

MUNICIPALITY FINANCE PLC

Corporate Governance Statement

2018

7 March 2019

A. Introduction

This statement on MuniFin's (hereinafter "MuniFin" or "the Company") Corporate Governance in 2018 is in compliance with Chapter 7, Section 7 of the Securities Markets Act (746/2012). This statement is provided here as a comprehensive description of MuniFin's Corporate Governance, separate from the Report of the Board of Directors.

According to Chapter 7, Section 7, of the Act on Credit Institutions (610/2014), a credit institution shall keep an account of how it complies with the provisions of Chapter 7, Sections 1–5 of this Act available on its website. The following describes compliance with the said provisions with regard to MuniFin.

The operations of MuniFin are governed by legislation on credit institutions (the Finnish Act on Credit Institutions, 610/2014, and the EU Capital Requirements Regulation, EU 575/2013, are centrally important) and related supervisory guidelines that include a substantial number of requirements for corporate governance that MuniFin complies with in its operations. The most significant supervisory guidelines with a bearing on the Company's governance and this report are the European Banking Authority's Guidelines on Internal Governance as well as Guidelines on the disclosure requirements of Part Eight of Regulation (EU) No. 575/2013. These are available from www.eba.europa.eu.

In addition to these MuniFin's governance structure follows, partially, the Finnish Corporate Governance Code for listed companies published by the Finnish Securities Market Association. As MuniFin is solely an issuer of listed bonds and its shares are not subject to public trading, applying the Finnish Corporate Governance Code for listed companies in its entirety is not appropriate. Bonds issued by the Company are listed in the exchanges in London, Helsinki, Dublin, Switzerland and Taipei. The Finnish Corporate Governance Code for listed companies is available at www.cgfinland.fi. In addition to this document, descriptions related to MuniFin's administration and management are available at the Company's website.

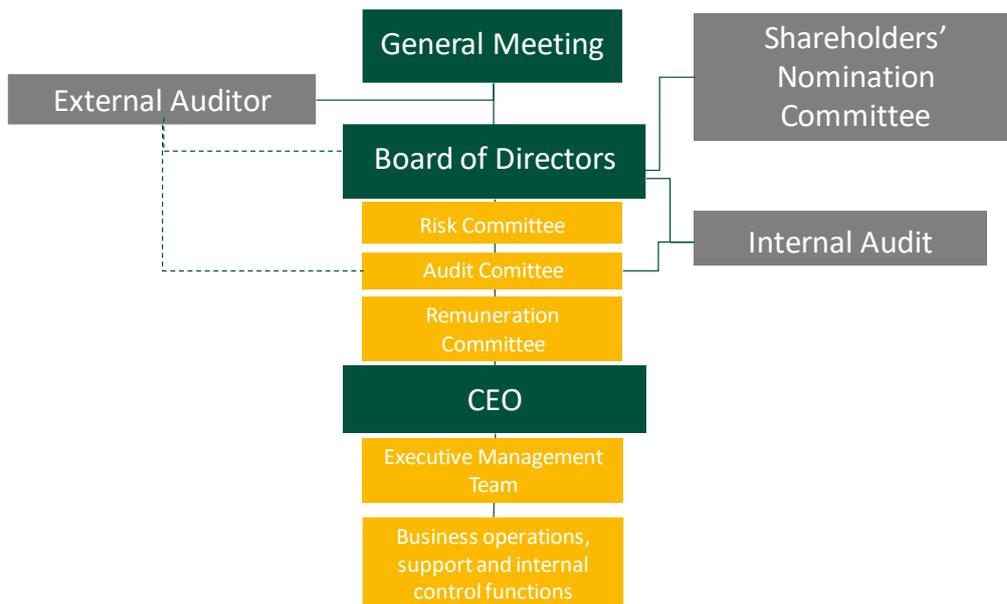
The Board of Directors of MuniFin reviewed this statement at its meeting on 13 February 2019. This statement and the Company's Annual Report for 2018, including the financial statements, Report of the Board of Directors and Auditor's Report, are available on the Company's Internet site. The auditor has reviewed this statement and has not noted any discrepancies between the statement and the financial statements.

B. Corporate governance

The Company has a strategy approved by the Board of Directors according to which the Company's business operations, risk management and corporate governance are managed. The Company also has operating policies approved by the Board of Directors which function as key principles for the Company's risk management and internal control. The Company also has a considerable amount of other internal operational guidelines in support of the arrangement of governance and risk management.

The previously mentioned operating policies approved by the Board of Directors include the Corporate Governance Policy of MuniFin, which is updated regularly. The most recent update to this policy was made in April 2018. The Corporate Governance Policy and the Responsibility Policy ratified by the Board of Directors also contain principles on the management of conflicts of interest.

The following chart is a general illustration of the administrative structure of MuniFin. Solid arrows indicate formal reporting responsibility while dotted arrows indicate agreed additional/parallel reporting methods.



1. General Meeting

The Finnish Limited Liability Companies Act (624/2006) and the Articles of Association of MuniFin define issues concerned in the Annual General Meeting. All shareholders have the right to attend the General Meeting and exercise their right of speech and vote with the shares in their ownership, each share entitling the owner to one vote.

The Annual General Meeting must be held annually before the end of April on a date set by the Board of Directors. In 2018 the Annual General Meeting was held on 28 March 2018. At the Annual General Meeting, there were 36 participants representing 29,629,785 shares and votes, which corresponds to 75.85 per cent of the total number of shares and votes.

2. Shareholders' Nomination Committee

MuniFin has a Shareholders' Nomination Committee established by the General Meeting, which is charged with making a proposal to the Annual General Meeting on the number of members of the Board of Directors, candidates for election to the Board of Directors and their remuneration. In addition, the Nomination Committee makes a proposal on the election of the Chairman and Vice

Chairman of the Board of Directors. The proposal is made to the Board of Directors elected at the Annual General Meeting.

In this work, the Nomination Committee shall, in accordance with its mandate, take into account the requirements set in the regulation for the governance of a credit institution, including competence, experience and other suitability related requirements for members of the Board of Directors, the nature of the Company's business operations and its ownership structure. The Shareholders' Nomination Committee has confirmed its rules of procedure which includes more detailed descriptions of the principles that will be followed in order to comply with the objectives and tasks set by legislation and the General Meeting for the Shareholders' Nomination Committee.

According to the decision of the General Meeting, the Shareholders' Nomination Committee is comprised of four members. The Company's three largest shareholders each nominate one member and the Association of Finnish Local and Regional Authorities nominates one member. The three largest shareholders are Keva, the Republic of Finland and the City of Helsinki.

The members of the Shareholders' Nomination Committee at the end of the 2018 financial year were:

- Timo Kietäväinen (Managing Director, Keva), Chairman
- Timo Leivo (Director of Finance and Administration, Association of Finnish Local and Regional Authorities)
- Sami Sarvilinna (City Manager, City of Helsinki)
- Helena Säteri (Director General, Ministry of the Environment)

The Shareholders' Nomination Committee convened for the 2018 Annual General Meeting and made the required proposals to the Annual General Meeting. The Annual General Meeting approved the proposals as submitted. The proposals made to the 2019 Annual General Meeting and the Board of Directors to be elected at the meeting will be published as an appendix to the invitation to the 2019 Annual General Meeting and made available on the Company's website.

The members of the Shareholders' Nomination Committee are paid no remuneration.

3. The Board of Directors

3.1. Duties of the Board of Directors

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

The external and internal audit report to the Audit Committee and the Board of Directors, which ensures that the Board of Directors receives independent information on the status of the Company. The Board confirms the Company's values and ethical operating principles and other key policies that guide operations. The Board of Directors is responsible for the appointment and termination of employment of the CEO and Deputy to the CEO and decides on their remuneration and benefits. In addition, the Board of Directors approves the appointment and remuneration and benefits of persons reporting to the CEO. The Board of Directors decides on the principles of the remuneration system for the whole Company.

In the 2018 financial year, the Board of Directors has discharged its duties as set out in legislation and the Company's risk management principles. In addition, the Board of Directors updated the Company's strategy, paying particular attention to the development required due to digitalisation. The Board of Directors has actively followed the social and healthcare and regional government reform and its potential impacts on the Company's customer base. Also the UK leaving the EU and its impacts have been followed carefully by the Board of Directors. MuniFin is actively modernising its information systems. Due to the scope of the projects, they were also reviewed in detail by the Board of Directors and its Audit Committee. In relation to IFRS 9, which came into force as from the beginning of 2018, the Board of Directors and its committees have actively followed related accounting and development measures. In 2018, the Board of Directors decided to develop its internal audit operations by transferring this function from an outsourced function to an internal function headed up by the Senior Vice President responsible for internal auditing.

3.2. Composition of the Board of Directors and the term of office

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

The Board of Directors will propose to the 2019 Annual General Meeting that the Articles of Association be amended such that the maximum number of Board members would be nine. This number of members would ensure better continuity of Board activities.

Each year, the Shareholders' Nomination Committee prepares a proposal to the Annual General Meeting concerning the composition of the Board of Directors.

The Board of Directors shall always operate independently, taking into account the interests of the Company and all shareholders.

The Board will elect from among its members a Chairman and a Vice Chairman, whose term of office will last until the conclusion of the Annual General Meeting following their election. The Shareholders' Nomination Committee will make a proposal to the Board, elected by the Annual General Meeting, on the Chairman and the Vice Chairman to be elected.

There is no rotation system for retiring members of the Board of Directors and a member for a previous term can be re-elected. A new Board member can be elected at the Annual General Meeting or at an

extraordinary meeting of shareholders to take, for the remainder of the term of office, the place of a member who has resigned or become permanently incapable of performing the duties of a board member. However, in preparing their proposal for the composition of the Board of Directors, the Shareholders' Nomination Committee strives to take into account the requirements with regard to rotation of the Board members.

3.3. Suitability of Board members and diversity of the Board of Directors

With regard to the members of the Board of Directors, each person's integrity and competence is always assessed before the person is finally selected or before they take up their duties, as separately prescribed in the applicable legislation and guidelines issued by authorities.

The composition of the Board of Directors is planned with a long-term view. Members of the Board must also have specific familiarity with the activities of a credit institution as well as the statutory requirements and risks concerning credit institutions. When planning its proposal for the composition of the Board of Directors, the Shareholders' Nomination Committee shall also take into account professional competence and the independency requirements of the Board and the person's ability to use enough time to fulfil their duties.

No maximum age limit has been set for Board members and the Company has not set targets for the age distribution of the Board.

Effective Board work requires that a diverse range of expertise, knowledge and experience is represented on the Board of Directors. The Annual General Meeting, held on 23 March 2011, decided on permanent establishment of the Shareholders' Nomination Committee and defined that the proposal for the composition of the Board of Directors shall take into account understanding on operational environment, capital markets, financing related risks, customers and owners and general operational experience on corporate governance.

Regulations in force set requirements for the diversity of the composition of the Board of Directors and for disclosing potential targets, if any, related to diversity. The referred decision of the General Meeting concerning elements to be taken into account in relation to the composition of the Board of Directors does not include more detailed targets. The Shareholders' Nomination Committee shall consider, based on these elements and regulations in force, more detailed knowledge areas, which needs to be taken into account in the Composition of the Board of Directors. These more detailed elements to be considered are e.g. knowledge of Finnish municipal and public sector, social housing, credit granting, various financial instruments, accounting and international accounting standards, banking regulation and internal controls and external audit. Due to the number and complexity of different factors, and the limited number of Board members, the Shareholders' Nomination Committee and the Board of Directors have not set exact targets for these subareas with respect to the composition of the Board, but instead assess Board composition as a whole with respect to these issues.

A target is to have a composition, which serves the best MuniFin's business taking into account its special features and changes in the business environment. Both the Shareholders' Nomination

Committee and the Board of Directors have assessed that the composition of the Board of Directors meets these requirements well.

The Company has not set objectives for geographical representation on the Board of Directors, but the Nomination Committee has deemed it important, in view of the Company's business model, for the members of the Board of Directors to be familiar with Finnish society and public sector activities, even if they have not worked professionally in that sector.

With respect to independence, the Board of Directors has specified as part of the Corporate Governance Policy that a majority of Board members must be independent of the Company and its largest (more than 10%) owners. The composition of the Board of Directors in the 2018 term fulfils this requirement. Independence is evaluated based on the European Banking Authority guidelines and the Finnish Corporate Governance Code.

The composition of the Board of Directors also takes into account equal representation of both genders. The Shareholders' Nomination Committee has set a target according to which representatives of both genders shall be minimum 40%. This corresponds to the Act on Equality in force and the composition of the Company's Board of Directors in 2018 complies with the target, as representation of both genders is 50%. If the 2019 Annual General Meeting approves the proposal of the Shareholders' Nomination Committee for the composition of the Board of Directors in the 2019-2020 term, the situation will change such 66.7% of Board members will be female and 33.3% male. The Committee has considered this acceptable as the composition of the Board of Directors generally changes to some extent each year and for this reason there may be differences between individual years and targets that will even out over the long term.

The executive management together with the Chairman of the Board see to it that new Board members are sufficiently briefed on the requirements of being a Board member, the Company's business operations and the risks involved in its operations. In addition, the Board of Directors confirms a training plan for itself each year to ensure that its expertise develops as required to address changes in the business environment and the development of the Company's business operations.

3.4. Composition of the Board of Directors at the end of the 2018 financial year

In accordance with the proposal of the Shareholders' Nomination Committee, the 2018 Annual General Meeting elected the persons listed below to the Board of Directors for the 2018–2019 term (from the end of the AGM to the end of the next AGM).

The table below includes information based on the Directive 2013/36/EU ("CRD") Article 91 and the Finnish Act on Credit Institutions Section 7, Paragraph 5 on number of directorships regarding the members of the Board of Directors. According to this regulation a Board member or the CEO with a full-time service or employment contract with a significant credit institution may hold a maximum of two other types of Board memberships and a Board member in other than full-time employment or service position a maximum of four Board memberships. MuniFin Board membership is counted as one non-executive directorship.

The calculation does not take into account duties that involve entities that do not pursue commercial objectives (non-commercial entities). Additionally, directorships within the same group shall count as a single directorship (see detailed information under CRD Article 91). Members of the Board of Directors met these requirements in 2018.

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| <i>Name</i> | Helena Walldén , Chairperson |
| <i>Year of birth</i> | 1953 |
| <i>On the Board of Directors since</i> | 2016, also Chair of the Board since 2016 |
| <i>Education</i> | M.Sc. (Eng) |
| <i>Primary occupation</i> | Board professional |
| <i>Previous key work history and positions of trust</i> | Long and diverse experience of tasks at a large banking corporation (OP Pohjola, 1976-2008, out of which 14 years in executive board and management team positions) and Board work at several companies (e.g. Fingrid Oyj, Oy Alko Ab, Apetit Oyj) prior to joining MuniFin. |
| <i>Other material positions of trust</i> | No other positions |
| <i>Number of directorships as defined by the CRD</i> | 1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company and its significant shareholders |

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| <i>Name</i> | Fredrik Forssell |
| <i>Year of birth</i> | 1968 |
| <i>On the Board of Directors since</i> | 2011 |
| <i>Education</i> | M.Sc. (Econ) |
| <i>Primary occupation</i> | CIO, Internal equity & FI Management, Keva |
| <i>Previous key work history and positions of trust</i> | Long and diversified experience in capital market tasks at Keva (2000-), Finland's largest occupational pension insurance company, and before that positions in the banking and investment services sector (Unibank 1997-2000, brokerage firm Erik Selin 1995-1997). |
| <i>Other material positions of trust</i> | No other positions |
| <i>Number of directorships as defined by the CRD</i> | 1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company |

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| <i>Name</i> | Minna Helppi |
| <i>Year of birth</i> | 1967 |
| <i>On the Board of Directors since</i> | 2017 |
| <i>Education</i> | MBA |
| <i>Primary occupation</i> | Senior Vice President, Group Treasurer, Metso Corporation |

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| <i>Previous key work history and positions of trust</i> | Long and diverse experience as a senior executive at listed companies and in corporate finance activities (Uponor and Andritz, 2004-2012) and before that in the banking sector (Nordea 1989-2004) in positions involving project financing, for instance. |
| <i>Other material positions of trust</i> | Rauma Oy, chair of the Board of Directors (part of Metso Group, company currently non-active, part of the primary occupation) |
| <i>Number of directorships as defined by the CRD</i> | 1 (membership of the Board of MuniFin, Board membership in another company that does not currently engage in economic activities), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company and its significant shareholders |

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| <i>Name</i> | Markku Koponen |
| <i>Year of birth</i> | 1957 |
| <i>On the Board of Directors since</i> | 2018 |
| <i>Education</i> | Master of Laws, Trained on the bench, EMBA |
| <i>Primary occupation</i> | Board professional |
| <i>Previous key work history and positions of trust</i> | Long and diverse experience of various tasks at a large banking group, particularly communications, legal affairs and banking regulation (OP Pohjola, 1985-2017 out of which over 20 years in executive board and board of directors duties). |
| <i>Other material positions of trust</i> | Kiinteistö Oy Opetustalo, vice-chair of the Board of Directors (non-commercial entity) |
| <i>Number of directorships as defined by the CRD</i> | 1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company and its significant shareholders |

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| <i>Name</i> | Jari Koskinen |
| <i>Year of birth</i> | 1960 |
| <i>On the Board of Directors since</i> | 2017 |
| <i>Education</i> | M.A. (Pol. Sci.) |
| <i>Primary occupation</i> | No primary occupation (Director General, Association of Finnish Local and Regional Authorities until the end of February 2019) |
| <i>Previous key work history and positions of trust</i> | Long experience in the Finnish Government and public sector as the Minister of Agriculture and Forestry (2011-2014, 2002-2003) and as a Member of Parliament (1996-2009). Experience of international finance at the European Bank for Reconstruction and Development (2009-2011). |
| <i>Other material positions of trust</i> | Suomen Puukerrostalot Oy (Finnish Wooden Tall Buildings), member of the Board of Directors |

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| <i>Number of directorships as defined by the CRD</i> | 2 (membership of the Board of MuniFin, membership of the Board of another company), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company and its significant shareholders |

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| <i>Name</i> | Kari Laukkanen |
| <i>Year of birth</i> | 1964 |
| <i>On the Board of Directors since</i> | 2018 |
| <i>Education</i> | M.Sc. (Econ.) |
| <i>Primary occupation</i> | Lauvest Oy, CEO, Chair of the Board of Directors (consultancy company owned by Kari Laukkanen, not a full-time position) |
| <i>Previous key work history and positions of trust</i> | Long and diverse international banking experience in various positions at a global banking group (Citigroup, 1990-2016, last 13 years Managing Director, Citi Country Officer of the Finnish branch). |
| <i>Other material positions of trust</i> | <ul style="list-style-type: none"> Bankify Oy, member of the Board of Directors Nuori Yrittäjyys ry, member of the Board of Directors (non-commercial entity) |
| <i>Number of directorships as defined by the CRD</i> | 2 (membership of the Board of MuniFin, membership of the Board in one other company), does not exceed the permitted number, no other directorships to be taken into account |
| <i>Independence</i> | Independent of the Company and its significant shareholders |

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| <i>Name</i> | Vivi Marttila |
| <i>Year of birth</i> | 1966 |
| <i>On the Board of Directors since</i> | 2016 |
| <i>Education</i> | M.Sc. (Econ), APA, CPFA |
| <i>Primary occupation</i> | Mayor of the municipality of Simo |
| <i>Previous key work history and positions of trust</i> | Long and diverse experience of auditing in the public sector and at listed companies (1990-2001 and 2011-2015) as well as a city finance director (2001-2011) |
| <i>Other material positions of trust</i> | LähiTapiola Lappi Keskinäinen Vakuutusyhtiö, member of the Board of Directors |
| <i>Number of directorships as defined by the CRD</i> | 2 (membership of the Board of MuniFin, membership of the Board of another company), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company and its significant shareholders |

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| <i>Name</i> | Tuula Saxholm, Vice-Chairperson |
| <i>Year of birth</i> | 1961 |
| <i>On the Board of Directors since</i> | 2013, Vice-Chairperson since 2018 |
| <i>Education</i> | M.Sc. (Econ) |
| <i>Primary occupation</i> | Finance Director, City of Helsinki |

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| <i>Previous key work history and positions of trust</i> | Long and diverse experience of the administration of a large city in various positions (City of Helsinki, 1991-), including a significant amount of Board experience in a variety of public sector-owned companies. |
| <i>Other material positions of trust</i> | <ul style="list-style-type: none"> • Metropolia Ammattikorkeakoulu Oy (Helsinki Metropolia University of Applied Sciences), member of the Board of Directors, (affiliated company of City of Helsinki, non-commercial entity) • Helsingin kaupungin asunnot Oy, member of the Board of Directors, (part of the primary occupation, belonging to the group of the City of Helsinki) • Helsingin Leijona Oy, member of the Board of Directors (part of the primary occupation, belonging to the group of the City of Helsinki) • Helsingin Satama Oy (Port of Helsinki), member of the Board of Directors (part of the primary occupation, belonging to the group of the City of Helsinki) • Pääkaupunkiseudun Junakalusto Oy, Chair of the Board of Directors (part of the primary occupation, belonging to the group of the City of Helsinki) • HYKSin kliiniset palvelut Oy, member of the Board of Directors • Taloushallintopalvelu-liikelaitos (Financial Administration Services), Chair of the Management Board (part of the primary occupation) |
| <i>Number of directorships as defined by the CRD</i> | 3 (membership of the Board of MuniFin, three Board memberships calculated as one due to group relationships, and one separate membership of the Board of another company), does not exceed the permitted number, no other directorships to be taken into account |
| <i>Independence</i> | Non-independent |

3.5. Changes in the composition of the Board of Directors 2018

Markku Koponen and Kari Laukkanen were elected to the Board of Directors for the first time in the 2018 Annual General Meeting. Other Board members acted in the Board of Directors also during the previous term of office (whole year of 2018). Tapani Hellstén and Teppo Koivisto were Board members until the 2018 Annual General Meeting.

3.6. Meetings of the Board of Directors

The Company's Board of Directors has confirmed its rules of procedure. The Board will convene upon the summons of the Chairman as often as Company business requires. During the 2018 financial year the Board of Directors convened 15 times. The average attendance rate of Board members at these meetings was 99%. The Board conducts an annual self-assessment of the effectiveness and quality of its work and performance of its duties.

The individual attendance rates of the Board members in the meetings for the 2018 financial year were as follows:

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| Helena Walldén | 100% |
| Fredrik Forssell | 100% |

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| Tapani Hellstén** | 100% |
| Minna Helppi | 93% |
| Teppo Koivisto** | 100% |
| Markku Koponen* | 100% |
| Jari Koskinen | 100% |
| Kari Laukkanen* | 100% |
| Vivi Marttila | 100% |
| Tuula Saxholm | 100% |

*Member from 28 March 2018, and the attendance rate has been calculated for the meetings after that date

**Board member until 28 March 2018, and the attendance rate has been calculated for the meetings before that date

The CEO and Secretary of the Board of Directors participated regularly in meetings of the Board of Directors.

3.7. Composition of the Board of Directors for the term 2019 - 2020

The Shareholders' Nomination Committee has made a proposal for the composition of the Board of Directors for the term that starts at the end of the 2019 Annual General meeting and ends at the conclusion of the Annual General Meeting following the election (2020). The proposal is attached to the invitation to the Annual General Meeting, published on 7 March 2019.

The Shareholders' Nomination Committee will propose a total of nine (9) members to be elected to the Board of Directors, provided that before this the General Meeting approves the amendment of the Articles of Association to the effect that the maximum number of Board members is nine (9). Fredrik Forssell, a current member of the Board of Directors, is not available to the Board of Directors for the next term. The Shareholders' Nomination Committee proposes current members Minna Helppi, Markku Koponen, Jari Koskinen, Kari Laukkanen, Vivi Marttila, Tuula Saxholm and Helena Walldén being re-elected and new members Maaria Eriksson and Raija-Leena Hankonen to be elected for the period starting at the end of the Annual General Meeting.

Background information on the proposed new members (information on key positions of trust as at February 2019):

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| <i>Name</i> | Maaria Eriksson |
| <i>Year of birth</i> | 1967 |
| <i>On the Board of Directors since</i> | Proposed to be elected to the Board of Directors at the Annual General meeting in spring 2019 |
| <i>Education</i> | M.Sc. (Econ), CEFA |
| <i>Primary occupation</i> | Deputy CIO, Head of External Fixed Income, Keva |
| <i>Previous key work history and positions of trust</i> | Long and diverse experience in capital market tasks at Keva, Finland's largest occupational pension insurance company (since 1998) and before that as portfolio manager and economist in the banking sector (Merita 1996-1998) and as an economist at the Bank of Finland (1994-1996). |
| <i>Other material positions of trust</i> | <ul style="list-style-type: none"> Member of the Advisory Committee for Investments of the University of Oulu (non-commercial) |

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| | <ul style="list-style-type: none"> Kannelmäki school (grades 1-9), Chairman of the Board (non-commercial) |
| <i>Number of directorships as defined by the CRD</i> | 1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of the Company |

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| <i>Name</i> | Raija-Leena Hankonen |
| <i>Year of birth</i> | 1960 |
| <i>On the Board of Directors since</i> | Proposed to be elected to the Board of Directors at the Annual General meeting in spring 2019 |
| <i>Education</i> | Education: M.Sc. (Econ.), APA |
| <i>Primary occupation</i> | No primary occupation (leaving the employ of KPMG Oy Ab in March 2019) |
| <i>Previous key work history and positions of trust</i> | Long and diverse experience of auditing and advisory services especially in the large companies and financial sector (KPMG, 1987-2019). Has also acted as the CEO and the Chair of the Board of Directors of KPMG Finland. |
| <i>Other material positions of trust</i> | <ul style="list-style-type: none"> Brigadeiro Holding Oy, Board member (non-commercial) Savonlinna Opera Festival Patron's Association, Board member (non-commercial) |
| <i>Number of directorships as defined by the CRD</i> | 1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account. |
| <i>Independence</i> | Independent of significant shareholders |

3.8. Board Committees

MuniFin is, based on the Act on Credit Institutions, another significant credit institution (O-SII) and the Board of Directors has, as required by the legislation, established Audit, Risk and Remuneration Committees. The Board appoints, from among its own members, the chairmen and the members of these committees. Committees regularly report to the Board of Directors on their activities.

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

The Audit Committee convened a total of nine (9) times during the financial year, and the average attendance rate was 100%.

The members of the Audit Committee at the end of the financial year, and their individual attendance rates in the meetings for the 2018 financial year were:

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| Markku Koponen* (Chairman as from 28 March 2018) | 100% |
| Kari Laukkanen* | 100% |
| Vivi Marttila | 100% |

*Member from 28 March 2018, and the attendance rate has been calculated for the meetings after that date

Until the 2018 Annual General Meeting, Tuula Saxholm was the Chair of the Audit Committee and Jari Koskinen was a member.

The meetings of the Audit Committee were also regularly attended by the CEO, the Secretary of the Committee, the CFO, the lead audit partner and a representative of the internal audit.

In accordance with the Act on Credit Institutions, the Risk Committee assists the Board in the matters in regards 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 business model and risk strategy and, in the event this is not the case, to present a remedy plan to the Board. Furthermore, the Risk Committee shall assist the Remuneration Committee in the establishment of sound remuneration policies, and 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 Risk Committee convened a total of eight (8) times during the financial year, and the average attendance rate was 96%.

The members of the Risk Committee at the end of the financial year, and their individual attendance rates in the meetings for the 2018 financial year were:

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|-----------------------------|------|
| Fredrik Forssell (Chairman) | 100% |
| Minna Helppi | 88% |
| Kari Laukkanen* | 100% |

*Member from 28 March 2018, and the attendance rate has been calculated for the meetings after that date

Teppo Koivisto served as a member of the Risk Committee until the 2018 AGM.

The meetings of the Risk Committee were also regularly attended by the CEO, the Secretary of the Committee, and the Chief Risk Officer ("CRO").

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

The members of the Remuneration Committee at the end of the financial year, and their individual attendance rates in the meetings for the 2018 financial year were:

| | |
|---------------------------|------|
| Helena Walldén (Chairman) | 100% |
| Markku Koponen* | 100% |
| Jari Koskinen* | 100% |
| Tuula Saxholm* | 100% |

*Member from 28 March 2018, and the attendance rate has been calculated for the meetings after that date

Tapani Hellstén and Teppo Koivisto also served as committee members until the 2018 AGM.

The Remuneration Committee convened a total of six (6) times during the financial year and the average attendance rate was 100%.

The meetings of the Remuneration Committee were also regularly attended by the CEO, the Secretary of the Committee, and the head of HR. These persons did not participate in deliberations on their own remuneration.

4. CEO and Executive Management Team

Under the Articles of Association, the Company has a CEO and a Deputy to the CEO appointed by the Board of Directors.

The CEO's duty is to manage the Company's operations in order to implement the resolutions made by the Board of Directors and maintain the Company's operations in line with the strategy, risk management principles and limits set by the Board of Directors. Supported by the Executive Management Team, the CEO is responsible for monitoring the effectiveness of the Company's day-to-day operations (including internal control, risk management and supervision of regulatory compliance), maintaining an effective organisational structure and reporting to the Board of Directors. The Board of Directors appoints and decides on resignation of members of the Executive Management Team based on the proposal by the CEO. Persons responsible for risk management and compliance may not be dismissed without the consent of the Board of Directors.

With regard to the CEO, Deputy to the CEO, other members of the Executive Management Team, and those responsible for the internal audit and compliance, each person's reliability and competence is always assessed before the person is finally selected or before they take up their duties, as separately prescribed in the applicable legislation and guidelines issued by the authorities. When hiring other employees, the suitability of candidates with respect to the demands of the position is assessed sufficiently as part of the ordinary recruitment process.

The Executive Management Team convenes regularly at least two times a month. In 2018, the Executive Management Team convened 38 times.

CEO and the Executive Management Team at the end of the 2018 financial year:

| | |
|--------------------------------------|---|
| <i>Name</i> | Esa Kallio |
| <i>Position at the Company</i> | President and CEO (Interim President and CEO from 22 August 2017, President and CEO from 28 February 2018, previously Deputy to the CEO, Executive Vice President, Capital Markets) |
| <i>Year of Birth</i> | 1963 |
| <i>Employed by the Company since</i> | 2005 |
| <i>Education</i> | M.Sc. (Econ) |

| | |
|--|--|
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |
|--|--|

| | |
|--|--|
| <i>Name</i> | Toni Heikkilä |
| <i>Position at the Company</i> | Executive Vice President, CRO, Risk Management |
| <i>Year of Birth</i> | 1965 |
| <i>Employed by the Company since</i> | 1997 |
| <i>Education</i> | Lic.Sc. (Econ), M.Sc. (Finance) |
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |

| | |
|--|--|
| <i>Name</i> | Jukka Helminen |
| <i>Position at the Company</i> | Executive Vice President, Customer Finance |
| <i>Year of Birth</i> | 1964 |
| <i>Employed by the Company since</i> | 2013 |
| <i>Education</i> | M.Sc. (Eng) |
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |

| | |
|--|--|
| <i>Name</i> | Rainer Holm |
| <i>Position at the Company</i> | Executive Vice President, Business Information Solutions, member of the Executive Management Team as from 1 March 2018 |
| <i>Year of Birth</i> | 1973 |
| <i>Employed by the Company since</i> | 2016 |
| <i>Education</i> | M.Sc. (Econ) |
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |

| | |
|--|---|
| <i>Name</i> | Joakim Holmström |
| <i>Position at the Company</i> | Executive Vice President, Capital Markets, member of the Executive Management Team as from 1 March 2018 |
| <i>Year of Birth</i> | 1977 |
| <i>Employed by the Company since</i> | 2008 |
| <i>Education</i> | M.Sc. (Econ) |
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |

| | |
|--|---|
| <i>Name</i> | Marjo Tomminen |
| <i>Position at the Company</i> | Executive Vice President, CFO, Finance |
| <i>Year of Birth</i> | 1962 |
| <i>Employed by the Company since</i> | 1992 |
| <i>Education</i> | Vocational qualification in Business Administration, EMBA |
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |

| | |
|--|--|
| <i>Name</i> | Mari Tyster |
| <i>Position at the Company</i> | Executive Vice President, Legal and Governance, secretary to the Board of Directors and its Committees, since 1 March 2018 Deputy to the CEO |
| <i>Year of Birth</i> | 1975 |
| <i>Employed by the Company since</i> | 2009 |
| <i>Education</i> | Master of Laws |
| <i>Other material positions of trust</i> | No other material positions of trust outside the group |

The CEO or members of the Executive Management Team do not have significant memberships in the Boards of Directors of other companies outside MuniFin Group or other material commitments, and all of their positions in the Company are full-time.

The Executive Management Team has established three groups (ALM Group, Risk Group, Credit Group) to support its activities and ratified their rules of procedure and delegated decision-making authority to them.

Risk Group is responsible for the management of the overall risk position of the Company, supervision, and development of MuniFin's risk management and the principles and reporting thereof. The ALM (Asset and Liability Management) Group's duties concern overseeing the Company's profitability, liquidity position and the market risk position of the balance sheet. Credit Group decides particularly on credit granting and changes to the terms and conditions for customers that are deemed to pose a higher credit risk to MuniFin.

The chairmen of these groups are members of the Executive Management Team: As from 1 March 2018, the Chairman of ALM Group was Joakim Holmström, Executive Vice President, Capital Markets. The Chairman of Risk Group was Toni Heikkilä, Executive Vice President, CRO, Risk Management, and the Chairman of Credit Group was Jukka Helminen, Executive Vice President, Customer Finance, both for the entire financial year.

In the 2018 financial year, the work of the Executive Management Team focused particularly on measures to develop the Company's management system in order to ensure that the Company's operations are organised efficiently. Particular attention was paid to the implementation of the strategy and especially the customer strategy. The Executive Management Team has participated

actively in steering and monitoring major IT system projects. In addition to the above, the work of the Executive Management Team has emphasised duties related to business development and supervision.

5. Group Structure

The Municipality Finance Group consists of the Group's parent company Municipality Finance Plc and the subsidiary Financial Advisory Services Inspira Ltd ("Inspira"). In the first half of 2018, the parent Company redeemed the Inspira shares held by minority shareholders and now owns Inspira in full. Inspira's governance complies with the same key principles as the parent Company. The Board of Directors and committees of the parent company also supervise the activities of Inspira.

At the end of the 2018 financial year, the Board of Directors of Inspira consists of representatives of the parent company.

- Esa Kallio, CEO of the parent Company, Chairman
- Jukka Helminen, Executive Vice President, Customer Finance, member of the Board of Directors
- Markku Perälä, Vice President, Legal, member of the Board of Directors

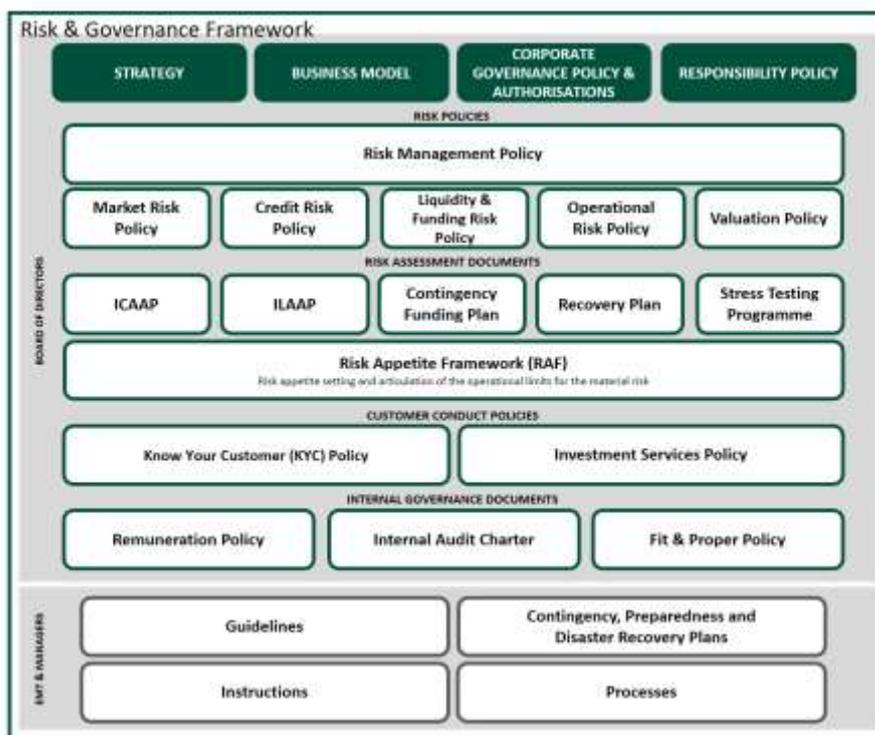
At the end of 2018, the CEO of Inspira was Anssi Wright. Anssi Wright was appointed as CEO in September 2018 when the previous CEO resigned. Anssi Wright previously served as a director at Inspira.

C. Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

1. Internal control and risk management

MuniFin is, due to the nature of its operations, inevitably exposed to a number of risks and, as such, internal control and risk management are key aspects of strategic planning and management. Appropriately implemented internal control and risk management are included in the day-to-day operations and facilitate the accomplishment of set objectives and ensure the Company's risk level stays at the desired level.

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



Internal control ensures that the Company acts in accordance with confirmed principles and processes. This is supported by controls of different processes. Internal control is performed at all levels of the organisation and the nature and scope of operations are taken into account in defining the operating methods used in internal control. Internal control is primarily carried out in line operations, where internal control is continuous and part of day-to-day operations. Internal control processes are complemented by an independent whistleblowing channel, as required by regulations, through which employees can report suspected infringements.

Internal control practices are developed continuously. In 2018, this meant, for instance, updating reporting-related processes, taking the appropriate control points into account. Information systems have also been developed to continuously better serve the Company's operations. This development work has taken the needs of internal control into consideration.

The purpose of risk management is to ensure that the risks associated with lending, funding, and investing, as well as other operations, are in line with the Company's approved risk profile, and that the Company attains the objectives set for its business. The objective is to maintain MuniFin's overall risk position at a level that is the best possible related to the credit rating of the Republic of Finland and not to compromise the Company's credit rating through its own actions.

The Company's business units and support functions identify and manage MuniFin's risks as part of their daily operations, taking into consideration MuniFin's risk appetite, internal policies and guidelines, and limits. The Capital Markets function is responsible for managing the risk profile of the consolidated balance sheet by entering into market transactions within the limits set by the Board of Directors. The risk position and limit usage are reported to the Executive Management Team and Board of Directors

on a regular basis. The Company's Business Control and Reporting department, led by the CFO, is responsible for the implementation of the principles for capital management and the structure of own funds confirmed by the Board of Directors.

The organisation and responsibilities for risk management at MuniFin are built on three lines of defence:

- First line of defence: Confirmed risk management principles are applied in business activities (see the section on "Supervision and reporting at the operational level").
- Second line of defence: The Risk Management function, which is independent of the business units, is responsible for the risk management principles ratified by the Board of Directors and process supervision led by the Chief Risk Officer. Regulatory compliance (external and internal) is supervised by the compliance function, which is part of the independent Risk Management function and reports to the Audit Committee of the Board of Directors.
- Third line of defence: The internal audit regularly evaluates various aspects of the Company's operations and also reports to the Audit Committee and the Board of Directors.

MuniFin has an extensive risk management organisation, which covers the main parts of the Company's operations including the tasks and responsibilities of different departments and decision-making bodies.

MuniFin regularly maps risks related to its operations and continuously develops methods for recognising and managing them. Risks are assessed through regular risk analyses. The aim of the analyses is to recognise new challenges and risks created by changes in the operating environment and to prioritise risks and their management based on the results. The Company hedges and reduces risks it has identified with collateral, guarantees, derivatives, insurance and active risk management. According to its own analysis, MuniFin does not have any liabilities containing wrong-way risk.

In 2018, risk management monitored the development of external regulation and on that basis promoted the development of risk management principles and policies at MuniFin. In particular, risk management developed interest rate risk calculation and reporting in 2018. Risk management has also played a key role in the development of valuation and impairment processes compliant with IFRS 9, which came into force at the beginning of 2018, and has supported the promotion of IT system projects from the perspective of risk management.

2. Reporting and supervision at the Board level

MuniFin's general principles, limits and measurement methods used in risk management are determined by the Board of Directors. The Risk Committee of the Board of Directors assists the Board in matters regarding risk strategy and risk taking and in supervising that the Company follows the risk strategy defined by the Board. The purpose of risk management is to ensure that the risks associated with lending, funding, investment and other business operations are in line with MuniFin's low risk profile. The Board of Directors is responsible for ensuring that internal control and risk management

are sufficiently comprehensive and effective and that the Company does not, in its operations, take risks which would endanger the continuity of the Company's operations. The Board is assisted and supported in this supervision by the Audit Committee and Risk Committee. The Board of Directors and the Committees have confirmed rules of procedure that also specify the Board's and Committee's duties concerning internal control and risk management in more detail.

The Board of Directors has confirmed principal risk policies which include the operating principles and limits pertaining to internal control and risk management. The Board of Directors has confirmed the risk management strategy as part of the Company's overall strategy. The aim of risk management policies, update needs assessed regularly, is to guide the Company's operations such that the Company's risk position is maintained at a level that corresponds to its confirmed risk profile.

MuniFin's Board of Directors has confirmed a Risk Appetite Framework ("RAF"), the purpose of which is to enable the Company to:

- Effectively identify, assess and manage the risks inherent in its strategy as well as its internal risks;
- Assess and decide on the amount and quality of risk it is willing and able to take in executing its business strategy, and to actively communicate it, and;
- Promote discussion about the risk appetite of the Company and challenge decisions on business and risk taking.

RAF is linked to both short-term and long-term strategic plans, capital, liquidity and financial plans, the recovery plan and the remuneration policy. The RAF is updated annually.

Monthly reports are made to the Board of Directors on the Company's risk position relative to the limits set and, as necessary, on individual risk events of material significance. The Chief Risk Officer reports monthly directly to the Chair of the Risk Committee on any material deviations in the risk position of the Company since the previous report. A broad report on the Company's risk position will be presented by the Chief Risk Officer to the Risk Committee and the Board of Directors biannually. As part of the described standard reporting the Risk Committee and Board of Directors evaluate the content and comprehensiveness of reporting and may require changes to the content or method of reporting.

3. Capital adequacy

The Board of Directors approves the plan for capital adequacy management, which is revised annually. The plan for capital adequacy management also includes a process description for capital adequacy management. Capital adequacy disclosures according to Pillar III are published separately at the same time as the Annual Report.

The Company meets clearly all capital requirements in force. Leverage ratio requirement, which is currently under planning, has required the Company to increase level of own funds. The Company

complies with the anticipated 3% leverage ratio requirement. The leverage ratio requirement is based on comparing total own funds with balance sheet assets. The effective date for the leverage ratio requirement remains uncertain at the EU level.

As part of the Company's capital adequacy planning and its execution MuniFin issued a Tier 1 capital loan (AT1 instrument) in 2015, which reinforced the Company's capital structure in anticipation of the previously mentioned leverage ratio requirements. The Company does not have any other capital loans in its balance sheet; instead, the Company's own funds primarily consist of share capital and retained earnings.

Capital adequacy is calculated as required by the EU's capital requirements regulation and the related directive (so called CRDIV-package), which are based on the Basel III framework. The capital adequacy requirement for credit risk is calculated using the standardised approach, and the capital adequacy requirement for operative risks using the basic indicator approach. As the Group has neither a trading book nor share or commodity positions, only currency risks are taken into account in the capital adequacy calculations for market risk. As the Company hedges against currency risks by using derivative contracts to convert all foreign currency denominated funding into euros, the Company's currency position is very small and it is therefore not necessary to allocate capital for the currency risk.

Financial reporting and reporting on risk management to the Board of Directors is the responsibility of the CEO. In this task, the CEO is supported by the CFO and the CRO. Further, the CRO reports directly to the Board of Directors and its Risk Committee on a regular basis. The major change in the Company's risk position in 2018 was the adoption of IFRS 9 at the beginning of the year and the consequent reclassification of balance sheet items, which increased volatility related to balance sheet valuations. MuniFin hedges itself against financial risks related to its operations with derivatives, and the changes in valuations of these derivatives are recognised in the net operating profit and own funds.

The Company has developed extensively risk management methodologies, including the interest rate risk management of the banking book. In 2018, risks remained within the set limits and, based on the Company's assessment, the risk management function met with its requirements. The Company's risk position is regularly reported to the Board of Directors as a part of monthly reporting. Risk reporting covers all the risk areas, as well as the limit usages for the various risks. Additionally, the CRO gives the Board's Risk Committee at least semi-annually a more extensive overall view of the company's risk position in relation to various risk areas.

A comprehensive stress test is conducted annually by an independent external party in cooperation with the Company's risk management function and business areas. In 2018, the Company participated in the European Central Bank's stress testing, which corresponded to the stress testing organised by the European Banking Authority for selected banks.

4. Supervision and reporting at the operational level

Internal control plays a part in the duties of each individual belonging to the management or staff of the Company and everyone in the organisation is responsible for reporting any observed deficiencies concerning internal control. Internal control is based on an organisation specific to each operational

area or department, where everyone involved has their own duties and areas of responsibility. Decision-making and the implementation of decisions have been delegated to different functions or individuals.

Reliable and timely reporting on the Company's financial performance is a key tool for management. Reporting on financial performance is carried out by the Company's Business Control and Reporting department and risk management functions, but in part also independently at the operational level to control the accuracy and sufficiency of financial reporting. The basic elements of financial reporting include internally produced reports on a monthly basis, regular reporting to the authorities and the half-year and annual reports required for external reporting.

Financial reporting is based on appropriately prepared bookkeeping and other materials pertaining to transactions. In order to ensure the accuracy of financial reporting, the Company's financial administration has detailed internal instructions on the recording of business activities and other financial management processes, including amongst other things the control principles concerning the approval and implementation of various transactions. These control procedures include regular routines pertaining to the reconciliation of accounts and transactions and payment transfer processes that always follow the four-eye principle. Some of the control measures are automated by the Company's information systems while some are based on manual inspection. The Audit Committee is charged with supervising the financial reporting processes.

The Company has an independent risk management function; it maintains, develops and prepares risk management principles for confirmation by the Board of Directors and develops methods for use in the assessment and measurement of risks. The Company's various functions are responsible for day-to-day business decisions to minimise risks within the established principles, policies, authorisations and limits. The risk management function ensures that risks are maintained within acceptable limits and that the methods used for measuring risks are appropriate. The risk management function reports to the executive management and the Board of Directors on a monthly basis on the Company's risk position relative to the limits set and, as necessary, on individual risk events of material significance.

The management of operational risks, including information systems critical to the Company's operations, and the supervision of operational risks are part of the normal processes of functions and departments. In addition, the department charged with the supervision of overall risk has the general responsibility of coordinating the management of operational risks. The Company conducts an annual process to identify operational risks. The process evaluates risks and their probability of realisation and effects and decides on means of managing the risks in question.

The CEO, supported by the Executive Management Team, is responsible for managing the Company's operations and organising risk management and financial reporting. The Executive Management Team has three executive level decision-making bodies to support its operations in steering the Company's operations, to make essential decisions, and to prepare matters for the Board of Directors and its committees: Risk Group is responsible for the management of the overall risk position of the Company, and development of MuniFin's risk management and the principles and reporting thereof. The ALM (Asset and Liability Management) Group's duties concern overseeing the Company's profitability, liquidity position and the market risk position of the balance sheet. Credit Group decides particularly on credit granting and changes to the terms and conditions for customers that are deemed to pose a

higher credit risk to MuniFin. In addition to these groups, the Company had the Business Group and Finance Group in the first half of 2018; duties of these were merged into the duties Executive Management Team.

MuniFin's senior management is represented in the Board of Directors of its subsidiary Financial Advisory Services Inspira Ltd and Inspira's governance is based on the same internal control principles as at MuniFin.

In addition to the risk and governance policies confirmed by the Board of Directors, the Company has operating guidelines for essential parts of its business and risk management confirmed by the Executive Management Team. The operating guidelines are supported by process descriptions that are prepared for all essential processes and revised regularly. In addition, each employee has a job description that specifies their key duties and back-up arrangements. The heads of departments also prepare and revise process instructions and other specific guidelines as necessary.

The Company reports on its activities as required by law to the Finnish Financial Supervisory Authority, the, European Central Bank, Bank of Finland, Municipal Guarantee Board, EU Single Resolution Board, Financial Stability Authority, Tax Administration, and Statistics Finland. As from the beginning of 2016, the Company has been under the direct supervision of the European Central Bank and is thereby also under the supervision of the Single Resolution Board with respect to crisis management.

5. Compliance

Duties related to compliance with external and internal regulation (monitoring regulations, disseminating information, training, supervising) are handled by the compliance function, which is part of the independent Risk Management division. The compliance function reports regularly to the Executive Management Team and to the Audit Committee of the Board of Directors. The Board of Directors also receives regular reviews of the development of banking regulation and its impacts on MuniFin's operations. In 2018, MuniFin reorganised the compliance function by transferring it from Legal to Risk Management. This arrangement sought to bolster the compliance function as part of the second line of defence in risk management. In 2018, compliance focused particularly on developing compliance monitoring and supporting risk management and other functions in the implementation of regulation. These projects included, for instance, development projects for the implementation of data protection legislation and the prevention of money laundering and financing of terrorism. At the beginning of 2019 the Company appointed Anu Nyholm, Vice President, to be responsible for the compliance function.

6. Internal audit

The tasks of the internal audit function include monitoring the reliability and accuracy of MuniFin's financial and other management information. Its tasks also include ensuring that the Company has adequate and properly organised processes and IT systems for its operations and that the risks associated with operations are being managed adequately.

Annually, the Company's Board of Directors approves an operational plan for internal audit for each financial period. In the 2018 financial period, all audits performed by internal audit were reported to the Company's Executive Management Team, Audit Committee and Board of Directors. The recommendations issued by the internal audit are systematically monitored in the Company and their implementation is reported to the Company's executive management and the Audit Committee and Board of Directors regularly. The internal audit function assesses the status of the implementation of recommended measures.

In autumn 2018, the Company changed its internal auditing from an outsourced function to an internal function headed up by the head of internal audit. The Company appointed Saija Suonpää to Senior Vice President, Internal Audit. This change was based on the growth of the organisation and the resulting need to step up operational efficiency. It also sought to better meet regulatory requirements and the expectations of supervisory authorities with respect to internal audit activities and thereby ensure that operations are constantly adapted more effectively to changes in regulation and the operating environment. Outsourced services were provided by Deloitte Oy, which has also after the change continued as one of the service partners for internal audit. The head of the internal audit reports directly to the Board of Directors and its Audit Committee. In 2018, the internal audit carried out an extensive audit of different parts of the Company's operations.

7. External audit

The Company's auditor must be an Authorised Public Accountant approved by the Central Chamber of Commerce of Finland. The Auditor's term of office is the Company's financial year and it terminates at the conclusion of the next Annual General Meeting after election. The Company's financial year is the calendar year.

In the 2018 financial period, MuniFin's auditor was KPMG Oy Ab, with APA Marcus Tötterman as the lead audit partner. Marcus Tötterman has acted as the lead audit partner since 2012. It will be proposed to the 2019 AGM that KPMG be elected as auditor. Due to regulations concerning the rotation of chief auditors, KPMG has announced that, if it is selected for the task, the lead audit partner in the next financial year will be APA Tiia Kataja.

The audit in 2018 was based on a pre-prepared audit plan. A key aspect of the 2018 audit was the implementation of the new IFRS 9 regulation in MuniFin's accounting processes and documentation. Fees paid to the audit firm are itemised in the 2018 financial statements.