MuniFin investor presentation

January 2022

MuniFin

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Agenda

- MuniFin and the set-up of the Finnish public sector
- The Finnish economy and economic outlook
- Funding operations
- Green and social bonds
- Appendices

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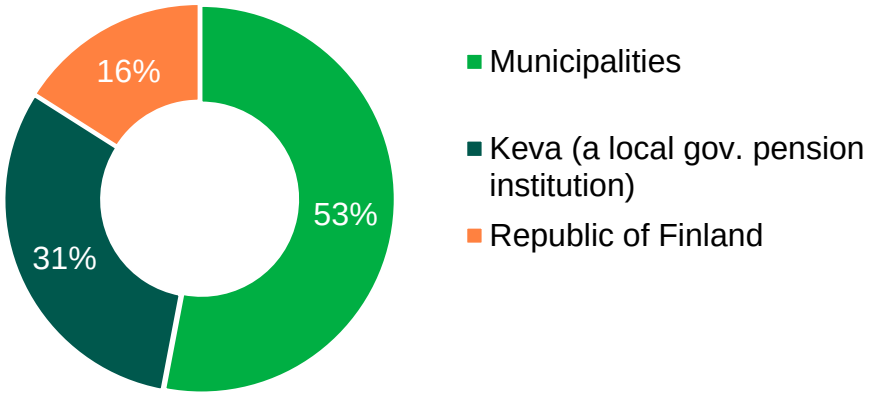
MuniFin and the set-up of the Finnish public sector

MuniFin in brief

The leading provider of financial services to Finland's municipal sector and non-profit housing production

- Funding explicitly guaranteed by the Municipal Guarantee Board (MGB)
- Ratings are in line with those of the Finnish sovereign
- Credit institution supervised by the ECB
- Credit institution of systemic importance to the Finnish financial system (O-SII)

100% Finnish public sector-owned credit institution



Credit ratings	ESG ratings
Moody's **Aa1 (Stable)**	ISS ESG **C+ Prime** **Ranking** Finance 11/117
S&P Global Ratings **AA+ (Stable)**	SUSTAINALYTICS **11.8** **Ranking** Banks 29/1039
	MSCI **AA** **Ranking** n/a

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MuniFin is committed to building a better and more sustainable future with its customers

MuniFin's strategy highlights

1. We ensure the availability of financing for our customers in all market conditions.
2. We secure our strong position in the capital markets with good risk management, a low risk profile and a joint municipal funding system.
3. We aim to secure our profitability and operations in the long term, but do not aim to maximise our profit.

MuniFin's key principles for responsibility and goals

1. **Responsible products and services**
   Goal 2024: Customer satisfaction is at a very good level
2. **Forerunner in sustainability**
   Goal 2024: Green and social finance account for 20% of the long-term customer financing portfolio
3. **Developing wellbeing at work**
   Goal 2024: Personnel satisfaction is at a good level
4. **Strong corporate governance**
   Goal 2024: All ESG risks associated with customers are assessed with a uniform method

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Public sector and social housing sector

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Central government

Comprises the ministries and the national agencies operating in their administrative branches

Services provided:

- Police
- Defence
- Highways
- Universities
- Judicial system
- Statistics and research

Local government

Currently 309 municipalities* and joint municipal authorities and municipality-controlled entities

Services provided:

- Education and day care services
- Cultural, youth and library services
- Health and social services**
- Fire and rescue services**
- Urban planning and land use & environmental services
- Water and energy supply & waste management

Wellbeing services counties

Currently 21 wellbeing services counties***

Services provided from 2023 onwards:

- Health and social services
- Fire and rescue services

*293 mainland municipalities ** Will be transferred to wellbeing services counties in 2023
***In addition Helsinki will organise its own health, social, fire and rescue services

Social housing sector

Social housing policy is implemented by a national agency and housing is produced by approved non-profit housing corporations

The housing finance and development centre of Finland (ARA) implements social housing policy. It is a governmental agency operating under the supervision of the Ministry of the Environment.

ARA supports social housing sector by providing housing finance in the form of e.g. interest subsidy loans or renovation subsidies.

Interest subsidy loan is granted by a bank or other financial institution. ARA accepts the loan, gives the loan a state guarantee and pays the interest subsidy.

Tenant selection criteria is specified annually by the government. Selection is based on the social appropriateness and financial need.

Sources: Finnish government, State treasury, Association of Finnish Local and Regional Authorities, 2019, ARA

MuniFin can finance

MuniFin can potentially finance (Legislative proposals under parliamentary discussion)

Finnish municipalities: Strong revenue base and close link to Central Government

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By law, a Finnish municipality cannot be declared bankrupt

- Bankruptcy Act (120/2004)

Close link to the central government

- Highly independent and have a parallel status with the Central government confirmed in the constitution dating from 1917
- Large reform in the healthcare sector in process

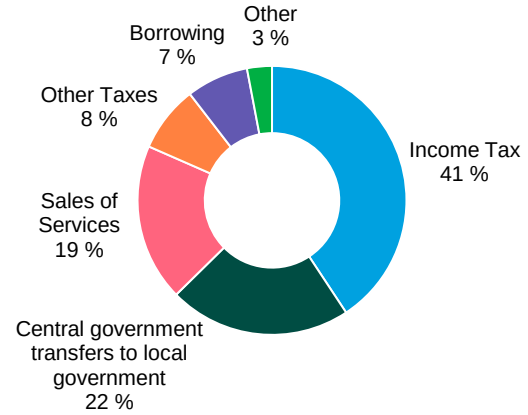
Strong revenue base

- Municipalities have an unlimited right to levy taxes on their inhabitants (municipal tax rate)
- Other revenues taxation related charges from service production

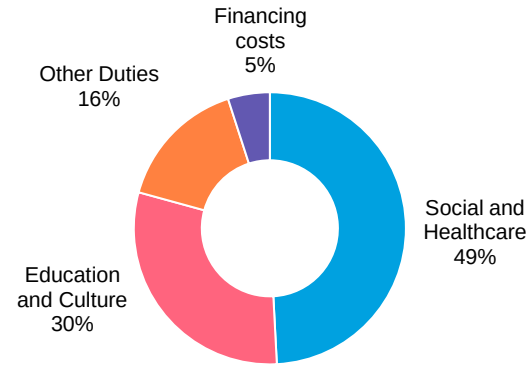
Budget Control

- Ministry of Finance is responsible for monitoring the municipal sector
- By law municipalities have an obligation to balance their finances over a four-year time frame

Revenues (~EUR 49.2 billion)



Expenditures (~EUR 48.2 billion)



Source: Association of Finnish Local and Regional Authorities, 2020

Municipal Guarantee Board (MGB) provides the explicit guarantee for MuniFin's senior debt

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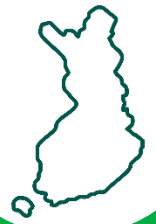
Stable

- Aa1 (Stable)/AA+(Stable) rated
- MGB was established by an act passed by Finland's parliament in 1996 for the purposes of safeguarding and developing the joint funding of municipalities



Strong

- All Finnish mainland municipalities* are members, representing 100% of the taxation power in mainland Finland. Membership is permanent
- Members of the MGB are jointly liable for the explicit guarantee provided by MGB for MuniFin's funding

Immediately enforceable

- MGB can collect from members without a court order
- All debt guaranteed by MGB is BIS 0% risk-weighted in the EU area

*Due to the autonomy of the Province of Åland, its municipalities are not members of MGB and are not clients of MuniFin.
More information about the Municipal Guarantee Board (MGB): kuntientakauskeskus.fi/en/ joint-funding-system-of-municipalities/

Long-term customer financing

MuniFin has a dominant role as a provider of financing and services for its customers

Customers

- Municipalities
- Joint municipal authorities
- Municipality-controlled entities
- Non-profit housing corporations

Long-term customer financing

28.6

EUR, billion

Services

- Loans
- Property leases
- Green and social finance
- Risk management
- Analysis and reporting solutions
- Financial advisory services

Long-term loan portfolio

- Non-profit housing corporations 47%
- Municipalities 34%
- Municipality-controlled entities 13%
- Joint municipal authorities 6%

Guarantee

All customer financing is direct municipal risk or the financing is guaranteed by a municipality or central government (deficiency guarantee)

All customer financing carries a BIS 0% risk weighting

Goal

Green and social finance account for 20% of the long-term customer financing portfolio by 2024

As of 30 June 2021

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Financial performance H1 2021

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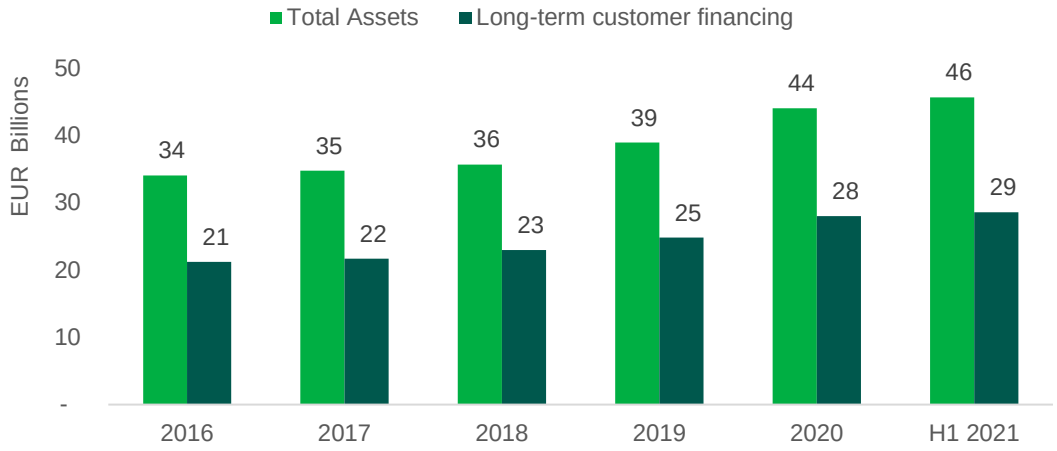
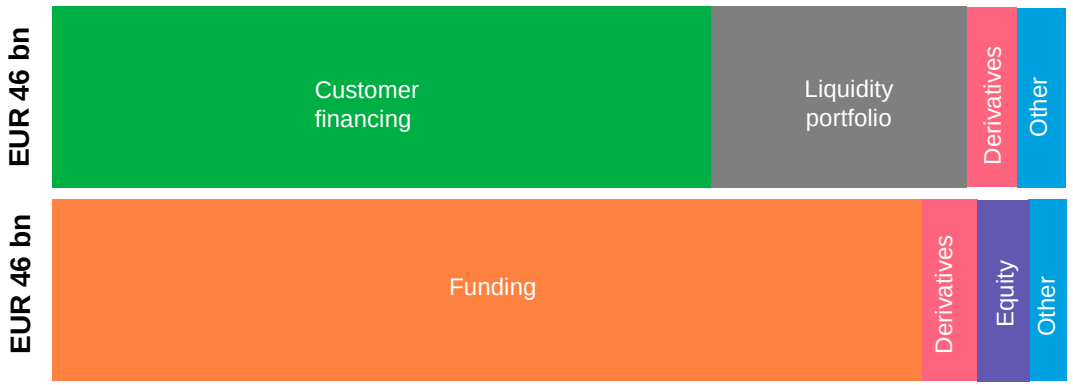
Return to normal long-term customer financing levels from spike created by Covid-19 in 2020

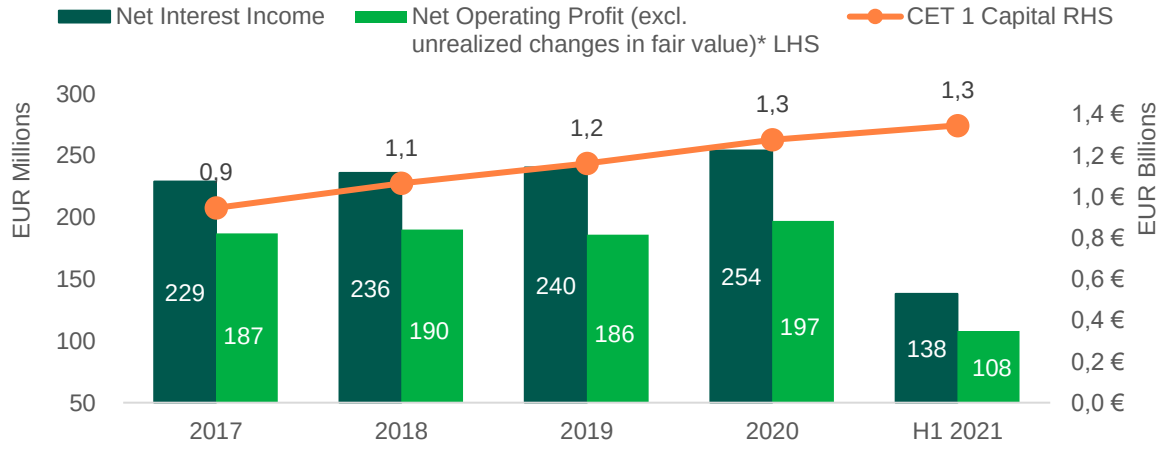


Balance sheet totaled EUR 46 billion



As of 30 June 2021

Solid capital adequacy was supported by profitability



Cost-to-Income Ratio[1]	0.2	0.2	0.3	0.2	0.2
Return on Equity[1]	12.6%	10.8%	6.8%	9.4%	11.7%
Leverage Ratio[2]	3.8%	4.1%	4.0%	3.9%	12.6%
CET1 Ratio[2, 3]	53.0%	66.3%	83.1%	104.3%	91.1%

[1] Alternative performance measure. More information on alternative performance measures can be found in the Annual Report/Board of Directors Report.
[2] Figures for the end of June 2021 were calculated in accordance with CRR II. Comparison periods have not been adjusted to reflect the updated capital requirements regulation.
[3] The CET1 Ratio is a consolidated figure for Municipality Finance Group, not the parent company. The CET1 ratio of the parent company was 93.1% at the end of June 2021 and 107.1% at the end of December 2020.

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Operations rely on low risk appetite

MuniFin's risk pillars	Objectives and related measures
Profitability & Capital	**A sufficient level of earnings, profitability and capital**
Liquidity & Funding risks	**An adequate liquidity buffer and a sustainable funding position and profile** • Well diversified short- and long-term funding sources • Well-balanced, low risk liquidity portfolio with a high ratio of HQLA • Sufficient liquidity to cover continued undisturbed operations without new long-term funding for at least 12 months. Liquidity metrics, LCR and NSFR, to be kept well above regulatory requirements • Secondary source of funding: Monetary policy counterparty of the Bank of Finland
Credit risks	**Sound credit risk profile appropriate for MuniFin's business model** • All customer financing is direct municipal risk, or the financing is guaranteed by a municipality or central government (deficiency guarantee) • All customer financing carries a 0% risk weighting in capital adequacy calculations • Liquidity portfolio rating target AA (single issuer minimum rating requirement A-) • Derivative counterparty minimum rating requirement A- (with minor exceptions) • 0/0 threshold two-way CSAs with daily collateral management
Market risks	**Sound market risk profile appropriate for MuniFin's business model** • Funding and liquidity portfolio investments are as a norm back-to-back hedged to floating rate EUR • Customer financing is all in EUR and as a norm hedged to floating rate
Operational risks	**Effective operational control and compliance to support functional and responsible operations** • Objective is to minimize operational risks related to business and operations by carefully identifying and analyzing the impact and probability of the risks

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Strong liquidity position

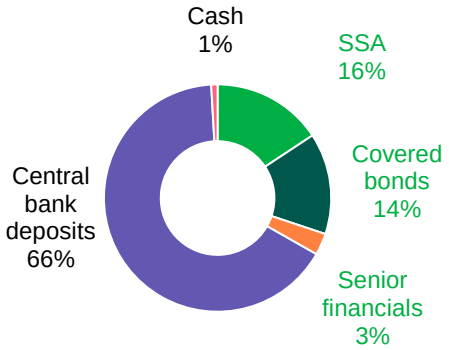
Liquidity Portfolio

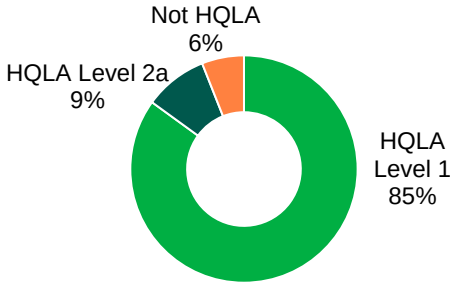
11.7

EUR, billion

Sufficient liquidity to cover continued undisturbed operations for at least 12 months

Secondary source of funding: Monetary policy counterparty of the Bank of Finland





As of 30 June 2021, except for HQLA distribution, which is as of 31 December 2020

Security investments in the liquidity portfolio (4.0 bn EUR)

Guided by MuniFin's Sustainable Investment Framework

1. Investment /Issuer selection, exclusion and controversy monitoring
2. The average ESG score of all security investments is monitored against a benchmark index
3. Separate thematic investment portfolio within the security investments portfolio

Only issuers from OECD countries

Average rating
AA+

Average maturity
2.9 years

ESG score
5.6%
over benchmark index

Size of thematic investment portfolio
405
EUR, million

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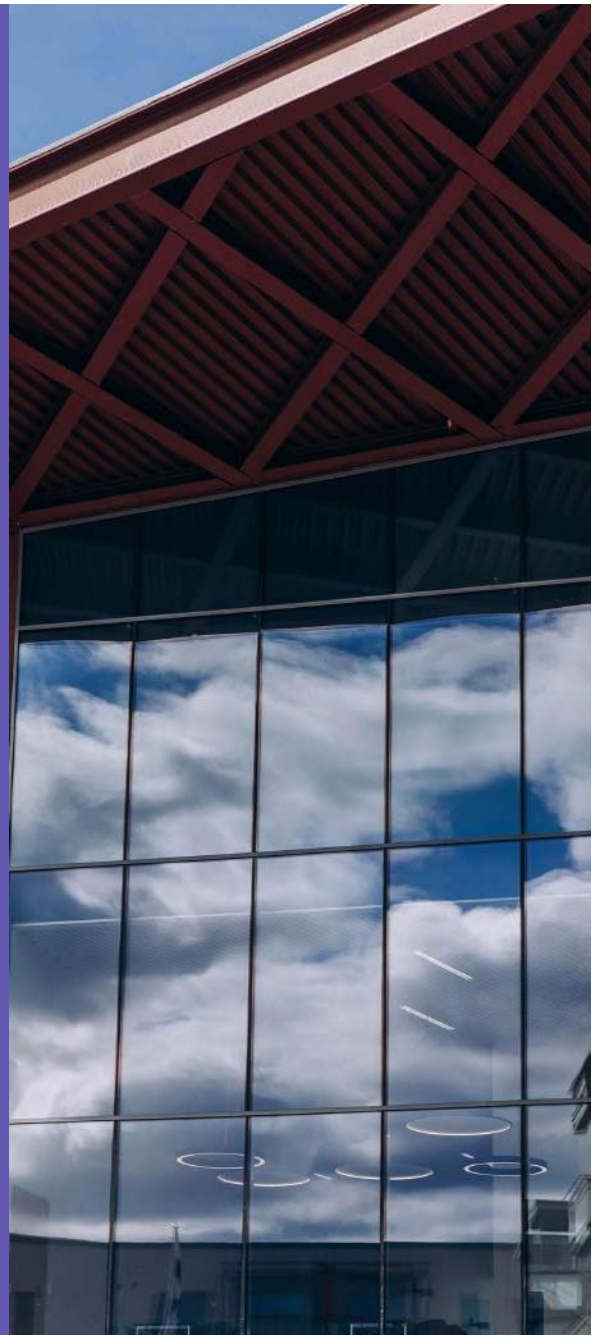
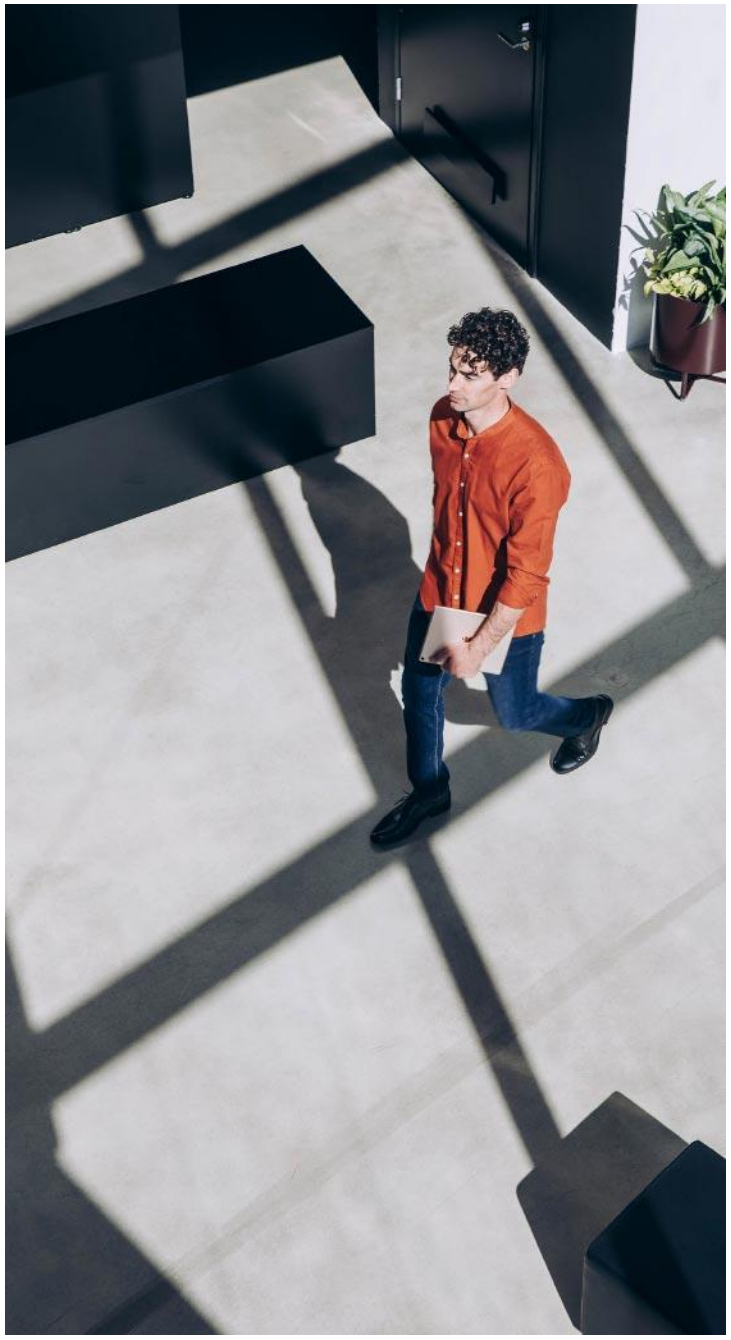
The Finnish economy and economic outlook





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Highlights of the Finnish economy

5.5 million
People

50 247 US$
GDP per capita

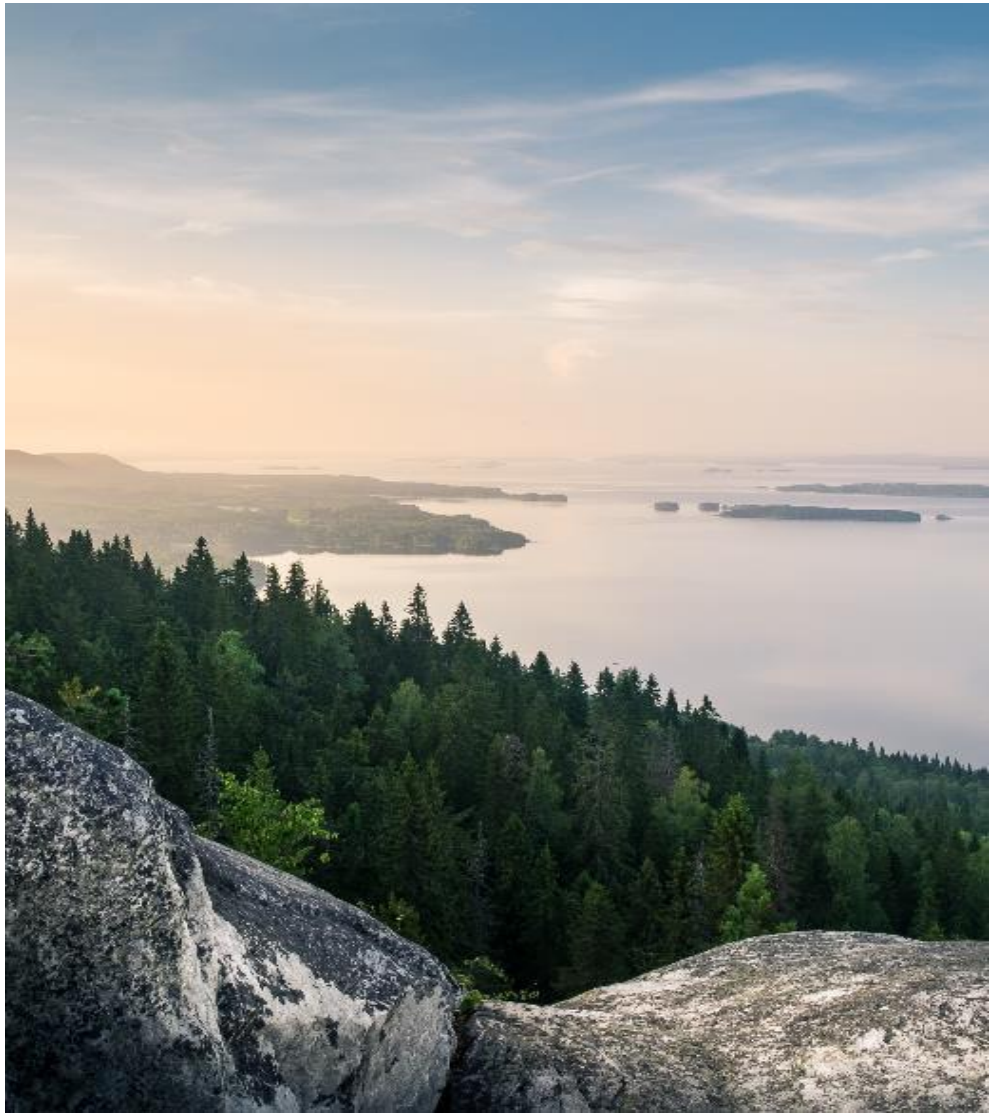
2.8 % of GDP
Above average gross domestic spending on R&D

By 2035
Aims to be carbon neutral

Machinery, Electrical equipment, Paper and Metal products
Largest manufacturing sectors

#1

- **Happiest** country in the world four times in a row
- The most **stable** country in the world
- One of the top OECD countries in **education**
- The best **governance** in the world
- EU's best **digital** public services
- The **water** richest country in the world
- The most **forests** in Europe
- Finns drink most **coffee** per person in the world



Sources: Statistics Finland; OECD; Ministry of the Environment; The United Nations annual World Happiness Report, 2021, 2020, 2019, 2018; The Fund for Peace Fragile States Index 2018; OECD, Better Life Index: Education; Legatum Institute, The Legatum Prosperity Index 2018: Finland; European Commission, The Digital Economy and Society Index (DESI) 2018: Finland; Keele University, The Water Poverty Index: an International Comparison; FAO, Global Forest Resources Assessment; International Coffee Organization, Coffee Trade Statistics

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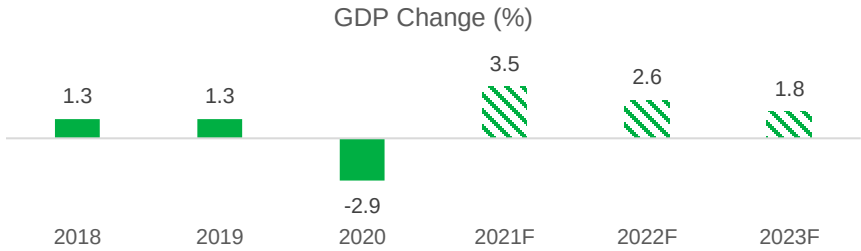
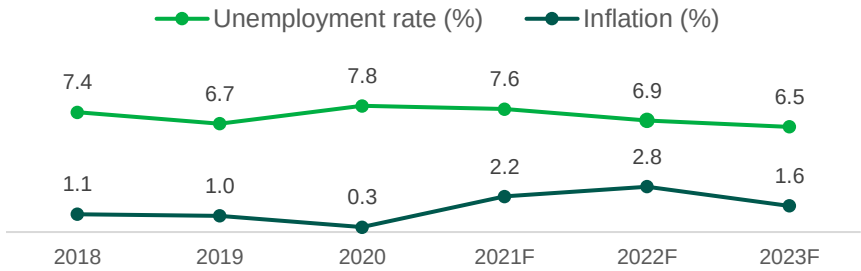
Economic outlook of Finland

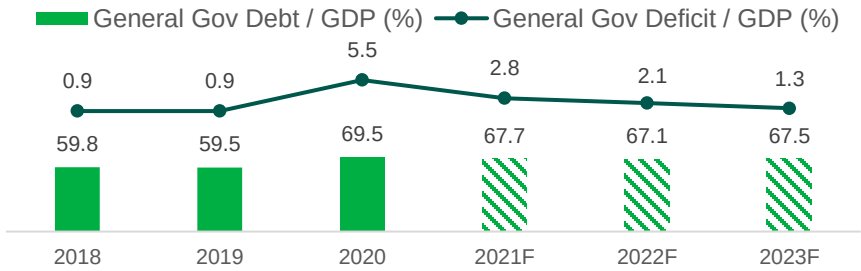
- Due to the Covid-19 outbreak, the Finnish GDP declined by 2.9% in 2020. Early containment measures, increased public spending and diversified industrial base mitigated the economic impact of the epidemic
- The speed of economic recovery has exceeded expectations. GDP growth is driven by private consumption and is projected to be 3.5 % in 2021. The pace of growth slows down somewhat in 2022, but remains at 2.6%
- The employment rate has been rising fast and it has already reached the pre-pandemic level. The decline in unemployment is somewhat slower as higher participation rate increases the total labor force
- Comparably low debt/GDP – even after the unavoidable rise in debt due to the Covid-19 crisis



Source: Statistics Finland and MuniFin



Source: Statistics Finland and MuniFin



Source: Statistics Finland and Ministry of Finance

Sources: MuniFin, Ministry of Finance: Economic Survey Winter 2021, Statistics Finland

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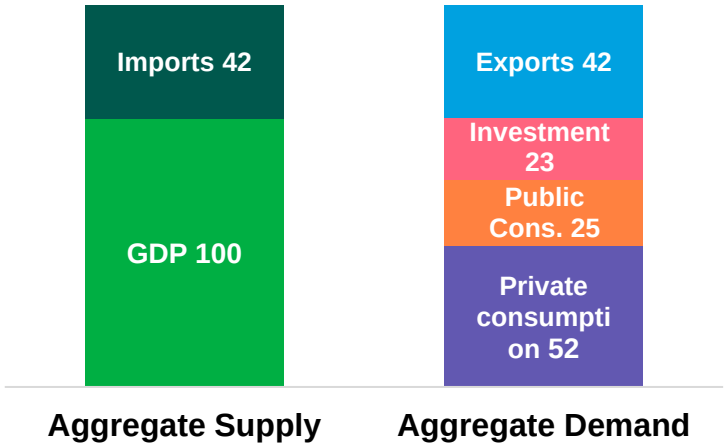
The Finnish Economy

Know-how intensive production base

- Services account for ca. 70 % of GDP

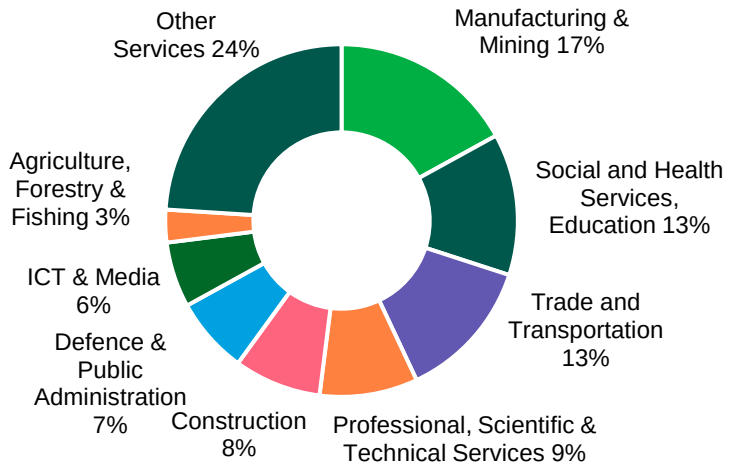
Trade oriented open economy - export-to-GDP ca. 42 %

- Exports largely made up of investment goods and intermediate products
- Services' share of total exports doubled since 2007-2008
- Bridge between the East and the West: Over 40 % of exports outside the EU, largest trading partners being Germany, Sweden, USA, Netherlands, China and Russia



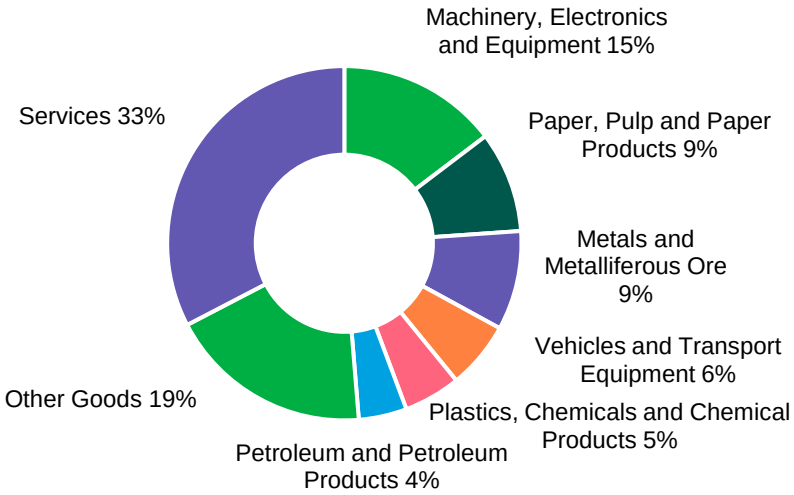
Source: Statistics Finland, MuniFin
Finland Supply and Demand 2020 GDP=100

Finnish GDP by Sector 2020



Source: Statistics Finland, Macrobond, MuniFin

Finnish Exports 2020



Source: Statistics Finland, Finnish Customs, Macrobond, MuniFin

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Funding operations

Funding strategy

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Strategic funding markets

EUR and USD benchmarks

Tactical funding markets

Other public markets

Private placements

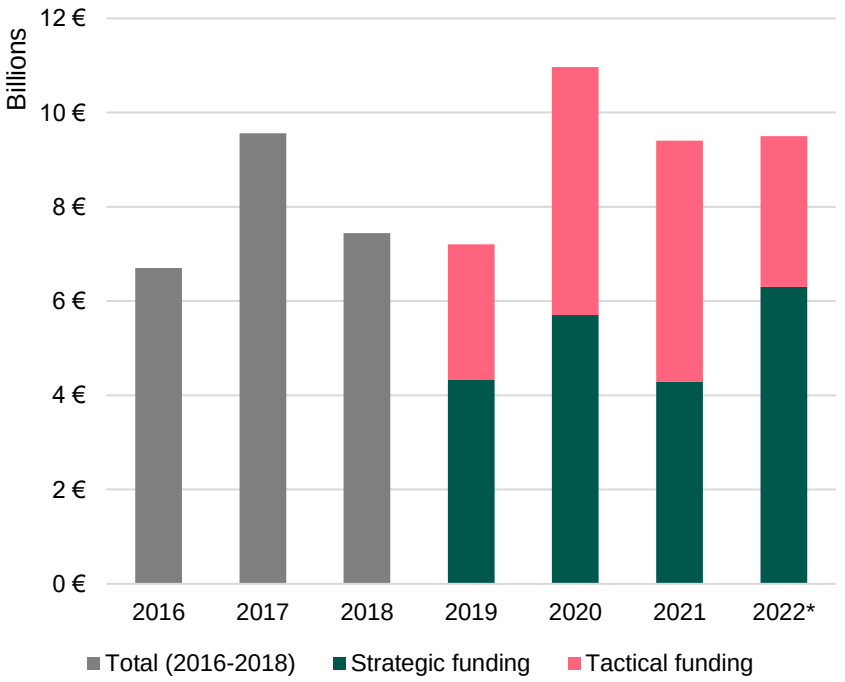
Retail

Euro commercial paper

ECP (short-term)

Green bonds and social bonds can be issued in strategic or tactical funding markets

Long-term funding program



BIS 0% risk-weighted

LCR HQLA Level 1 asset in the EU area and Switzerland

* Forecast

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Funding breakdown 2020

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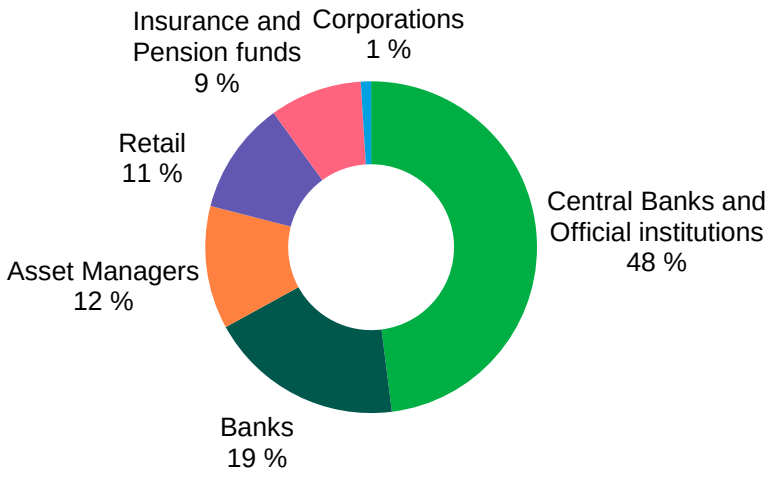
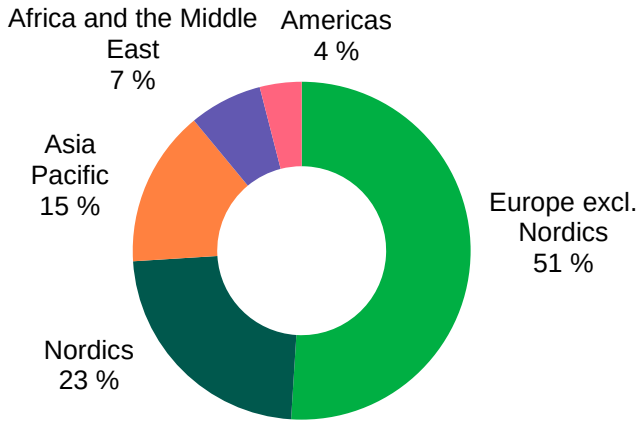
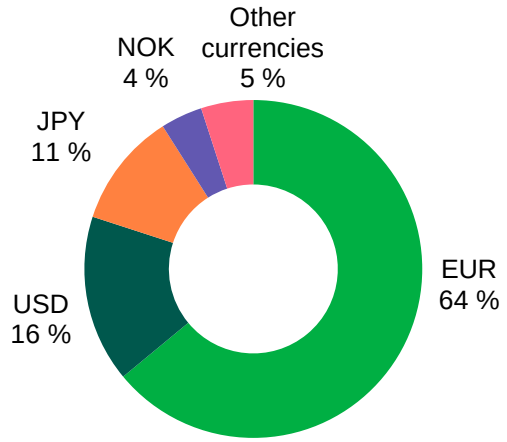
Funding by investor type



Funding by region



Funding by currency



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As of 31 December 2020

Successful public market strategy

Strategic funding markets

EUR FIXED BENCHMARKS 11.7 bn

Mar 2024, Nov 2024, April 2025, Nov 2026, Sep 2027[1], April 2028, Sep 2029[1], Oct 2030[1], March 2031, Feb 2033, Sep 2035[2]

USD FIXED BENCHMARKS 7.75 bn

Mar 2022, Sept 2022, Mar 2023, Sep 2023, Nov 2023, Mar 2026, Sep 2026

Tactical other public markets

NOK 28.1 bn

April 2022, Oct 2022, Feb 2023, July 2023, Sept 2023, Sept 2024, Jan 2025, Jan 2026, Jan 2027

GBP 1.6 bn

Dec 2022, Dec 2024[1], Dec 2025

CHF 1.1 bn

April 2022, Feb 2023, Sept 2024, March 2026, June 2027, March 2030, Aug 2038

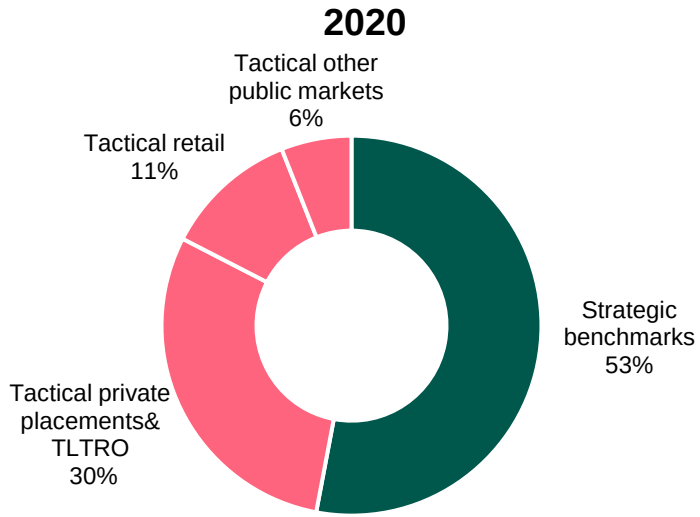
AUD 900 m

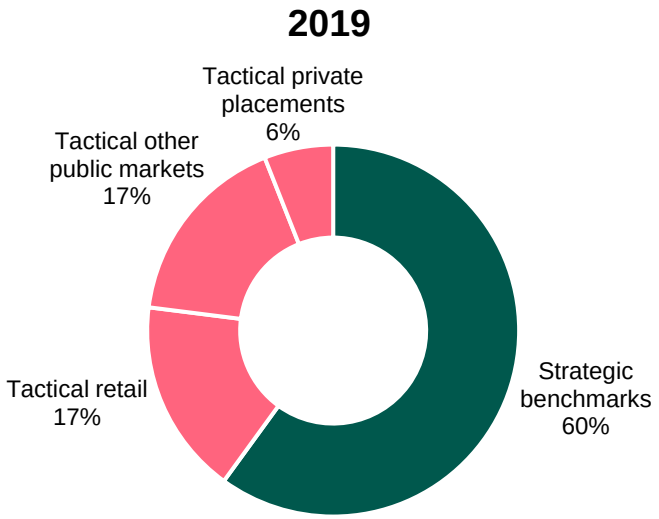
Mar 2024, Feb 2026, Jul 2027, Aug 2029

NZD 225 m

June 2023

1 Green bond issuance
2 Social bond issuance





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Green and social bonds

Outstanding
green bonds
5
bonds
1.8
EUR, billion

Outstanding
social bonds
1
bond
1.1
EUR, billion

GREEN
USD 500m
9/2021

GREEN
EUR 500m
9/2027

GREEN
EUR 500m
9/2029

SOCIAL TAP#1
EUR 100M
9/2035

Issuance year

2016 2017 2019 2020 2021

GREEN
AUD 50M
10/2027

SOCIAL
EUR 500m
9/2035

SOCIAL TAP#2
EUR 500m
9/2035

GREEN
EUR 500m
10/2030

GREEN
GBP 250m
12/2024

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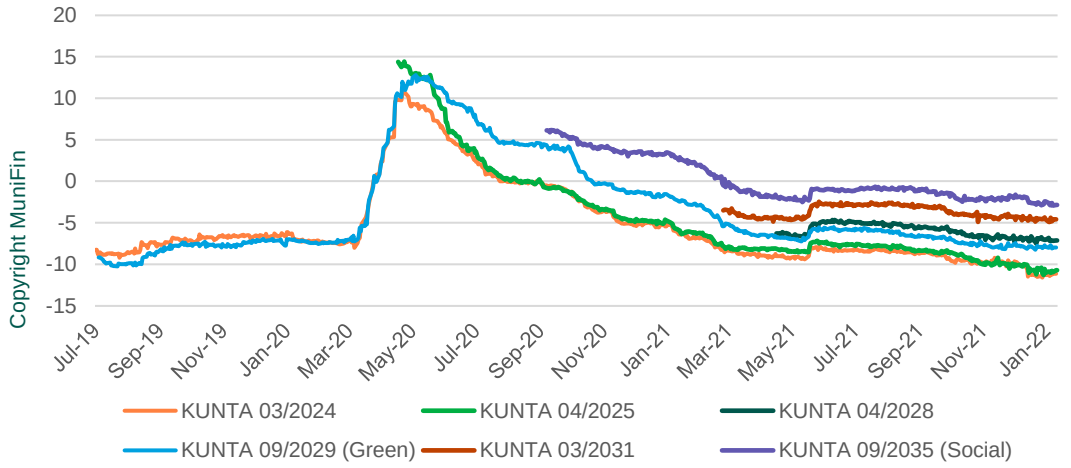
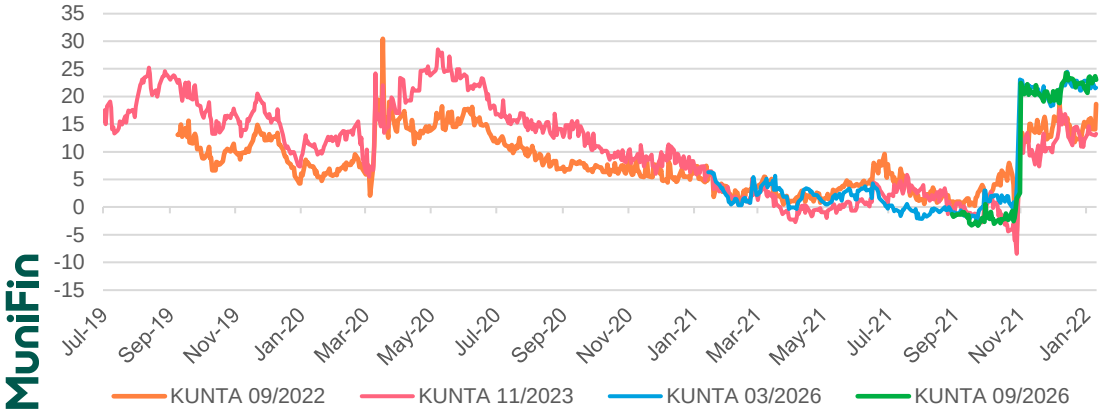
Secondary market of strategic benchmarks

Mid ASW spreads of selected MuniFin EUR Benchmarks



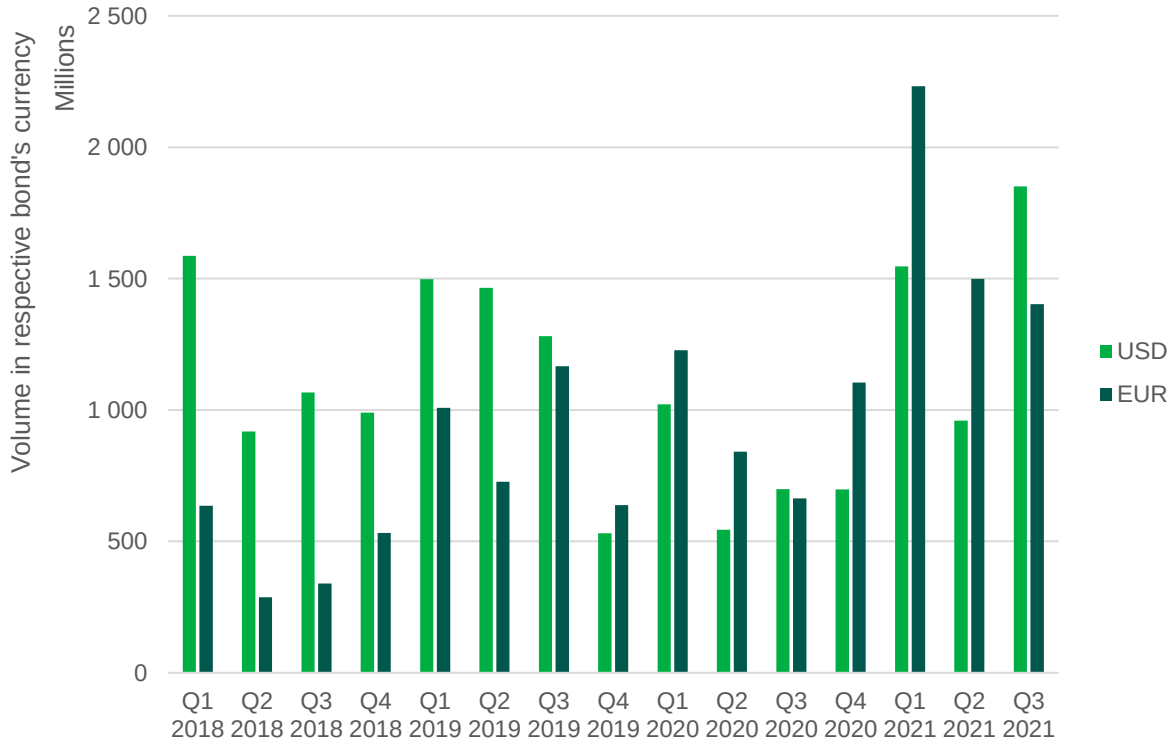
Mid ASW spreads of selected MuniFin USD Benchmarks*



*1 November 2021 quotes changed from Libor ASW to SOFR ASW
Source: Bloomberg 10 January 2022

MuniFin incentivizes dealer banks to maintain good liquidity in its benchmarks in the secondary market

- Secondary market data is collected every quarter from the dealer bank group
- The data is also used to assess each dealer bank's performance



Source: MuniFin 2021. This data is based on quarterly secondary turnover data received from the dealer banks.

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Green and social bonds

MuniFin
Green bond

MuniFin
Social bond

MuniFin's finance addresses SDG-related challenges in Finland

"Inclusive and competent Finland – a socially, economically and ecologically sustainable society"[1]

Key challenges

- Per capita energy consumption
- GHG emissions
- Ageing water and sewage networks
- Eutrophication of bodies of water
- Biodiversity
- Recycling of waste
- Regional differences in access to services and transportation
- Increasing inequalities and social exclusion
- Outcomes between socio-economic groups

Finland's goal is to be carbon neutral by 2035

https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/162268/VNK_2020_8_Voluntary_National_Review_Finland.pdf?sequence=4&isAllowed=y

[1] Title of the Finnish Government programme: https://valtioneuvosto.fi/en/marin/government-programme

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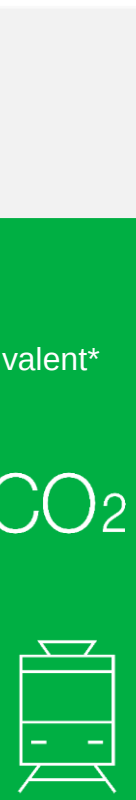
MuniFin's green and social bonds

- First pure Finnish Green Bond issuer in 2016
- Outstanding amount of green bonds 1.8 billion € equivalent*
- Outstanding amount of green finance 2.1 billion €**
- Green Bonds Framework
  - Prepared in accordance with ICMA GBP
  - Green Evaluation Team
  - Customer margin discount
- Second opinion
  - Cicero and Stockholm Environment Institute: Medium Green
- Annual allocation and impact reporting



- First Nordic SSA Social Bond issuer in 2020
- Outstanding amount of social bonds 1.1 billion € equivalent*
- Outstanding amount of social finance 833 million €**
- Social Bonds Framework
  - Prepared in accordance with ICMA SBP
  - Social Evaluation Team
  - Customer margin discount
- Second opinion
  - ISS ESG
- Annual allocation and impact reporting

*As of 1 December 2021
**As of 30 June 2021

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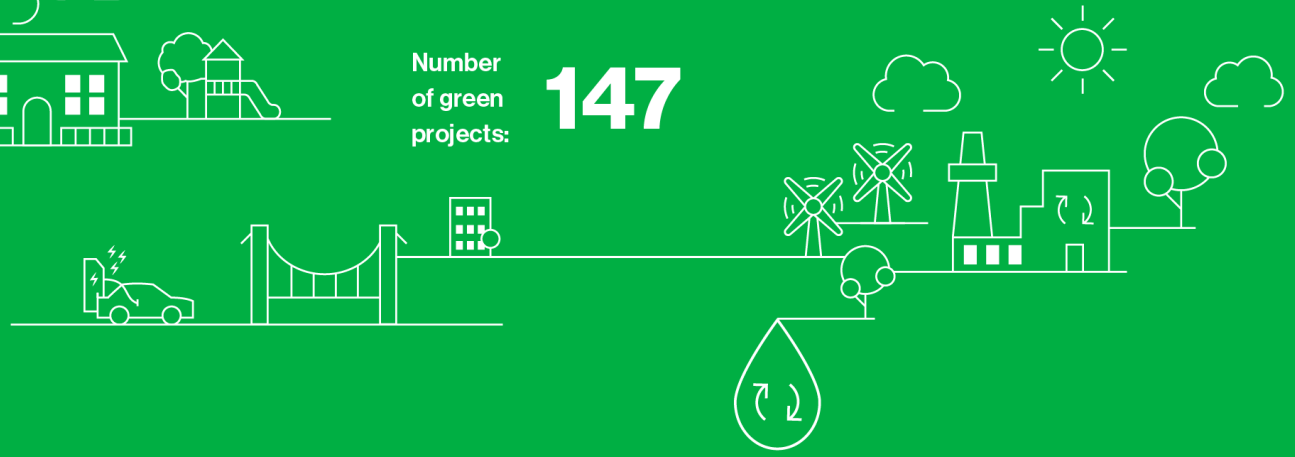
Green finance in figures

Number of green projects: **147**



Outstanding amount of green finance:
1,786 EUR million

Total committed green finance:
€ **2,206** EUR million

Average remaining maturity of green projects: **24 years**

Annual energy savings (avoided/reduced):
23,558[1] MWh

Annual CO_2 emissions avoided/reduced:
50,260[2] tCO_2

Annual production of renewable energy:
17,879 MWh

Renewable energy production capacity:
35 MW

Annual amount of treated wastewater in existing plants immediately after project completion:
19,499,714 m^3

Annual amount of treated wastewater with increased capacity in the future:
17,746,667 m^3

Figures based on the outstanding amount of green finance on 31 December 2020

Read more: **MuniFin Sustainable Bonds Impact Report 2020**

[1] **23,558 MWh: Equals the annual consumption of about 1,170 electrically heated single-family houses** *(Source: Motiva)*
[2] **50,260 tCO_2: Equals the average annual carbon footprint of about 4,800 Finns** *(Source: Sitra)*

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Executive summary of green finance

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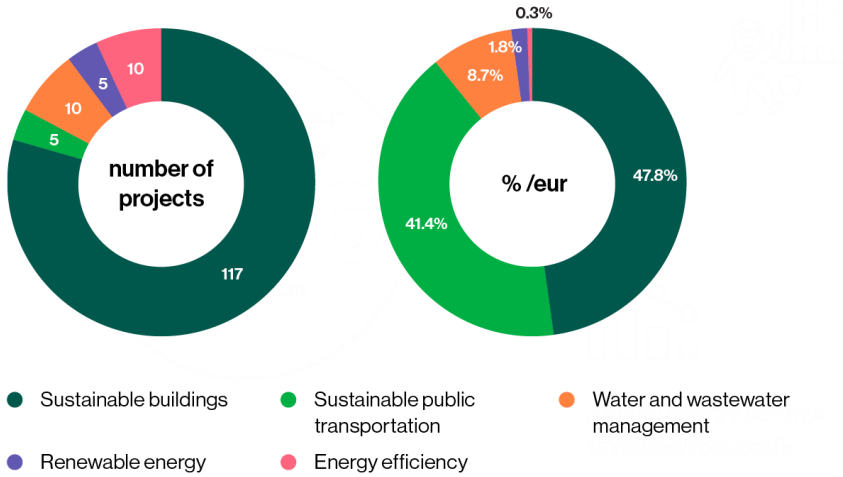
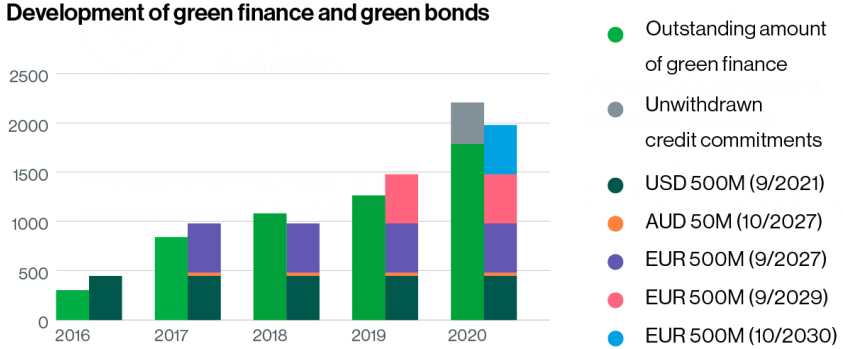
Green finance project breakdown



Development of green finance and green bonds



Project category	Outstanding amount, EUR million	Annual CO_2 emissions avoided/reduced, tCO_2	Impact, tCO_2 per EUR million
Sustainable buildings	853	4,706	6
Sustainable public transportation	740	6,865	9
Water and wastewater management	156	n/a	n/a
Renewable energy	31	37,512	1,192
Energy efficiency	6	1,176	207
Total	**1 786**	**50,260**	**n/a**

Other impact indicators	
Annual energy savings (avoided / reduced MWh)	23,558
Annual production of renewable energy (MWh)	17,879
Renewable energy production capacity (MW)	35
Annual amount of treated wastewater in existing plants immediately after project completion (m^3)	19,499,714
Annual amount of treated wastewater with increased capacity in the future (m^3)	17,746,667

Impact attributable to green bond investors **100%**

Outstanding amount of green bonds divided by outstanding amount of green finance (in EUR) as of 31 Dec 2020. Capped at 100%

Amount	ISIN	Issue date	Maturity date	
500m EUR	XS2242924491	14 Oct 2020	14 Oct 2030	25,3%
500m EUR	XS2023679843	10 July 2019	6 Sept 2029	25,3%
500m EUR	XS1692485912	3 Oct 2017	7 Sept 2027	25,3%
500m USD	XS1498532271/US62630CAH43	4 Oct 2016	2 Sept 2021	22,5%
50m AUD	XS1706174015	25 Oct 2017	25 Oct 2027	1,7%

Basic information	
Green Bond Frameworks applied to the green finance portfolio	Green bonds frameworks as of May 2019, November 2018, August 2017 and February 2016
Reporting period	The reporting is based on the green finance portfolio as at 31 Dec 2020
Report publication date	4 March 2021
Frequency of reporting	Annual
Next reporting planned for	March/April 2022
Reporting approach	Portfolio-based and project-by-project reporting
Reporting framework	Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting (February 2020)

Social finance in figures

Outstanding amount of social finance:
589
EUR million

Number of social projects: **27**

Total committed social finance:
€ **768**
EUR million

Average remaining maturity of social projects: **19** years

Welfare:

Number of patient visits:
665,966

Number of welfare service users reached:
1,641,290

Social housing:

Number of apartments:
922

Of which housing for the most vulnerable population: **922**

Number of residents:
1,079

Education:

Number of students, pupils and children reached:
136

Average class size:
17

Figures based on the outstanding amount of social finance on 31 December 2020

Read more: **MuniFin Sustainable Bonds Impact Report 2020**

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Thank you

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Direct e-mail address format
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Appendices

Appendix 1

The Finnish healthcare and social services reform

After a lengthy preparation process, the Finnish Parliament passed the legislative package concerning the reform of health and social services in June 2021. The reform will not have a significant effect on MuniFin's operations in 2021. In 2022, the reform will be reflected in MuniFin's operations more as practical preparation rather than financial effects.

In terms of financing, the new legislation is meant to allow MuniFin to continue to act as a lender/counterparty to the loans and other liabilities that will be transferred to the wellbeing services counties that were established on 1 July 2021. It is in the interest of the reform of health and social services and its various counterparties, that the existing health and social services lending portfolio will not be substantially altered. At this stage, the wellbeing services counties will be largely funded by the central government, but the counties will have government authorisation and guarantees for borrowing. The recently passed bill does not yet allow MuniFin to finance new investments (made after 1 January 2023) in the wellbeing services counties. However, according to the government's proposal for the health and social services reform package, this is the intention, but the matter is still being prepared and the related draft legislative proposal is currently under discussion.

The practical implementation of the reform still includes some details that make it impossible to estimate the reform's effects in more detail. In MuniFin's financing operations, health and social services lending plays such a role that changes in it will not have a material impact on MuniFin's financial development in the near future.

More information concerning the status of the reform can be found at: https://soteuudistus.fi/en/frontpage.

More information:
https://www.kuntarahoitus.fi/app/uploads/sites/2/2021/05/Munifin-EMTN-2021-Offering-Circular.pdf
https://www.kuntarahoitus.fi/app/uploads/sites/2/2021/08/MuniFin_Half_Year_Report_2021_SECURE.pdf

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Appendix 2

MuniFin's credit assessment and credit granting process

Annual credit assessment

- MuniFin conducts an annual assessment of the ability of its customers to meet their future obligations.
- The assessment covers both economic and qualitative factors, including indicators of solvency, debt-servicing capacity and profitability. For municipality customers, the municipal evaluation criteria of the Ministry of Finance is taken into account.
- As a result of the annual assessment, MuniFin will have a view of a customer's current risk position.

Credit granting process

- MuniFin's credit granting process is carried out by the account manager, who will estimate whether a customer and a financing request will fulfill requirements of the Act on the Municipal Guarantee Board and MuniFin's credit risk strategy.
- As a part of the credit granting process MuniFin will conduct a credit analysis covering both financial and qualitative factors of the borrower. Factors include for example current, historical and future repayment capacity, purpose of the credit, borrower's funding structure, borrower's position within the sector, the outlook of borrower's industry and risks posed by macro-economic development.

  →The final risk assessment and scoring of a customer is the weighted sum of financial and qualitative factors

Decision making

- The results of both the annual credit assessment and the credit granting process indicate the risk profile of a customer and will influence the final credit decision.

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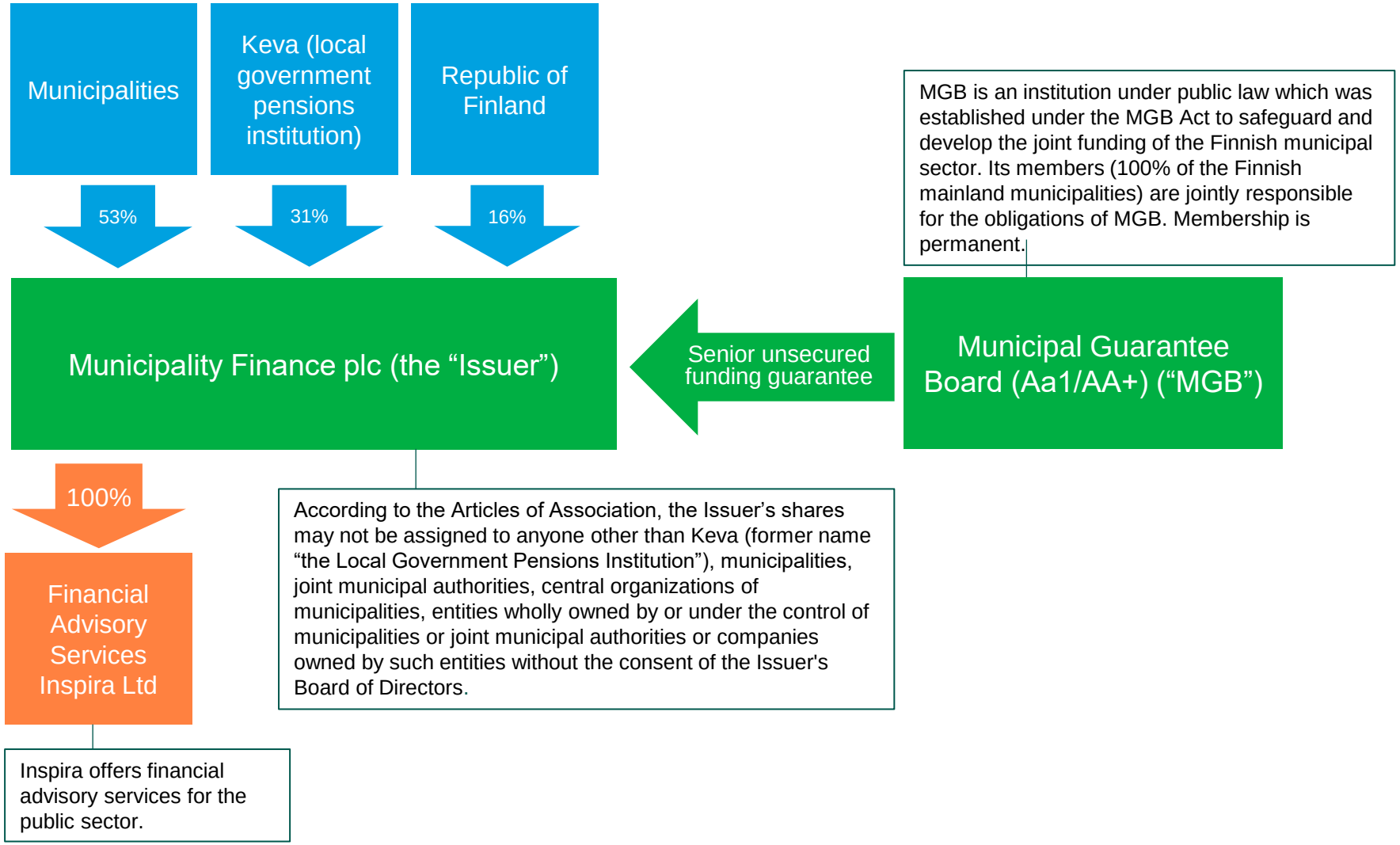
Appendix 3

Municipality Finance – Legal structure



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Appendix 4

Finnish economy: Ministry of Finance's key forecast figures

	2020 EUR billion	2020 change in volume (%)	2021* change in volume (%)	2022* change in volume (%)	2023* change in volume (%)
GDP at market prices	236	-2.9	3.4	3.0	1.5
Imports	85	-6.5	3.7	4.9	3.5
Total supply	**321**	**1.5**	**3.4**	**3.6**	**2.1**
Exports	85	-6.8	4.2	5.6	3.7
Consumption	178	-3.1	3.1	2.8	1.1
- private	121	-4.7	3.0	3.8	2.1
- public	58	0.5	3.3	0.7	-1.2
Investment	57	-0.7	1.4	2.8	2.3
- private	45	-3.4	3.6	3.0	2.6
- public	12	11.0	-7.4	1.7	1.2
Total demand	**321**	**1.7**	**3.4**	**3.6**	**2.1**

*forecast
Source: Ministry of Finance, Economic Survey, Winter 2021

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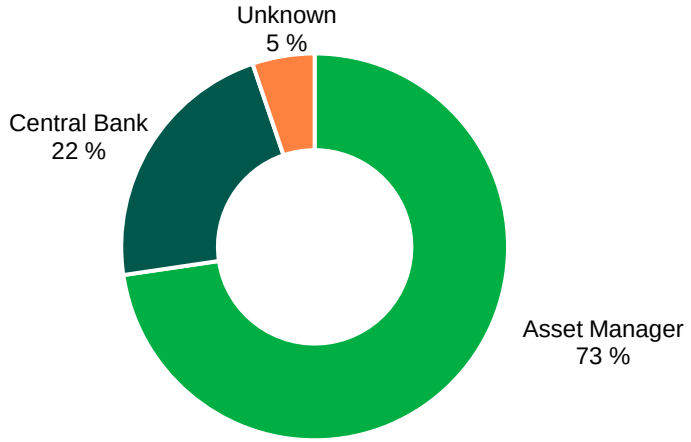
Appendix 5

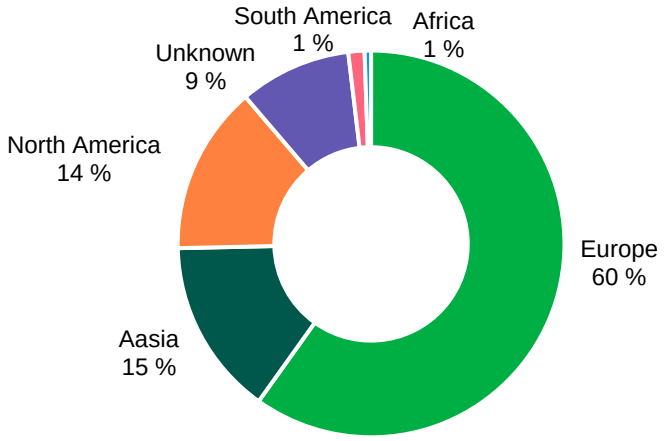
MuniFin Euro-Commercial Paper (ECP) programme

- The size of the programme (under English law) is EUR 10 billion
- STEP-compliant since 2020
- Outstandings have been during 2020 on average EUR 3.5 billion
- Main currencies: EUR and USD
  - Also available: CHF, GBP, SEK
- Dealers: Citibank, BAML, Barclays, BMO, Bred, UBS and Rabobank

Investor by type 2020



Investor by region 2020



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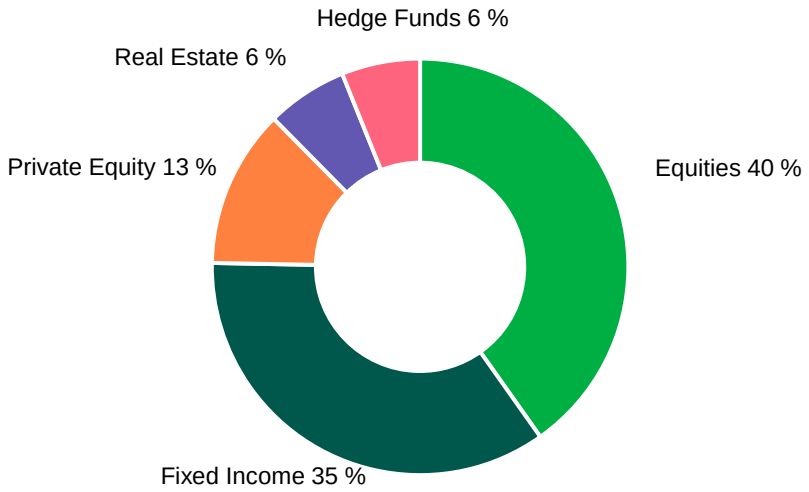
Appendix 6

Keva – Local Government Pensions Institution

- Mandatory pension fund for people working in the local government sector.
- Responsible for funding the pensions of local government employees and for investing their pension funds (1.3 million insured persons and pension recipients).
- Independent body governed by public law and operating in accordance with the Public Sector Pensions Act and the Keva Act.
- Supervised by the Ministry of Finance, the Financial Supervisory Authority and the National Audit Office of Finland.
- Fund assets totalling €58.0 billion (12/2020). Largest pension fund in Finland.

Breakdown of investments



As of 31 December 2020
Source: Keva 2020

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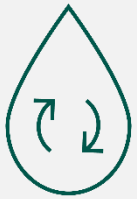
Appendix 7

Green bond eligible project categories

Renewable energy

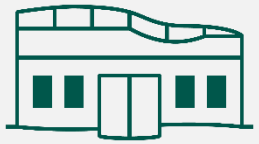
Wind, solar, small hydro, geothermal, bioenergy and biogas from waste

Water and waste water management



Sustainable buildings

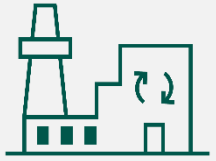
- 1. Buildings: Finnish energy classification class A or best of B. For class B there is a requirement to include additional components e.g. use of renewable energy, life-cycle analysis or certifications (LEED, BREEAM) with high ratings
- 2. Major renovations leading to a reduction of energy use per m^2 in year of at least 30%



Public transportation

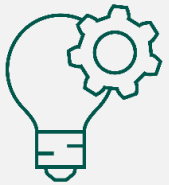
Waste management

Recycling, re-use, incineration and rehabilitation of contaminated areas



Energy efficiency

District heating/cooling, recovered energy, smart grids



Environmental management

(max 20%)

The Green Evaluation Team analyses each project separately and approves projects only if the longer term net environmental impact is positive.

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Appendix 8

Green finance portfolio

Total committed amount of green finance
2,206 million €

Outstanding amount of green finance
1,786 million €

Number of projects in the portfolio

117

10

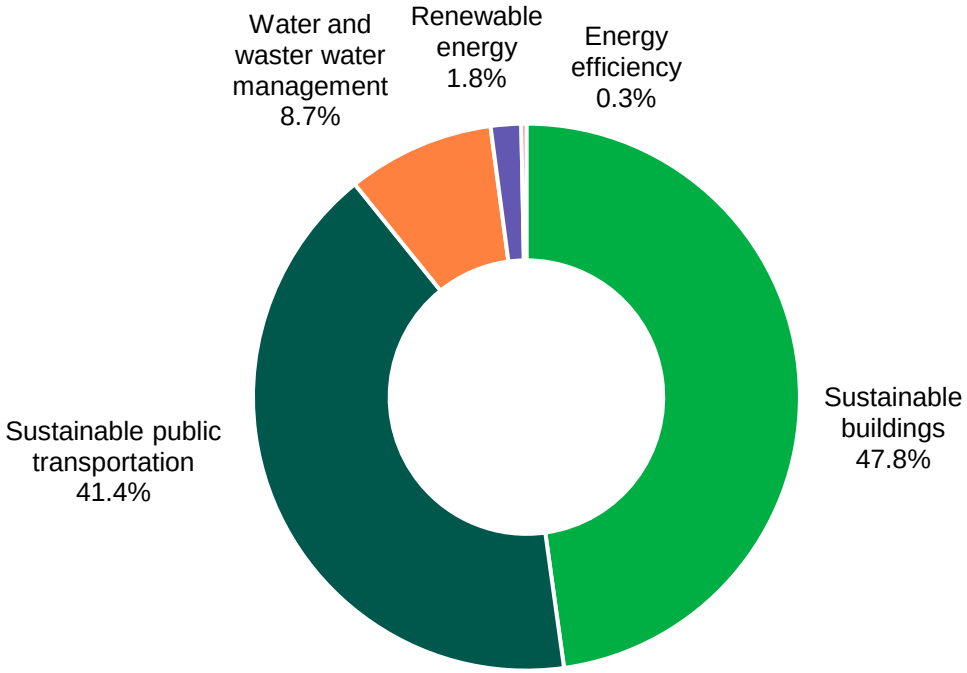
5

10

5

As of 31 December 2020

Green finance portfolio split by project category



As of 31 December 2020 based on outstanding amount of green finance

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The Green Evaluation Team approves projects

MuniFin's customer solutions division screens projects, which it believes to be aligned with eligible project categories in the Green Bonds Framework.

MuniFin's green finance application form includes the following sections:

1. project description
2. estimated environmental benefits
3. project documents (e.g. project plan, energy certificate, environmental impact assessment, carbon footprint assessment)

The Green Evaluation Team reviews application materials. Each loan and lease application will be analysed independently by the green evaluation team and will only be approved if the long-term net environmental impact is positive.

MuniFin gives a margin discount of 0–10 basis points to approved green finance projects. The discount is based on the project's estimated environmental benefits, which are assessed and scored on a scale of 0 to 10 points by the Green Evaluation Team. Dark green projects are granted 7–10 points, medium green 4–6 points, and light green 1–3 points.

The Green Evaluation Team consists of three independent experts

Vesa Peltola
Energy Adviser
Association of Finnish Local and Regional Authorities

Jyri Seppälä
Professor, Director
Centre for Sustainable Consumption and Production, Finnish Environment Institute (SYKE)

Päivi Sieppi
Environmental Advisory Manager
City of Lahti

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Appendix 10

Social bond eligible project categories

Social housing

Social housing sub-categories

i. Social housing for the most vulnerable population
ii. Social housing that supports communality among the residents

Target populations

i. Elderly, homeless, students, disabled people, people with mental health or substance abuse problems, people suffering from memory illness, youth, refugees, rehabilitees, severely marginalised people
ii. Low income population

Welfare

Sub-categories

i. Healthcare facilities (public hospitals, health centres/ properties, clinics, care homes) and health service hardware
ii. Sport facilities and public open spaces
iii. Culture facilities

Target populations

i. General public (healthcare)
ii. Population living in areas where social investments are needed (sports and culture)

Education

Sub-categories

Education facilities (daycare centres, pre-primary education, primary and secondary schools, upper secondary schools, higher education campuses and education centres) and education hardware

Target populations

i. Population living in areas where social investments are needed
ii. General public (higher education campuses)

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Appendix 11

Social finance portfolio

Total commited social finance
768 million €

Outstanding amount of social finance
589 million €

As of 31 December 2020

Number of projects in the portfolio

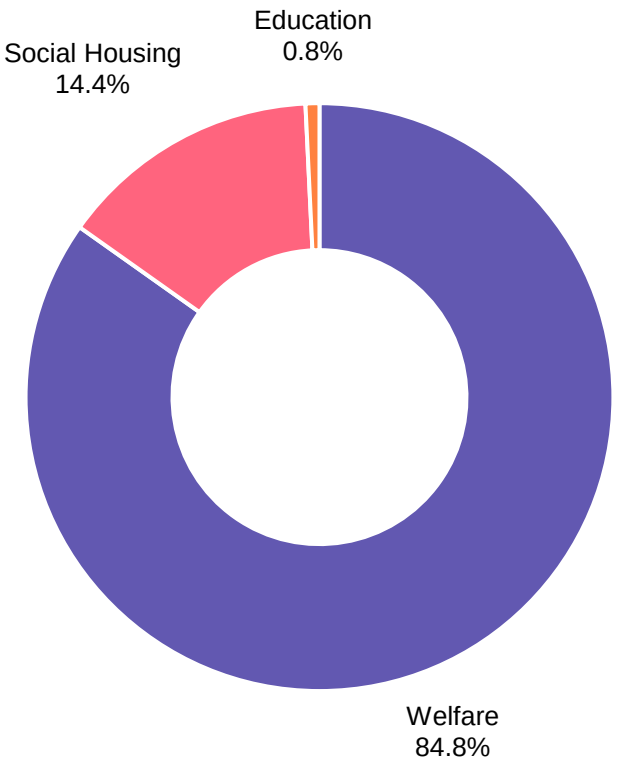
20

6

1

As of 31 December 2020

Social finance portfolio split by project category



As of 31 December 2020 based on outstanding amount of social finance

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The Social Evaluation Team approves projects

MuniFin's customer solutions division screens projects, which it believes to be aligned with eligible project categories in the Social Bonds Framework.

- For sports, culture and education projects internal evaluation model is applied for screening. The model analyses post code areas and municipalities across socioeconomic factors to identify areas where investments would have the greatest impact on the vitality of the area.

After the initial screening, a project report is written based on an interview with the client. The report includes the following information:

1. project description
2. rationale of the investment
3. solved problems
4. desired social impacts
5. target population
6. SDGs addressed

The Social Evaluation Team reviews the project report and makes the final decision based on the overall impact. Projects need to promote some of the wider social goals such as equality, communality, safety, welfare and regional vitality.

For loans/leases, which are up for pricing will receive a 2 basis point margin discount.

The Social Evaluation Team consists of two independent experts and one MuniFin representative

Jenni Airaksinen
University Lecturer in Local and Regional Governance
Tampere University

Jouni Parkkonen
CEO
Association for Advocating Affordable Rental Housing (KOVA)

Rami Erkkilä
Senior Specialist
MuniFin

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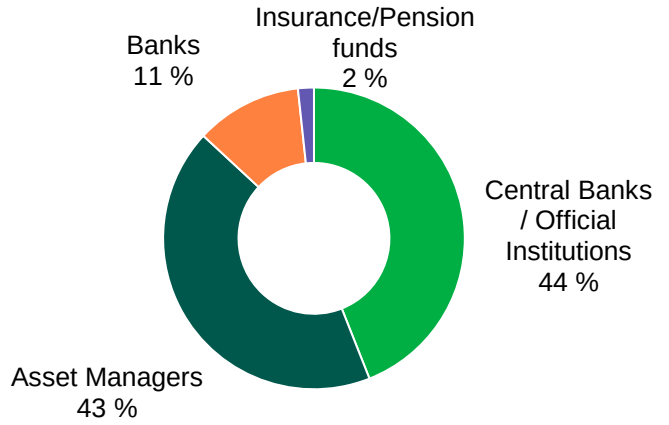
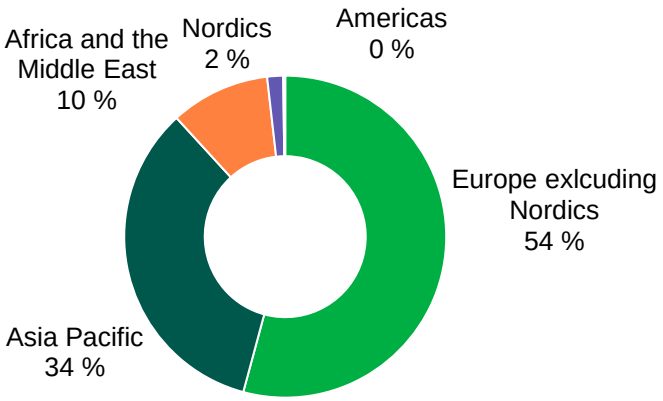
Appendix 13

GBP 250 million 3-year green bond

- MuniFin priced its sixth green bond on 26 October 2021.
- The green bond is the first of its kind for MuniFin in the Sterling market. Nearly 40% of the allocation was to ESG focused investors.
- The slightly over 3-year GBP 250 million benchmark offers a 0.875% coupon and a spread of 30ps over the UKT 2 ¾ 09/07/24.
- Taking advantage of the constructive market tone, MuniFin announced the transaction on Tuesday 26 October at 9:10 London time. The books opened with price guidance at UKT 09/24 +30bps area. The size was fixed from the outset at GBP 250 million. The orderbook grew steadily and was finally closed in excess of GBP 300 million at 12:15.
- Central banks and official institutions took 44% of the orderbook, with Asset Managers as a close second with 43% participation. Geographically, European investors took 54%, excluding the Nordics. Asia Pacific took 34% and Africa and the Middle East 10%.
- The green bond was jointly led by BofA Securities, Nomura and TD Securities.





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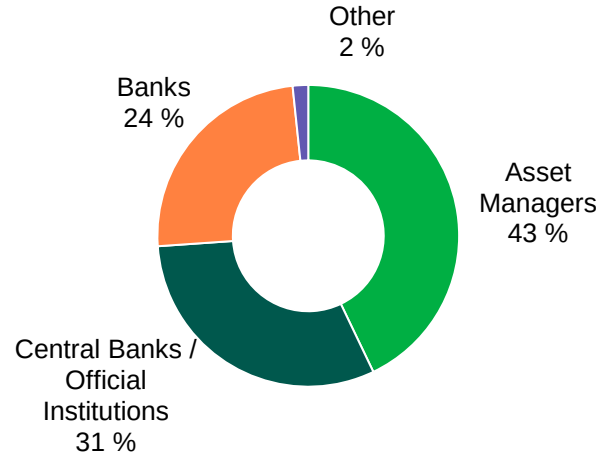
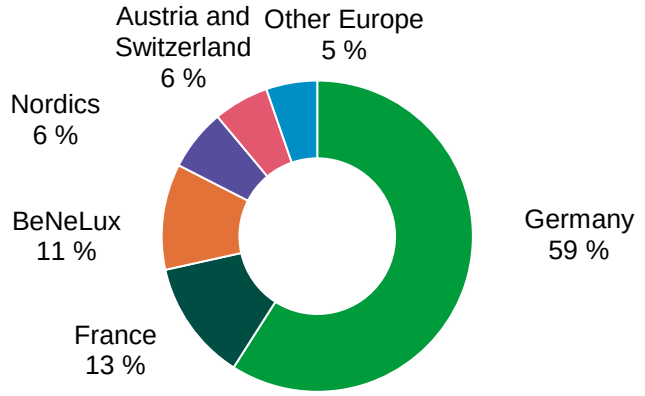
Appendix 14

EUR social bond 2035 tap

- On Tuesday 5 October, MuniFin issued a EUR 500 million tap for its Social bond maturing 10 September 2035, bringing the total outstanding amount to EUR 1.1 billion.
- The tap was quickly oversubscribed with dedicated ESG accounts taking over 75% of the allocations.
- The mandate for the EUR 500 million Social bond tap was announced 12:00 CET on Monday 4 October 2021 and the books opened the following morning with a spread guidance of mid-swaps +1 area. Exceptionally strong investor demand allowed MuniFin to tighten the spread guidance quickly to MS-1 bps area. Despite the tightening of 2 bps the orderbook grew to EUR 1.8 billion. The final spread was set to MS-2.
- The bonds were distributed to a high degree of quality investors across Europe. A total of 43 investors, all European, finally participated in the transaction. Asset managers took the bulk with 43% allocation, followed by a 31% allocation to central banks and 24% to bank treasuries.
- The EUR 500 million tap offers a 0.05% coupon and a spread of mid swaps -2 bps, which equates to a 35.9 bp spread over the DBR 0% May 2035.
- The transaction was jointly led by DZ BANK, NatWest Markets N.V., SEB and Société Générale.





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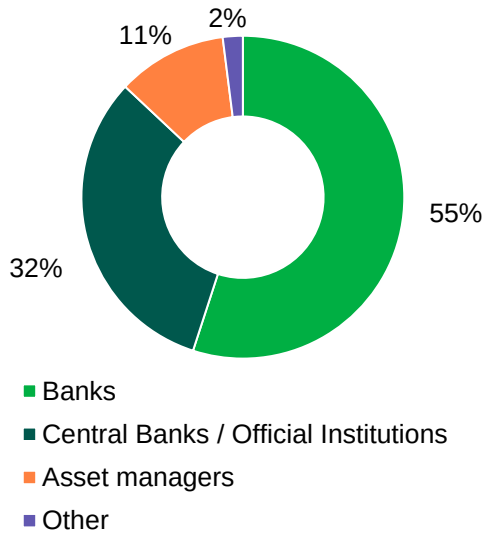
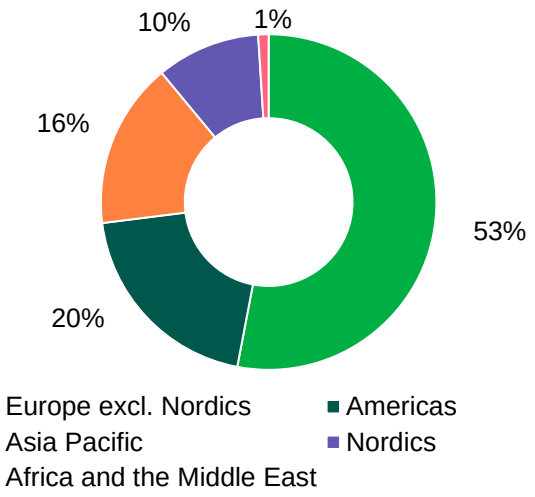
Appendix 15

5y USD 1 billion benchmark

- MuniFin's second USD denominated benchmark of 2021 was priced on 25 August 2021.
- The bond is a bullet 5-year USD 1 bn note due 2 September 2026.
- The joint lead managers were Citi, JP Morgan, Nomura and RBC.
- The strong oversubscription (USD 3.4bn+) on the back of outstanding demand marks the largest-ever orderbook for a MuniFin USD benchmark to date.
- The benchmark was priced at MS+2bps, equivalent to CT5+11.31 bps and pays a coupon of 0.875%.
- Over 80 investors participated. Central Banks & Official Institutions together with Banks took almost 90% of final allocations. Asset Managers were allocated 11% and other investors 2%.
- From a geographical perspective, European investors (excl. Nordics) took the bulk of the allocations with 53%, supplemented by Americas 20%, Asia 16%, Nordics 10% and Africa and Middle East 1%.





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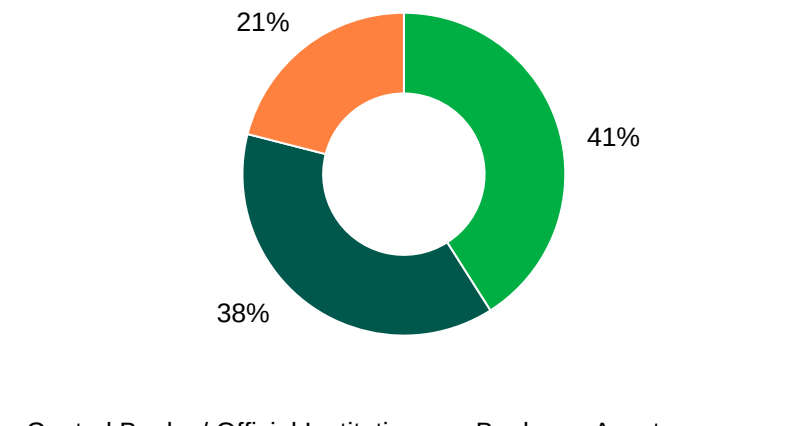
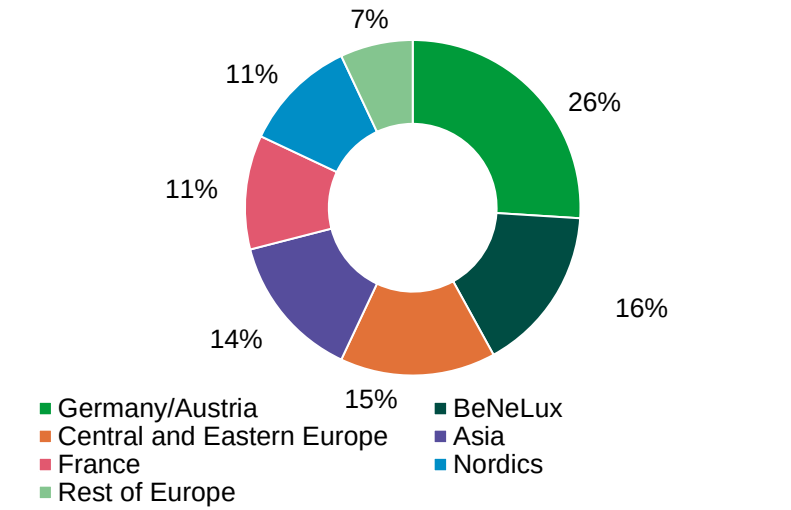
Appendix 16

7y EUR 500 million benchmark

- MuniFin priced its third benchmark transaction of 2021 on 14 April 2021.
- The bond is a 7-year EUR 500 million note due 21 April 2028.
- The joint lead managers were Danske, LBBW, Morgan Stanley and Nordea.
- The benchmark was priced at mid swaps -6 bps and pays an annual coupon of 0%. The spread over the DBR 0.50% due 15 February 2028 was 30.3bps.
- The final order book stood at EUR 732 million (ex. JLM orders). A total of 33 investors participated in the transaction with 86% allocation to European and 14% to Asian investors. Central banks took the largest 41% allocation and banks were a close second with 38% allocation. The final 21% allocation went to asset managers.





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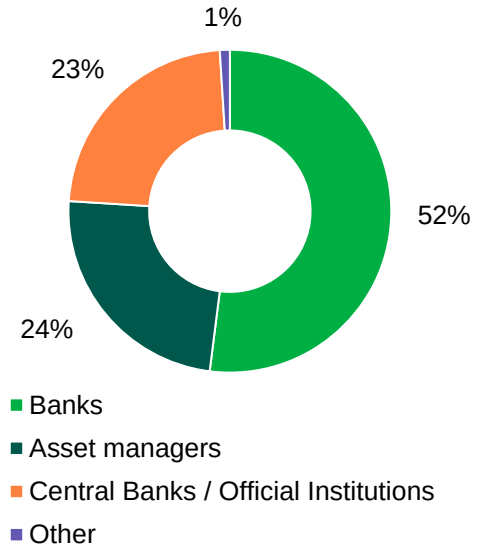
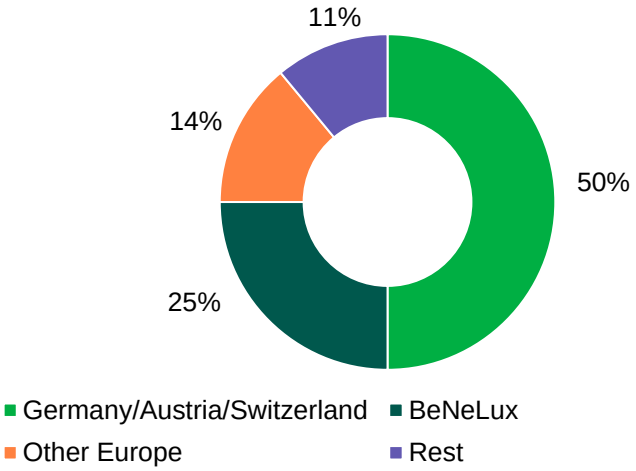
Appendix 17

10y EUR 1 billion benchmark

- MuniFin priced its second benchmark transaction of 2021 on 23 February 2021.
- The bond is a 10-year EUR 1 bn note due 2 March 2031.
- The joint lead managers were Barclays, Citi, HSBC and Swedbank.
- The benchmark was priced at mid swaps -3 bps and pays an annual coupon of 0%. The spread over the DBR 0% due February 2031 was 28.7 bps.
- The benchmark quickly gathered an orderbook above EUR 3.8 billion, which is one of the largest in MuniFin's history.
- 106 investors participated in the transaction with 89% allocation to European investors and 52% allocation to bank treasuries, 24% to asset managers and 23% to central banks and other official institutions.





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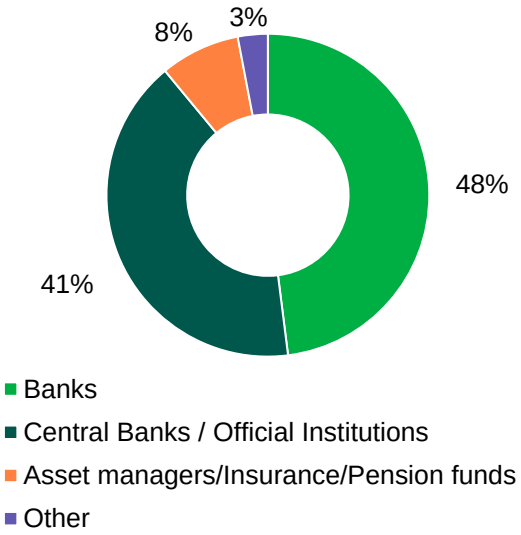
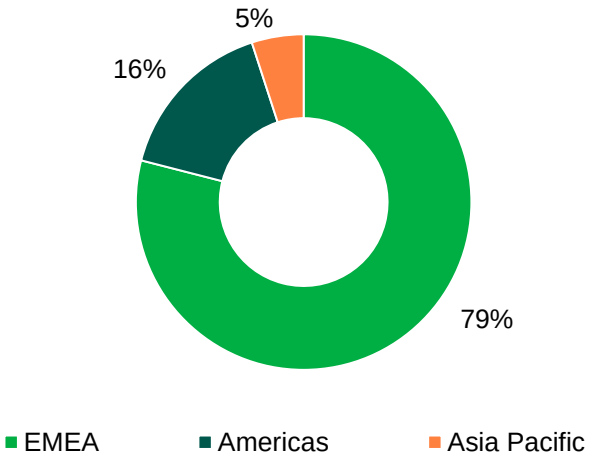
Appendix 18

Long 5y USD 1.5 billion benchmark

- MuniFin kicked off 2021 with a USD denominated benchmark transaction on 12 January 2021.
- The bond is a long 5-year USD 1.5 bn note due 20 March 2026.
- The joint lead managers were Bank of America, Goldman Sachs, JP Morgan and TD.
- The final order book was over USD 3.1 billion and the benchmark was MuniFin's largest USD benchmark since 2013.
- The benchmark was priced at MS+8bps, with central banks and official institutions taking over 40% of the final allocations. Geographically, EMEA took the bulk with 79% of the allocations, supplemented by Americas (16%) and Asia (5%).
- The benchmark pays an annual coupon of 0.625%. The spread over the CT5 was 17.78 bps.





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Appendix 19

MuniFin Additional Tier 1 Capital Transaction

- On 16th September 2015, Municipality Finance Plc ("MuniFin") announced a series of investor meetings in connection with the launch of their inaugural Additional Tier 1 Capital transaction.
- This transaction is the first publicly distributed AT1 instrument from a public sector entity in Europe, and achieved a new pricing milestone for this product in terms of lowest offered coupon
- The securities were issued to ensure that MuniFin complies with leverage ratio requirements, well ahead of anticipated entry into force in 2018. MuniFin's leverage ratio at 30 June 2015 stood at 1.9%
- The securities are expected to be rated BBB+ by S&P which makes the securities the highest rated AT1 in the market, due to the high quality nature of the credit
- Goldman Sachs International acted as joint bookrunner on this transaction together with Barclays, BNP Paribas and Nordea Markets

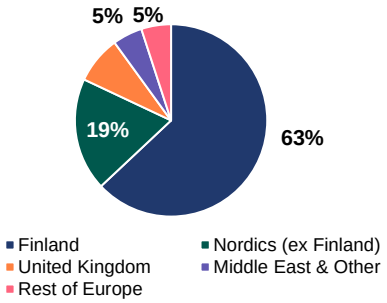
Structure

- The securities are EUR denominated (RegS format) and feature a fixed coupon of 4.500% up to but excluding the First Call Date (1st April 2022). The coupon will reset every 5 years thereafter (non-step up). They also feature a 5.125% CET1 trigger (Issuer and Group) with temporary write-down loss absorption

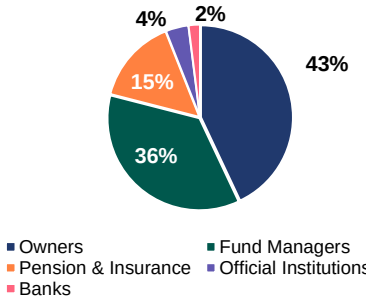
Execution

- Following a three-day constructive roadshow in London, Amsterdam, Zurich, and the Nordic region, MuniFin launched a € RegS PNC6.5 on Thursday 24th September 2015
- Investor feedback throughout the roadshow was very supportive, leading syndicates to enter the market with IPTs of high 4% for a no-grow €350mm trade
- Following tightening guidance to 4.625% area, the Lead Managers finally printed a €350m transaction at MS+396bps on the back of a substantially oversubscribed orderbook

Distribution by Geography



Distribution by Type



Issuer:	Municipality Finance Plc (Kuntarahoitus Oyj)
Pricing Date:	24th September 2015
Instrument:	Perpetual Fixed Rate Resettable Additional Tier 1 Securities
Issuer Ratings:	Aaa / AA+ (Moody's / S&P)
Expected Issue Rating:	BBB+ (S&P)
Issue Size:	€350m
Maturity & Non Call Period:	Perpetual NC6.5
Coupon	The coupon is fixed until the First Reset Date and then reset every 5 years thereafter (non-step up) First Reset Date: 1 April 2022 and will be fully discretionary non-cumulative, payable annually in arrears, with a short first coupon
Interest Cancellation	Coupon payment is at the full discretion of the Issuer. Mandatory cancellation upon insufficient Distributable Items, Maximum Distributable Amount to be exceeded or otherwise so required by the CRD IV, including the applicable criteria for Additional Tier 1 Capital instruments. Non-cumulative
Trigger Event	Common Equity Tier 1 Ratio of the Issuer on an unconsolidated basis and/or the Group on a consolidated basis is less than 5.125%
Write-Down and reinstatement	Upon a Trigger Event, the Prevailing Outstanding Amount will be written by the relevant Write-Down Amount. Following a Write-Down the Issuer may, at its discretion, reinstate some or all of the Original Principal Amount of the Securities, subject to compliance with the Relevant Rules and the Reinstatement Limit on a pro-rata basis with the reinstatement of all other Equal Trigger Instruments (if any)
Optional Redemption	1st April 2022 ("First Call Date") and any Interest Payment Date thereafter, at the Original Principal Amount, subject to the Conditions to Redemption and Purchase
Special Event Redemption	The issuer may redeem the Securities at the Prevailing Outstanding Amount upon the occurrence of a Capital Event (exclusion in whole or in part of Additional Tier 1 Capital) or a Tax Event (future additional amounts or loss of interest deductibility) (each a "Special Event"), subject to the Conditions to Redemption and Purchase
ISIN:	XS1299724911

Source: Bloomberg, Company Press Releases as of 24 September 2015

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