guarantor or the Dealers has made any representation to it with respect to the Issuer or the Guarantor or the offering or sale of the Rule 144A Notes, other than the information contained in this Offering Circular which has been delivered to it and upon which it is relying in making its investment decision with respect to the Rule 144A Notes. It has had access to such financial and other information concerning the Issuer and the Guarantor and the Rule 144A Notes as it has deemed necessary in connection with its decision to purchase the Rule 144A Notes, including an opportunity to ask questions of and request information from the Issuer, the Guarantor and the Dealers.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of a beneficial interest in the Regulation S Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Regulation S Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. it is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a US person and it is not acting for the account or benefit of a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, the Guarantor or a person acting on behalf of such an affiliate;
2. it understands that such Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Regulation S Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it or any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
3. it understands that the Regulation S Notes will bear a legend to the following effect:

THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE OF THE OFFERING, EXCEPT IN EITHER CASE IN ACCORDANCE WITH (A) REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A US PERSON OR (B) RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) THAT IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE US INVESTMENT COMPANY ACT OF 1940). TERMS USED ABOVE WHICH ARE NOT OTHERWISE DEFINED HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.
4. the Issuer, the Guarantor, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and
5. it understands that the Regulation S Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in a Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

GENERAL INFORMATION

1. The Board of Directors of the Issuer has authorised the Managing Director or the Deputy Managing Director to agree on and sign all Programme documents, Offering Circular and listing documents.

The Managing Director or the Deputy Managing Director of the Guarantor was authorised by the Board of Directors of the Guarantor on 17 March 2016 to sign all Programme documents related to the 2016 update.

2. There are no, nor have there been any, governmental, legal or arbitration proceedings involving the Issuer, the Group or the Guarantor or any of their respective assets or revenues, nor is the Issuer or the Guarantor aware of any such pending or threatened proceedings, which may have or have had during the twelve months prior to the date of this Offering Circular a significant effect on the Issuer's, the Group's, or the Guarantor's financial position or profitability.
3. Since 31 December 2015, which is the date of the latest available audited annual financial statements in relation to the Issuer and the Guarantor, there has been no material adverse change in the financial position or prospects of the Issuer, the Group or the Guarantor and there has been no significant change in the financial or trading position of the Guarantor.
4. Since 31 December 2015 there has been no significant change in the financial or trading position of the Issuer or the Group.
5. The financial statements of the Issuer and the Guarantor for the years ending 31 December 2014 and 31 December 2015 have been audited without qualification by audit firm KPMG Oy Ab.

The Issuer and the Guarantor have elected KPMG Oy Ab again as auditor also for the financial year ending 31 December 2016. KPMG Oy Ab is supervised by the Auditing Board of the General Chamber of Commerce of Finland.

6. For the life of the Programme, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent and the head office of the Issuer, currently at P.O. Box 744 (Jaakonkatu 3A, 5th floor) FI-00101 Helsinki, namely:
 - (a) the Certificate of Registration and Articles of Association of the Issuer and the Act on the Guarantor and the Standing Orders of the Guarantor;
 - (b) the Fiscal Agency Agreement;
 - (c) the Guarantee;
 - (d) the Deed of Covenant;
 - (e) the Collateral Agreement (as defined below);
 - (f) the Programme Manual;
 - (g) the audited annual financial statements of the Issuer and the Guarantor for the two years preceding the date of this Offering Circular;
 - (h) the current Offering Circular in relation to the Programme, together with any amendments or supplements thereto and any document incorporated therein by reference;
 - (i) any Final Terms; and
 - (j) any VPS Trustee Agreement, if signed during the twelve months from the date of this Offering Circular.

The English translations are direct and accurate. In the case of any discrepancy, inconsistency or ambiguity between a foreign language document and its English translation the original foreign language document will prevail.

In the case of a Series of Notes in relation to which application has not been made for admission to the Official List of the FCA or for listing with another authority or for listing on any other listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder in respect of, such Notes and available for viewing at www.rns-pdf.londonstockexchange.com.

7. The Notes may be accepted for clearance through Euroclear and Clearstream, Luxembourg, DTC, VPS and any other relevant clearing system, as the case may be. The appropriate Common Code and International Securities Identification Number will be contained in the Final Terms relating thereto.
8. In accordance with Finnish statutory regulations governing the giving of guarantees by the Guarantor in respect of debt obligations of the Issuer, it is a pre-condition to the issuance of any such guarantee that sufficient counter-collateral is provided by the Issuer to the Guarantor with respect to any such obligations. For this purpose, the Issuer and the Guarantor have entered into a Collateral Agreement dated 11 May 2016, as amended and supplemented from time to time (the "**Collateral Agreement**"). Pursuant to the Collateral Agreement, and in order to comply with the requirements of the Municipal Guarantee Board for the giving of guarantees, all net issue proceeds in respect of any Series of Notes and denominated in any of the currencies specified below will, unless otherwise agreed between the Issuer and the Guarantor, be paid directly to the following accounts as appropriate for the currency of such issue proceeds:

| Currency | Account Details |
|----------------------------|------------------------|
| Australian Dollars..... | 10134090 |
| Canadian Dollars..... | 10138029 |
| Euro..... | 8625468 |
| Hong Kong Dollars..... | 10861715 |
| Japanese Yen..... | 8625433 |
| Norwegian Kroner..... | 11531727 |
| Pounds Sterling..... | 10137405 |
| Swedish Kronor..... | 10137413 |
| United States Dollars..... | 10135852 |
| Swiss Francs..... | 10130915 |
| New Zealand Dollars..... | 11531158 |
| Mexican Peso..... | 11369369 |
| South African Rand..... | 11383035 |
| Romanian Leu..... | 11393081 |
| Polish Zlot..... | 11907379 |
| Turkish Lira..... | 12016370 |
| Hungarian Forint..... | 11997238 |
| Singapore Dollar..... | 12567946 |
| Danish Krona..... | 12033755 |

Accounts of the Guarantor are with Citibank, N.A., London Branch, the Fiscal Agent.

For any Series of Notes denominated in any other currency, alternative arrangements must be made.

9. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
- The Issuer does not intend to provide any post-issuance information in relation to any Notes unless specified in the Final Terms.
10. Settlement arrangements will be agreed between the Issuer, the Guarantor, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Series.

11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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| | | | |
|--------------------------------|--------|---|--------------|
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| € | 4 | euro | 4 |
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