

# MuniFin investor presentation

May 2024

MuniFin



# Agenda

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

# MuniFin and the set-up of the Finnish public sector

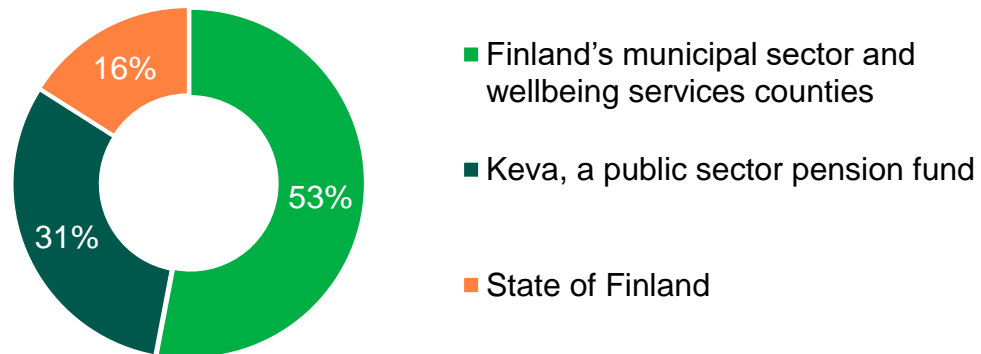


# MuniFin in brief

The leading provider of financial services to Finland's municipal sector, wellbeing services counties sector and affordable social housing

- Bloomberg ticker: KUNTA
- 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\*

Moody's  
**Aa1 (Stable)**

S&P  
**AA+ (Stable)**

## ESG ratings\*

ISS ESG

**C Prime**  
Ranking

Top 20% of 136 companies

Sustainalytics

**7.0 Negligible Risk**  
Ranking

Banks 13/1051

S&P Global

**ESG score: 37/100**  
Ranking

Percentile 85

MSCI

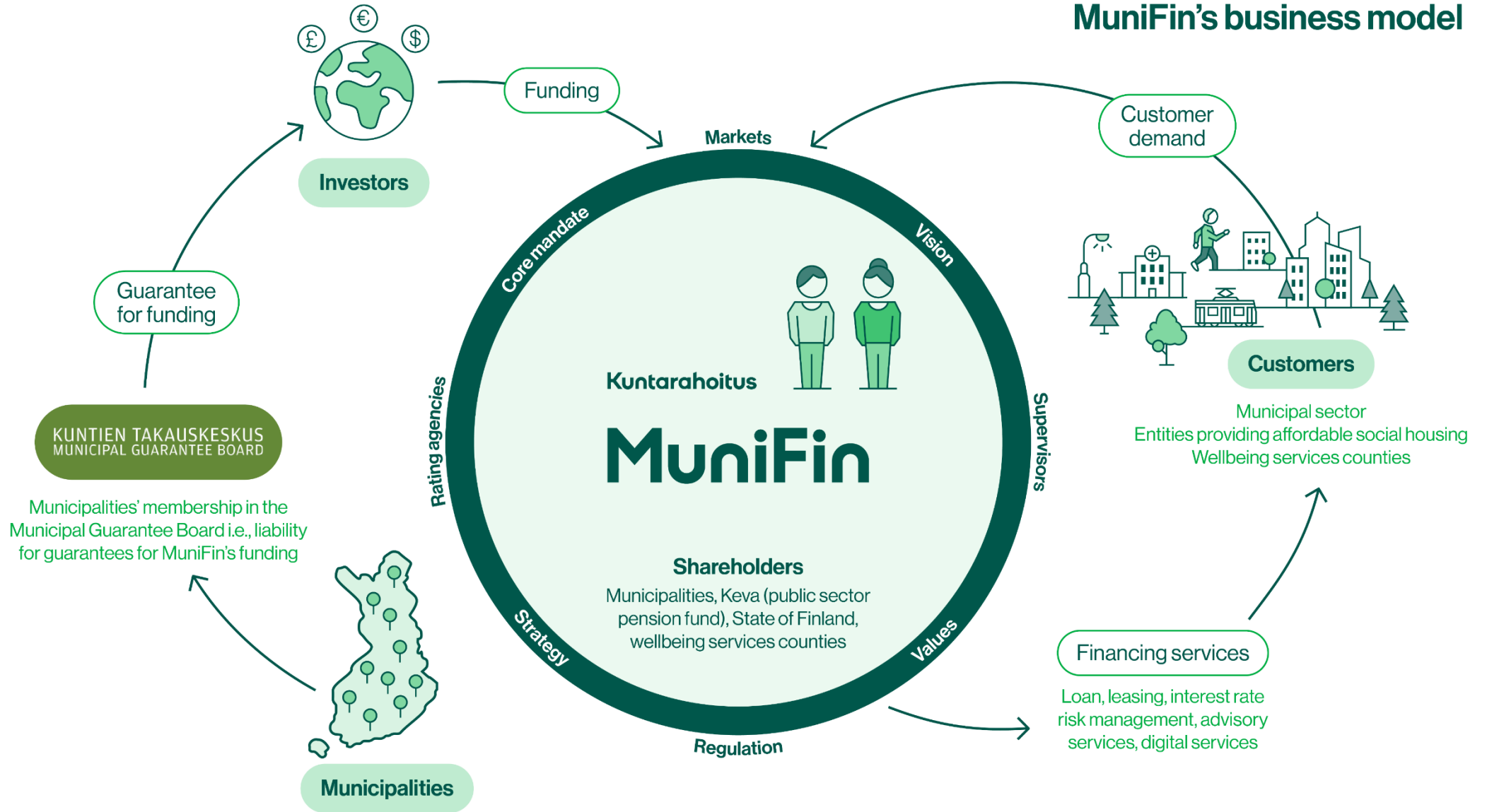
**AA**  
Ranking

Top 36% of 62 companies

\*Please find more information about our credit and ESG ratings on our webpage here: <https://www.munifin.fi/investor-relations>



# MuniFin's business model



# MuniFin's new Sustainability Agenda 2023

The Sustainability Agenda (10/2023) summarises the main themes and goals of our sustainability work. It focuses on the impacts that we can create in our value chain through our business operations. We aim to fulfil our role in a manner that ensures everyone's wellbeing while safeguarding the opportunities for future generations to meet their needs. The Sustainability Agenda is based on a materiality analysis we conducted in 2023 with our main stakeholders.

## Theme 1:

### Foundation of the Finnish welfare society

Our customers are tasked with organising the basic functions of society, such as health and social services, basic education and daycare, care for the elderly, affordable housing and various sports and cultural services. Our social finance projects promote equality, communality, welfare and regional vitality.

#### Goal:

Enabling the foundations for a sustainable welfare state

#### Indicator

- Amount of social finance

#### Target value

- 8% of the long-term customer finance portfolio

#### Target year

- 2030

## Theme 2:

### Driver of the green transition

The decisions, actions and investments of our customers make a great difference to the achievement of Finland's sustainability goals and the progress of the green transition. Our green finance enables green investments, but also increases both our own and our customers' understanding of sustainable solutions. The first financed emissions goal that we are setting is for buildings. To meet our goal, we must achieve a 38% improvement from the 2022 level by 2035.

#### Goal:

Promoting investments that benefit the climate and environment

#### Indicator

- Amount of green finance
- Financed emissions from buildings

#### Target value

- 25% of our long-term customer finance portfolio
- Emission intensity (buildings) 8 kgCO<sub>2</sub>e/m<sup>2</sup>

#### Target year

- 2030
- 2035

# Public sector and affordable social housing sector



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

Services provided:

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



**Currently 21 wellbeing services counties\* and additionally joint county authorities for wellbeing services and corporate entities under their control**

Services provided:

- Health and social services
- Fire and rescue services



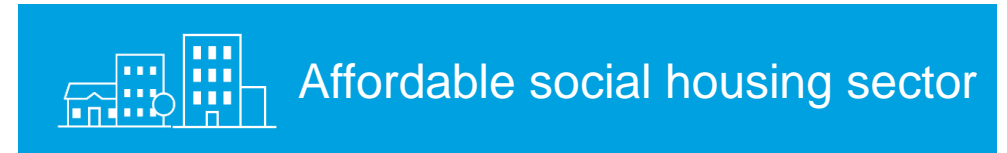
**Currently 309 municipalities\*\* and additionally joint municipal authorities and corporate entities under their control**

Services provided:

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

\*In addition Helsinki will organise its own health, social, fire and rescue services

\*\*293 mainland municipalities



**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 provides 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.

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



## 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



## Strong revenue base

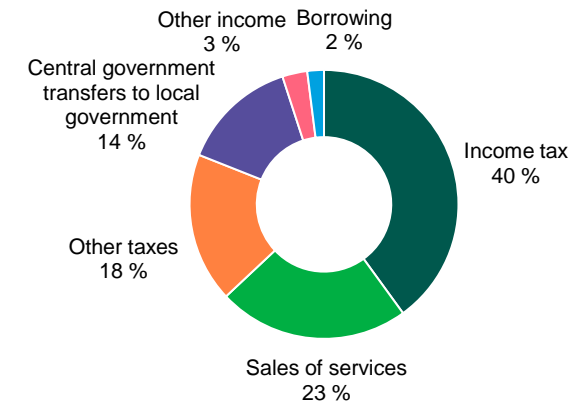
- Municipalities have an unlimited right to levy taxes on their inhabitants (municipal tax rate)
- Other revenues taxation related charges from service production



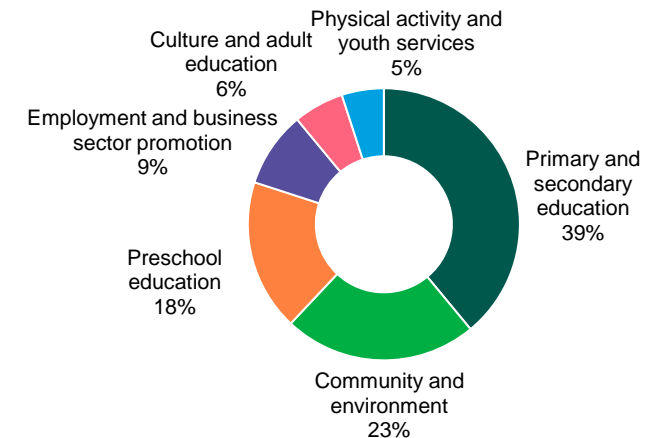
## Budget Control

- 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 (ca. EUR 25 billion)



## Expenditures (ca. EUR 25 billion)





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



## 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 in proportion to their population figures 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

# Long-term customer financing

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

## Customers

- Municipalities
- Joint municipal authorities
- Wellbeing services counties and joint county authorities for wellbeing services
- Corporate entities under the control of the above-mentioned organisations
- Non-profit organisations and projects nominated by the Housing Finance and Development Centre of Finland (ARA)

## Long-term customer financing

# 32.0

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 organisations and projects nominated by the Housing Finance and Development Centre of Finland (ARA) 48%
- Municipalities 30%
- Corporate entities under the control of municipalities 11%
- Wellbeing services counties 10%
- Joint municipal authorities 1%

All customer financing carries a BIS

# 0%

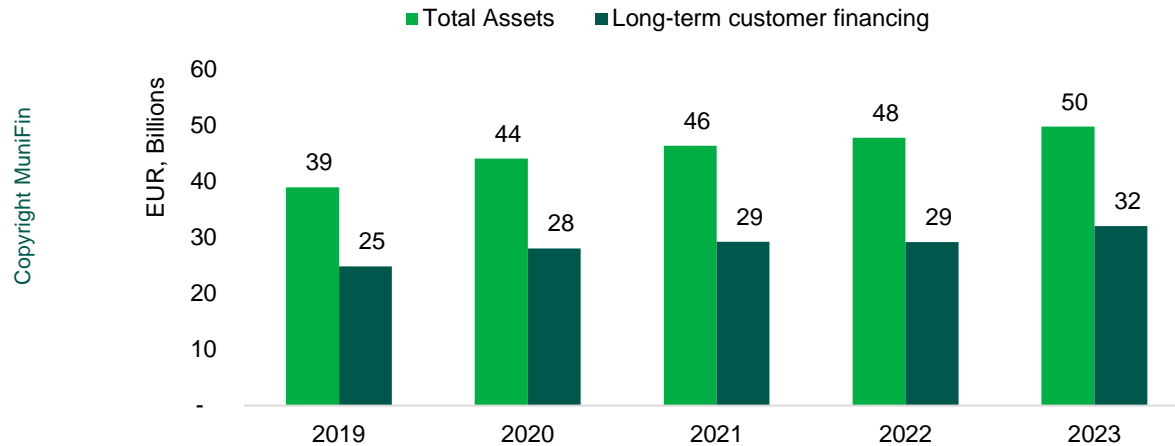
risk weighting

## Guarantee

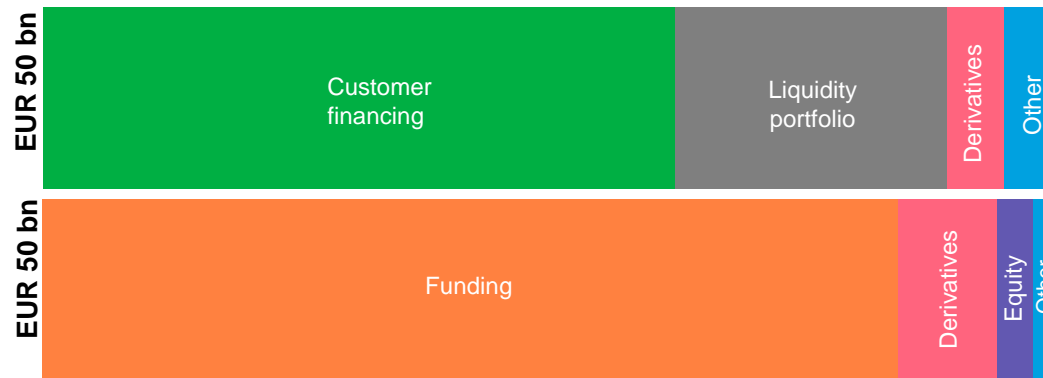
All customer financing is direct municipal or wellbeing services counties risk or is guaranteed by a municipality, a wellbeing services county, a joint municipal authority, a joint county authority for wellbeing services or central government (deficiency guarantee).

# Financial performance 2023

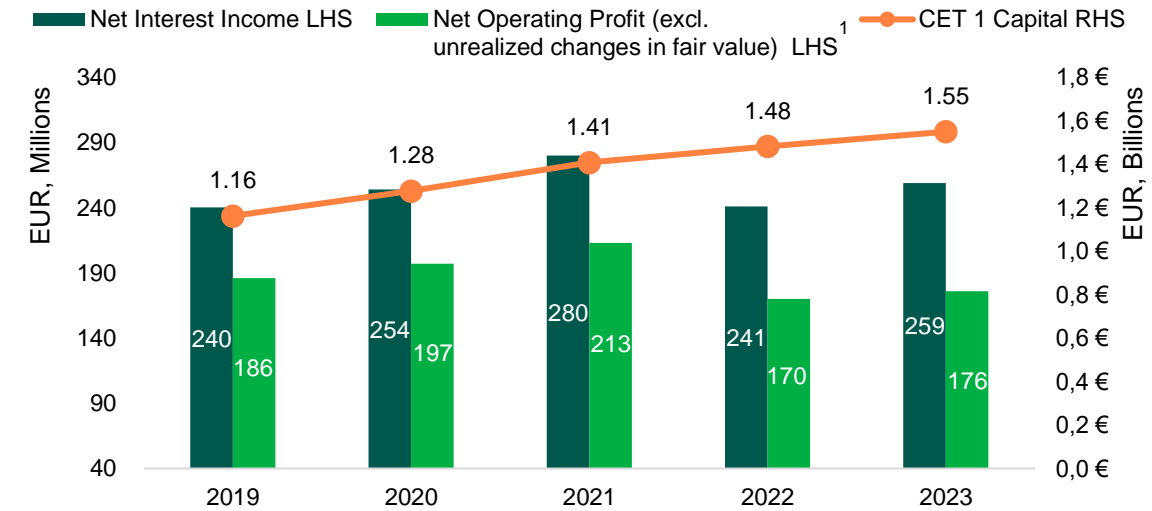
## Business remained stable despite turbulent operating environment



## Balance sheet totaled EUR 50 billion



## Solid capital adequacy and leverage ratio



Cost-to-Income Ratio <sup>1</sup>	29.9%	21.6%	21.7%	23.9%	32.4%
Return on Equity <sup>1</sup>	6.8%	9.4%	10.7%	9.9%	6.6%
Leverage Ratio <sup>2</sup>	4.0%	3.9%	12.8%	11.6%	12.0%
CET1 Ratio <sup>2</sup>	83.1%	104.3%	95.0%	97.6%	103.4%






<sup>1</sup> Alternative performance measure. More information on alternative performance measures can be found in the Annual Report/Board of Directors Report.

<sup>2</sup> Figures for 2021, 2022 and 2023 are calculated in accordance with CRR II. Comparison periods have not been restated to reflect the updated capital requirements regulation.

# Operations rely on low risk appetite

## MuniFin's risk pillars

## Objectives and related measures

 <p>Profitability &amp; Capital</p>	<p><b>A sufficient level of earnings, profitability and capital</b></p>
 <p>Liquidity &amp; Funding risks</p>	<p><b>An adequate liquidity buffer and a sustainable funding position and profile</b></p> <ul style="list-style-type: none"> <li>• Well diversified short- and long-term funding sources</li> <li>• Well-balanced, low risk liquidity portfolio with a high ratio of HQLA</li> <li>• 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</li> <li>• Secondary source of funding: Monetary policy counterparty of the Bank of Finland</li> </ul>
 <p>Credit risks</p>	<p><b>Sound credit risk profile appropriate for MuniFin's business model</b></p> <ul style="list-style-type: none"> <li>• All customer financing is direct municipal or wellbeing services counties risk or is guaranteed by a municipality, a wellbeing services county, a joint municipal authority, a joint county authority for wellbeing services or central government (deficiency guarantee)</li> <li>• All customer financing carries a 0% risk weighting in capital adequacy calculations</li> <li>• Liquidity portfolio rating target AA+ (single issuer minimum rating requirement A-)</li> <li>• Derivative counterparty minimum rating requirement A- (with minor exceptions)</li> <li>• 0/0 threshold two-way CSAs with daily collateral management</li> </ul>
 <p>Market risks</p>	<p><b>Sound market risk profile appropriate for MuniFin's business model</b></p> <ul style="list-style-type: none"> <li>• Funding and liquidity portfolio investments are as a norm back-to-back hedged to floating rate EUR</li> <li>• Customer financing is all in EUR and as a norm hedged to floating rate</li> </ul>
 <p>Operational risks</p>	<p><b>Effective operational control and compliance to support functional and responsible operations</b></p> <ul style="list-style-type: none"> <li>• Objective is to minimize operational risks related to business and operations by carefully identifying and analyzing the impact and probability of the risks</li> </ul>

# Strong liquidity position

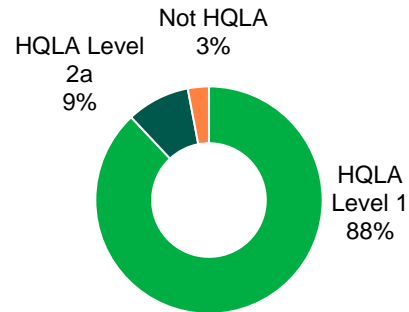
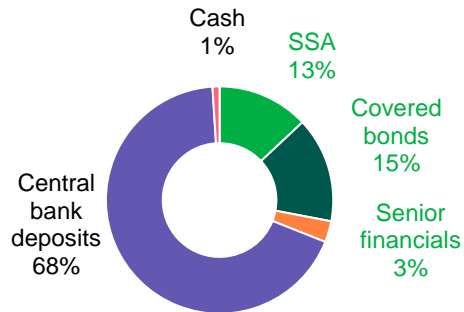
## Liquidity Portfolio

# 11.6

## 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



## Security investments in the liquidity portfolio (3.6 bn EUR)

### Guided by MuniFin's Sustainable Investment Framework

- 1 Investment/Issuer selection, exclusion and controversy monitoring
- 2 Applying issuer-level ESG management to the portfolio management process covering the entire portfolio
- 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 of security investments held over that of benchmark index

Size of thematic investment portfolio

## 635

EUR, million



# The Finnish economy and economic outlook



# Highlights of the Finnish economy



**5.5 million**  
People



**54 890 US\$**  
GDP per capita



**2.9 % of GDP**  
Above average gross  
domestic spending on R&D



**By 2035**  
Aims to be carbon neutral

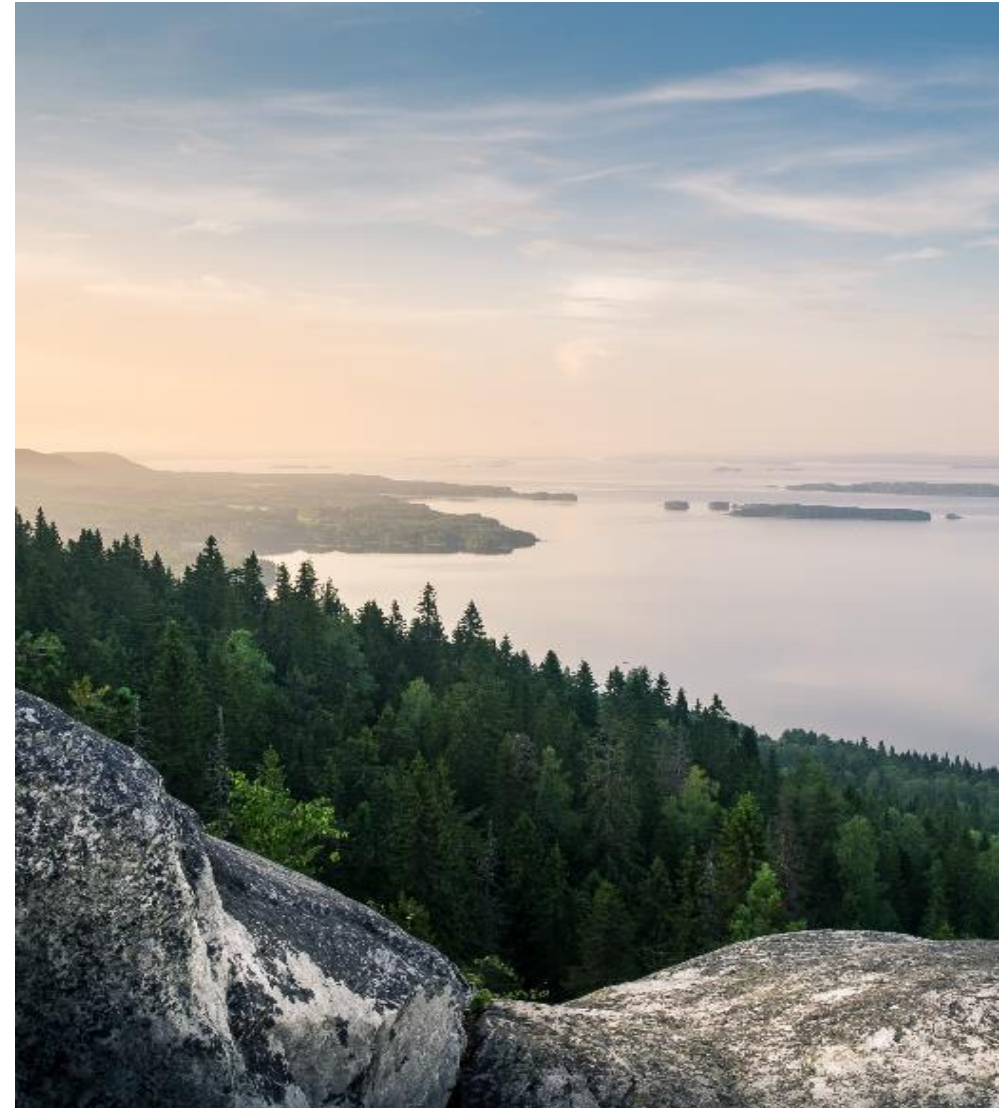


**Machinery, Electrical equipment, Paper and Metal products**  
Largest manufacturing sectors

#1

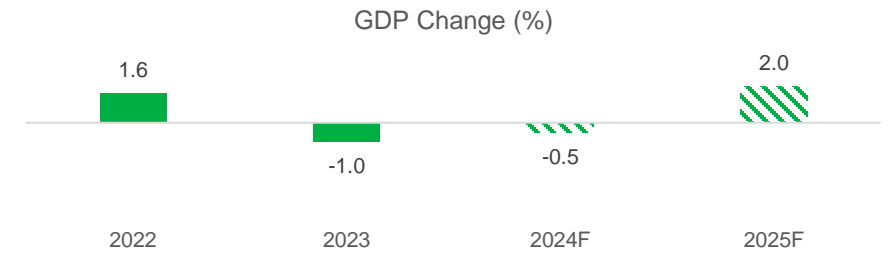


- **Happiest** country in the world six years in a row
- The most **stable** country in the world
- One of the top OECD countries in **education**
- The best **governance** in the world
- The **water** richest country in the world
- The most **forests** in Europe
- Finns drink most **coffee** per person in the world

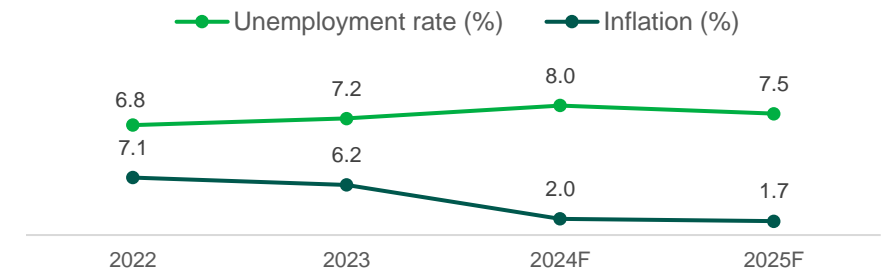


# Economic outlook of Finland

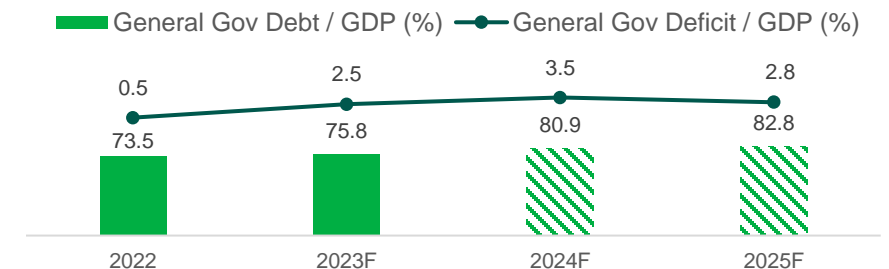
- Finland's economy is currently experiencing a mild recession fueled by a slowdown in housing construction, weak consumer confidence and struggling exports.
- The unemployment rate is forecast to rise only moderately, but there are upward risks associated with unemployment. On the other hand, consumer price inflation seems to be slowing down somewhat faster than MuniFin's previous estimates.
- MuniFin expects a positive turn in the economy to occur around mid 2024 driven by private consumption and net exports.
- Finland's debt/GDP level is comparably low – even after the unavoidable rise in debt due to the pandemic as well as the uncertain geopolitical landscape.



Source: Statistics Finland and MuniFin



Source: Statistics Finland and MuniFin



Source: Statistics Finland and Ministry of Finance

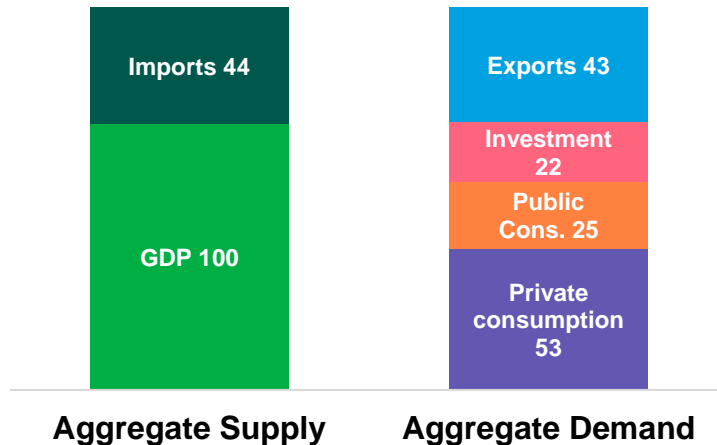
# The Finnish Economy

## Know-how intensive production base

- Services account for ca. 70 % of GDP

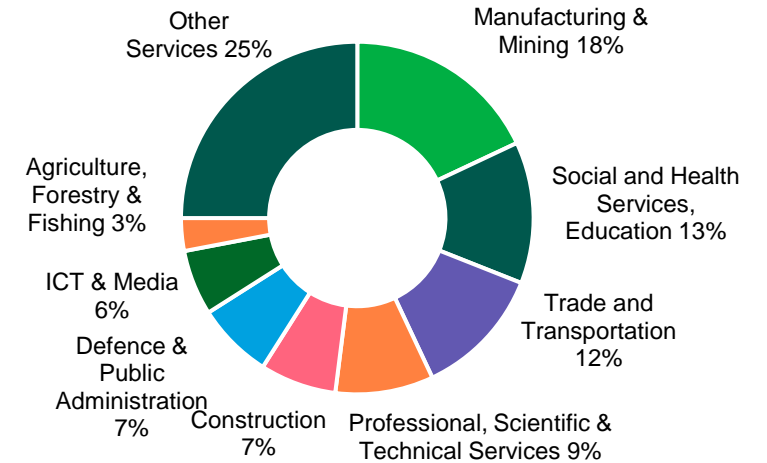
## Trade oriented open economy - export-to-GDP ca. 43 %

- Exports largely made up of investment goods and intermediate products
- Services' share of total exports doubled since 2007-2008
- Roughly 56% of exports inside the EU. Largest trading partners (export and import) being Sweden, USA, Germany, Netherlands and China.



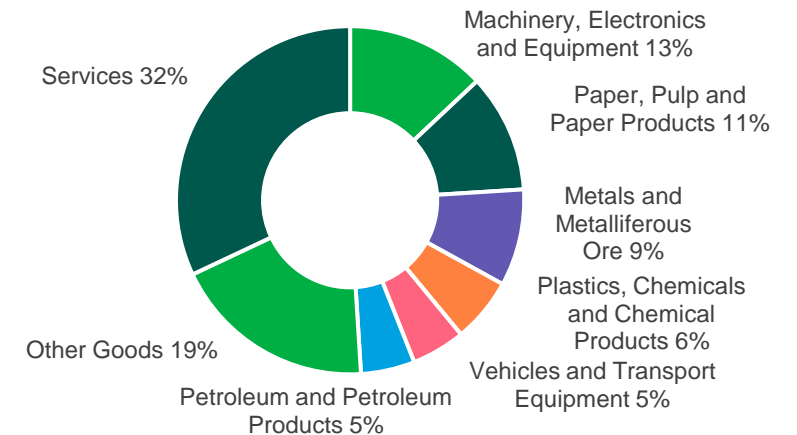
Source: Statistics Finland, MuniFin  
Finland Supply and Demand 2023 GDP=100

## Finnish GDP by Sector 2022



Source: Statistics Finland, Macrobond, MuniFin

## Finnish Exports 2022



Source: Statistics Finland, Finnish Customs, Macrobond, MuniFin



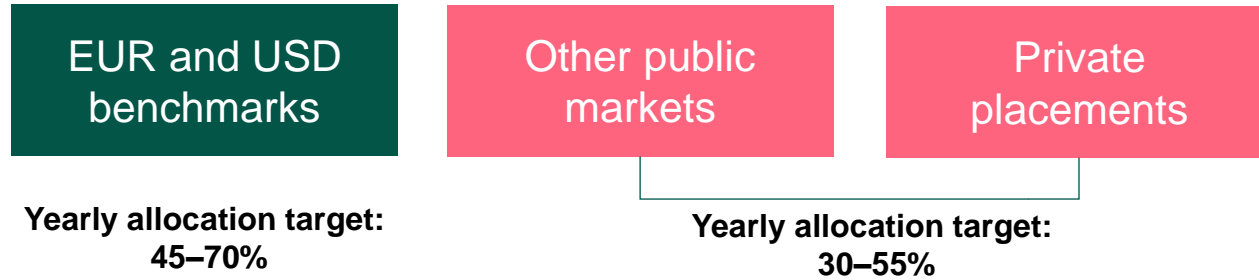
# Funding operations



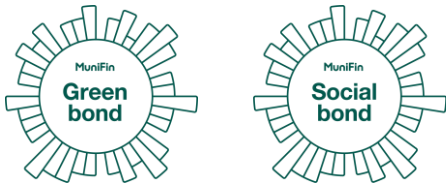


# Funding Strategy

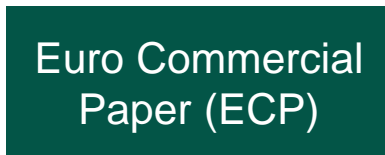
## Long-term funding



Green and social bonds can be issued in all funding markets

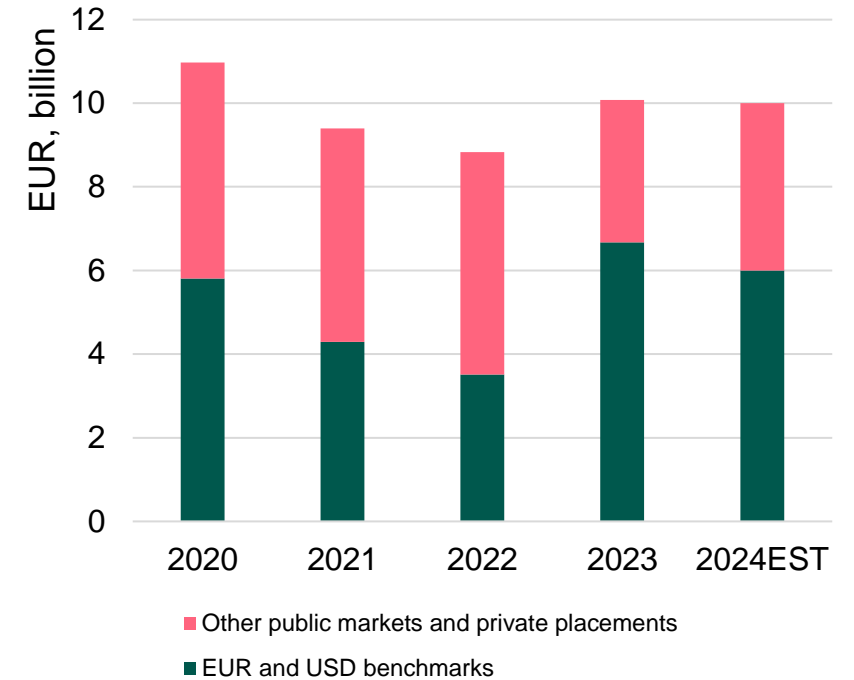


## Short-term funding



Outstandings  
2.5–4.5 bn

## Long-term funding program

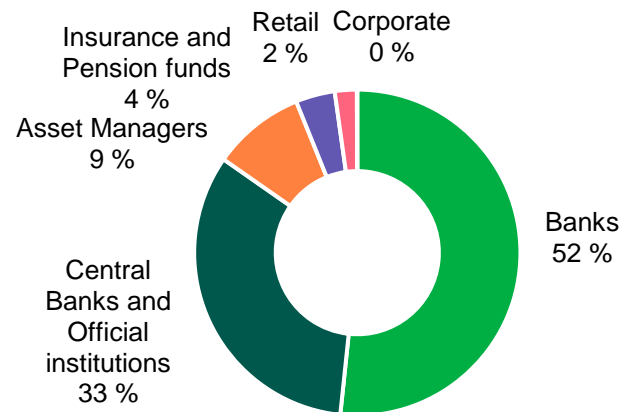


**BIS 0%** risk-weighted

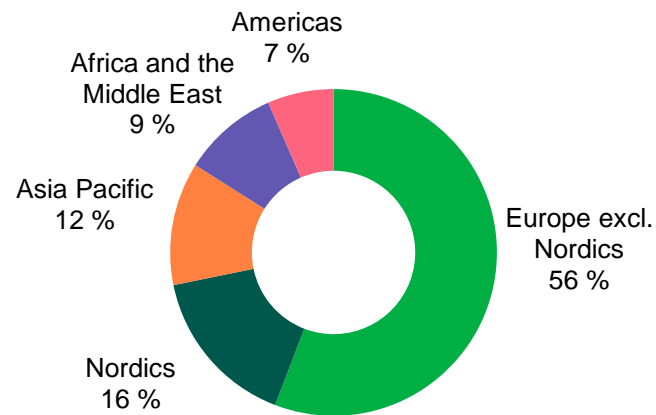
**LCR HQLA Level 1 asset** in the EU area and Switzerland

# Funding breakdown 2023

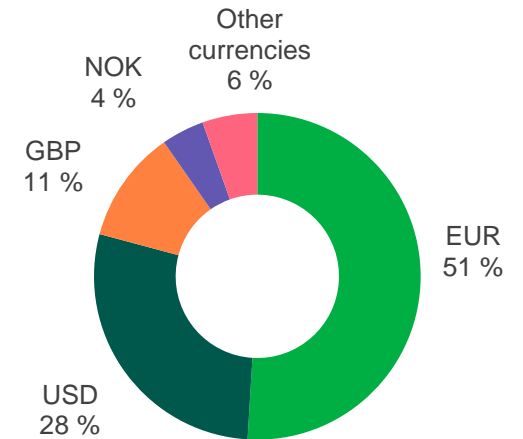
## Funding by investor type



## Funding by region



## Funding by currency



# Successful public market strategy

## EUR and USD benchmarks



EUR FIXED BENCHMARKS 18.45 bn

11/2024, 04/2025, 11/2026, 09/2027<sup>1</sup>, 01/2028, 04/2028, 09/2028<sup>1</sup>, 05/2029<sup>1</sup>, 09/2029<sup>1</sup>, 07/2030, 10/2030<sup>1</sup>, 03/2031, 02/2032, 02/2033, 02/2034, 09/2035<sup>2</sup>



USD FIXED BENCHMARKS 8.25 bn

03/2026, 09/2026, 01/2027, 04/2027, 08/2027, 12/2027, 01/2029

## Other public markets



AUD 400 m

02/2026, 07/2027, 08/2029



CHF 1 bn

09/2024, 03/2026, 08/2026, 06/2027, 06/2028, 03/2030, 08/2038



GBP 3.75 bn

12/2024<sup>1</sup>, 06/2025, 12/2025, 01/2026, 07/2027, 10/2028



NOK 30.85 bn

09/2024, 01/2025, 01/2026, 03/2026, 09/2026, 01/2027, 04/2027, 08/2027, 04/2028, 02/2029<sup>2</sup>, 04/2037

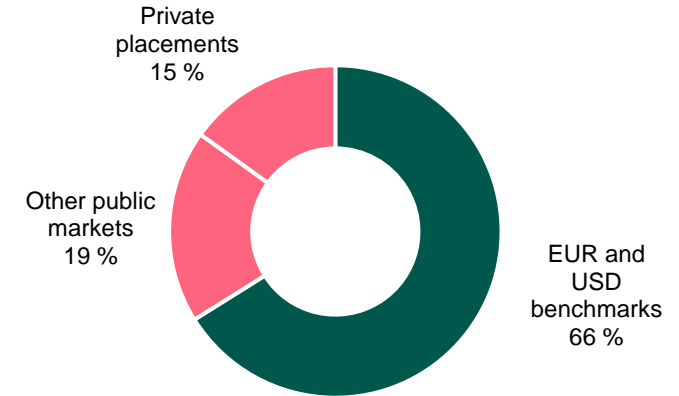


NZD 150 m

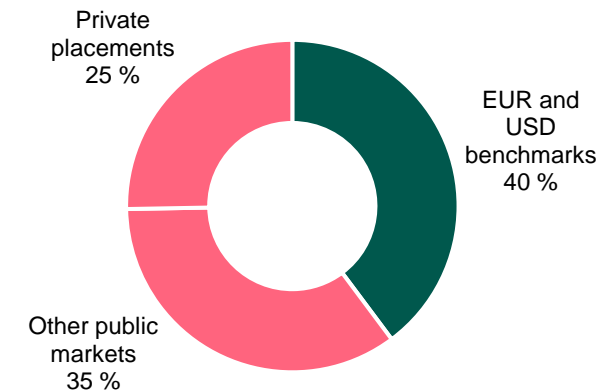
05/2026

1 Green bond  
2 Social bond

## 2023

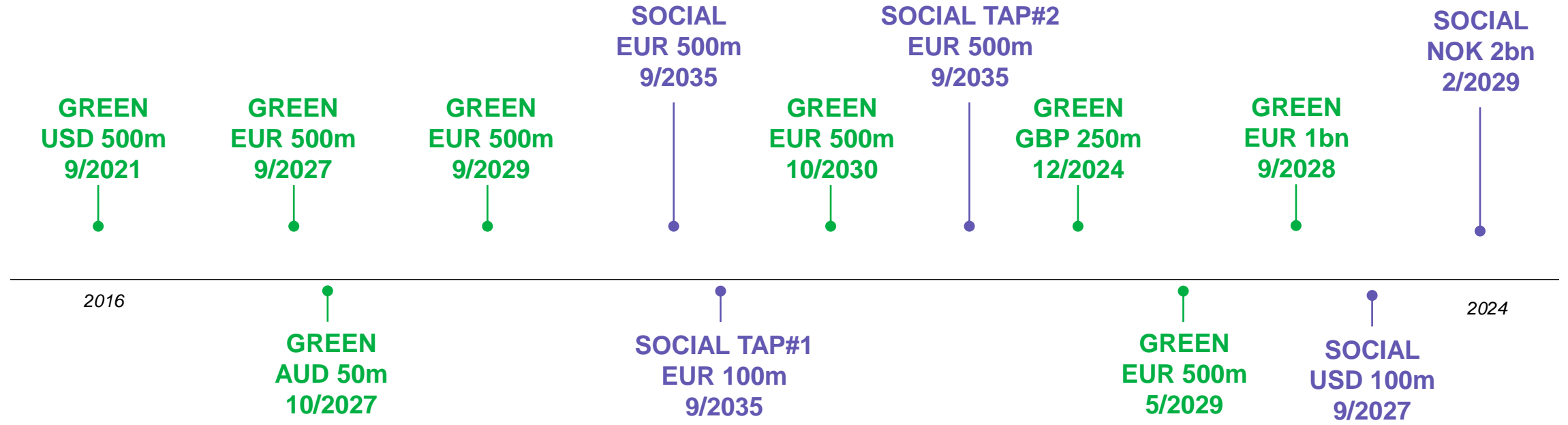


## 2022



# Green and social bond timeline

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MuniFin



Outstanding green bonds

**7**

3.3  
EUR, billion



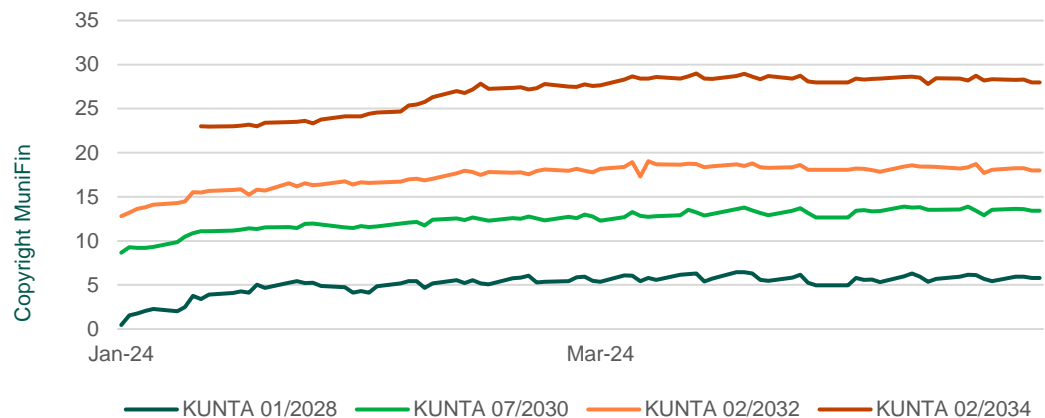
Outstanding social bonds

**3**

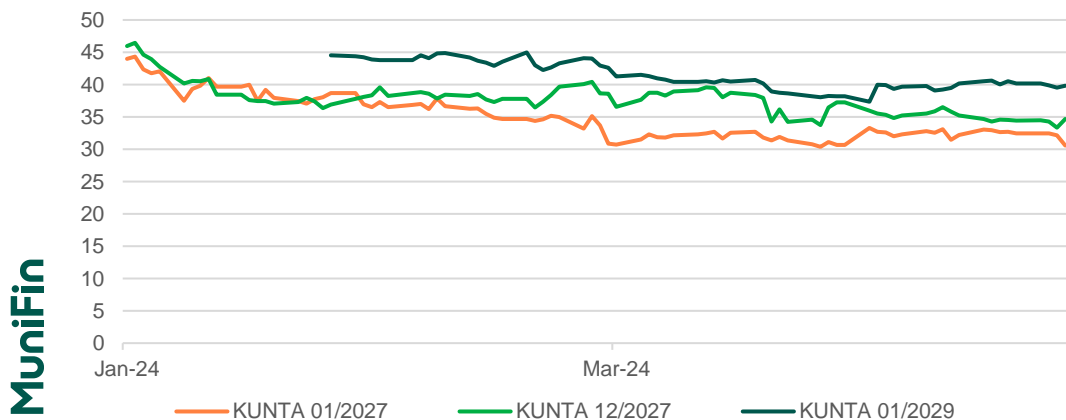
1.4  
EUR, billion

# Secondary market of EUR and USD benchmarks

Mid ASW spreads of selected MuniFin EUR benchmarks



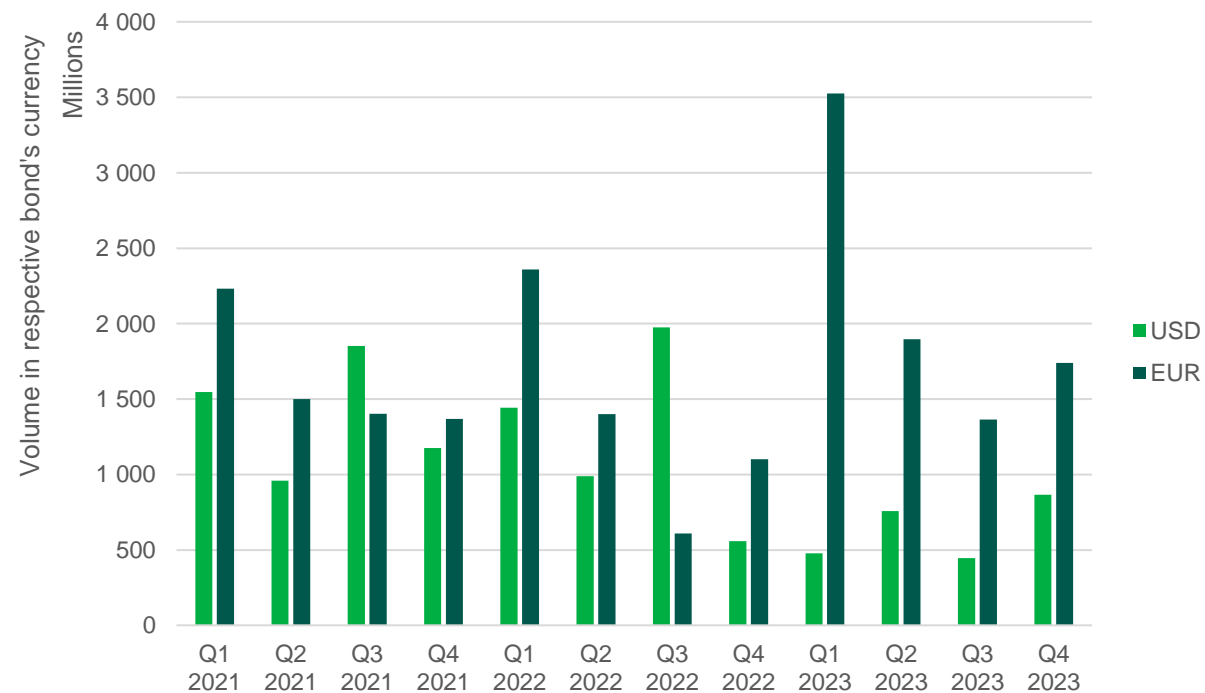
Mid ASW spreads of selected MuniFin USD benchmarks



Source: Bloomberg 25 April 2024

## 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 2024. This data is based on quarterly secondary turnover data received from the dealer banks.



# Green and social bonds



# MuniFin's finance addresses SDG-related challenges in Finland





## 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

# MuniFin's green and social bonds



- First pure Finnish Green Bond issuer in 2016
- Outstanding amount of green bonds 3.3 billion € equivalent\*
- Outstanding amount of green finance 4.8 billion €\*\*
- Green Bond Framework (updated in August 2022) 
  - Prepared in accordance with ICMA GBP
  - Internal Green Finance Team
  - Customer margin discount 
- Second opinion
  - Cicero Shades of Green: Medium Green & Excellent Governance score
- Annual allocation and impact reporting



- First Nordic SSA Social Bond issuer in 2020
- Outstanding amount of social bonds 1.4 billion €\*
- Outstanding amount of social finance 2.2 billion €\*\* 
- 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 April 2024

\*\*As of 31 December 2023

# The updated Green Bond Framework 2022



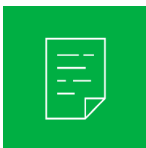
## Transparency on criteria

- More transparency provided on the eligibility criteria of projects
  - The EU Taxonomy has been considered as a guiding tool in defining the eligibility criteria
- Introduction of non-compulsory criteria to facilitate further integration of the EU Taxonomy



## Structure

- Project categories have been preliminarily mapped to the EU Taxonomy climate change mitigation activities
- The amount of project categories streamlined
- Biodiversity and climate change adaptation measures are introduced as sub-categories
- Project approval is now made by MuniFin's internal sustainability experts
- Introduction of annual post-issuance review



## Second opinion

- Cicero Shades of Green has provided a second opinion
  - Medium Green shading and Excellent Governance score
  - EU Taxonomy assessment

## EU Taxonomy preliminary mapping of economic activities for climate change mitigation (EU environmental objective 1)

### 1. Buildings

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- 7.1 Construction of new buildings
- 7.2 Renovation of existing buildings
- 7.3 Installation, maintenance, and repair of energy efficiency equipment
- 7.5 Installation, maintenance, and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance, and repair of renewable energy technologies
- 7.7 Acquisition and ownership of buildings

### 2. Transportation

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- 6.1 Passenger interurban rail transport
- 6.3 Urban and suburban transport, road passenger
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicle
- 6.7 Inland passenger water transport
- 6.8 Inland freight water transport
- 6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities
- 6.11 Sea and coastal passenger water transport
- 6.13 Infrastructure for personal mobility, cycle logistics
- 6.14 Infrastructure for rail transport
- 6.15 Infrastructure enabling low-carbon road transport and public transport

### 3. Renewable energy

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- 4.1 Electricity generation using solar photovoltaic
- 4.3 Electricity generation from wind power
- 4.6 Electricity generation from geothermal energy
- 4.22 Production of heat/cool from geothermal energy
- 4.24 Production of heat/cool from bioenergy
- 4.25 Production of heat/cool using waste heat

### 4. Water and waste water management

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- 5.1 Construction, extension and operation of water collection, treatment and supply systems
- 5.2 Renewal of water collection, treatment and supply systems
- 5.3 Construction, extension and operation of waste water collection and treatment
- 5.4 Renewal of waste water collection and treatment

# Green finance in figures

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Outstanding amount of green finance

**4,795**

EUR million



Share of all long-term customer finance

**14.6**



Total committed green finance

**6,060**

EUR million



Green portfolio duration

**13** years



Number of green projects

**411**



Annual energy savings (avoided/reduced)<sup>1</sup>

**51,736** MWh



Annual CO<sub>2</sub> emissions avoided/reduced<sup>2</sup>

**81,366** tCO<sub>2</sub><sup>3</sup>



Annual amount of treated waste water in existing plants immediately after project completion

**25,894,417** m<sup>3</sup>

Annual amount of treated waste water with increased capacity in the future

**36,048,174** m<sup>3</sup>



Annual production of renewable energy

**107,003** MWh



Renewable energy production capacity

**54** MW

Figures based on the outstanding amount of green finance on 31 December 2023

<sup>1</sup> 51,736 MWh: Equals the annual consumption of about 2,970 electrically heated single-family houses (Source: Motiva)

<sup>2</sup> Calculated using the emission factor for electricity consumed in Finland (38 g CO<sub>2</sub>e/kWh, Fingrid). When calculated using the emission factor recommended by the Nordic Position Paper on Green Bonds Impact Reporting (191 g CO<sub>2</sub>e/kWh, 2024 draft), the figure stands at 84,096 tCO<sub>2</sub>. The emission factor's biggest impact is on the buildings category.

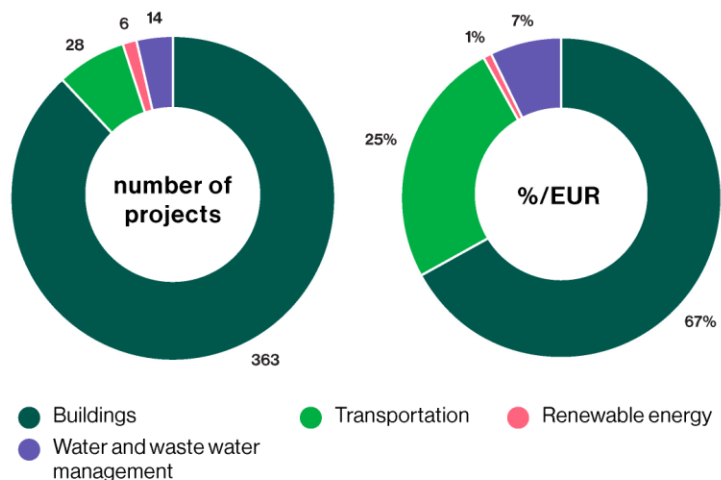
<sup>3</sup> 81,366 tCO<sub>2</sub>: Equals the average annual carbon footprint of about 7,900 Finns (Source: Sitra)

Read more:  
[MuniFin Green Impact Report 2023](#)



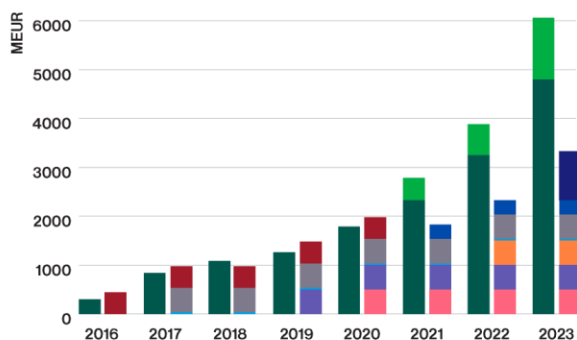
# Executive summary of Green finance

## Green finance project breakdown



- Buildings
- Transportation
- Renewable energy
- Water and waste water management

## Development of green finance and green bonds



- Outstanding amount of green finance
- Unwithdrawn credit commitments
- EUR 500M (10 / 2030)
- EUR 500M (9 / 2029)
- EUR 500M (5 / 2029)
- AUD 50M (10 / 2027)
- EUR 500M (9 / 2027)
- GBP 250M (12 / 2024)
- USD 500M (9 / 2021)
- EUR 1000M (9 / 2028)

Project category	Outstanding amount, EUR million	Annual CO <sub>2</sub> emissions avoided/reduced, tCO <sub>2</sub>	Impact, tCO <sub>2</sub> per EUR million
Buildings	3,213	5,710	2
Transportation	1,190	10,862	9
Renewable energy	38	64,794	1,705
Water and waste water management	354	-	0
<b>Total</b>	<b>4,795</b>	<b>81,366</b>	<b>1,716</b>

### Other impact indicators

Annual energy savings (avoided / reduced), MWh	51,736
Annual production of renewable energy, MWh	107,003
Renewable energy production capacity, MW	54
Annual amount of treated waste water in existing plants immediately after project completion, m <sup>3</sup>	25,894,417
Annual amount of treated waste water with increased capacity in the future, m <sup>3</sup>	36,048,174

### Impact attributable to green bond investors

Outstanding amount of green bonds divided by outstanding amount of green finance (in EUR) as of 31 Dec 2023. Capped at 100%.

Amount	ISIN	Issue date	Maturity date	Impact
500m EUR	XS2242924491	14 Oct 2020	14 Oct 2030	10.4%
500m EUR	XS2023679843	10 July 2019	6 Sept 2029	10.4%
500m EUR	XS2480922389	17 May 2022	17 May 2029	10.4%
50m AUD	XS1706174015	25 Oct 2017	25 Oct 2027	0,7%
500m EUR	XS1692485912	3 Oct 2017	7 Sept 2027	10.4%
250m GBP	XS2404205119	2 Nov 2021	16 Dec 2024	6.2%
1000m EUR	XS2590268814	22 Feb 2023	25 Sept 2028	20.9%

### Basic information

Green bonds frameworks applied to the green finance portfolio	MuniFin Green Bonds Framework August 2022, May 2019, November 2018, August 2017 and February 2016
Reporting period	The reporting is based on the green finance portfolio as at 31 Dec 2023
Report publication date	7 March 2024
Reporting frequency	Annual
Next report planned for	March/April 2025
Reporting approach	Portfolio-based and project-by-project reporting
Reporting framework	Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting (February 2020, next version to be published in the spring of 2024)



# Social finance in figures



Number of social projects

**123**



Outstanding amount of social finance

**2,234**

EUR million



Total committed social finance

**2,367**

EUR million



Social portfolio duration

**11** years



**Welfare**

Number of user and patient visits

**3,086,965**

Number of welfare service users reached

**6,100,625**

persons



**Social housing**

Number of apartments

**4,726**

of which housing for the most vulnerable population: **4,488**

Number of residents

**5,493**



**Education**

Number of students, pupils and children reached

**2,415**

Average class size

**19** pupils

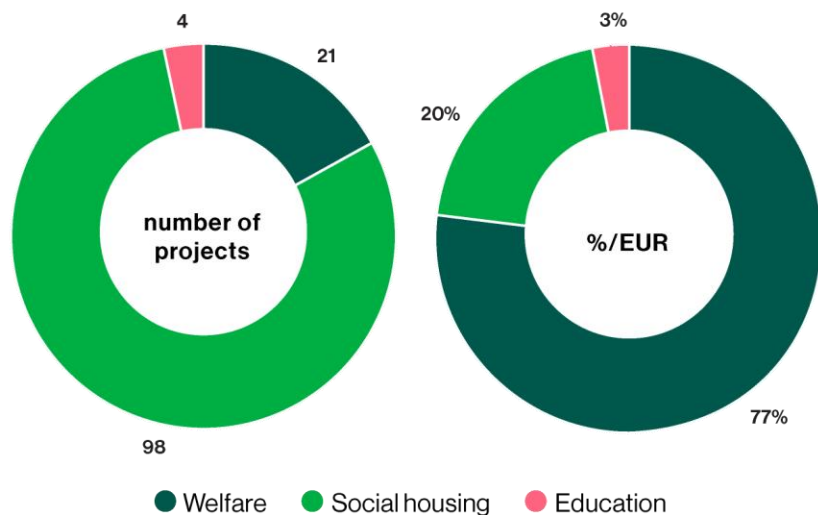


Figures based on the outstanding amount of social finance on 31 December 2023

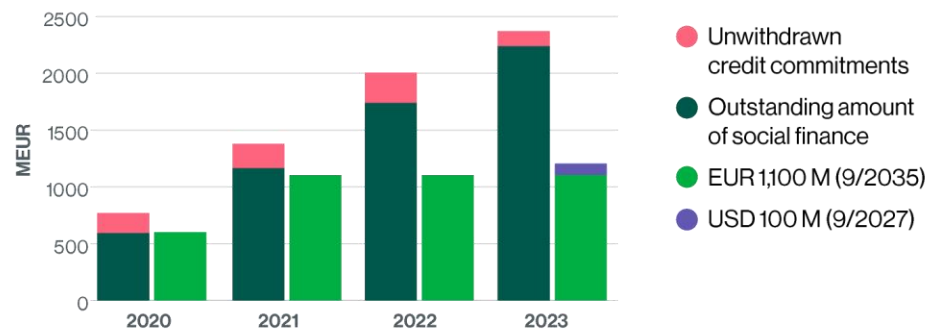
Read more:  
[MuniFin Social Impact Report 2023](#)

# Executive summary of Social finance

Social finance project breakdown



Development of social finance and social bonds



Project category	Outstanding amount, EUR million
Welfare	1,721
Social housing	454
Education	59
<b>Total</b>	<b>2,234</b>

Other impact indicators

Number of user and patient visits	3,086,965
Number of welfare service users reached	6,100,625
Number of residents	5,493
Number of apartments	4,726
Of which housing for the most vulnerable population	4,488
Number of students, pupils and children reached	2,415
Average class size, pupils	19

Impact attributable to social bond investors

53.4%

Outstanding amount of social bonds divided by outstanding amount of social finance (in EUR) as of 31 Dec 2023. Capped at 100%

Amount	ISIN	Issue date	Maturity date	
1,100m EUR	XS2227906034	10 Sept 2020/12 Oct 2021	10 Sept 2035	49.2%
100m USD	XS2675717917	1 Sept 2023	1 Sept 2027	4.2%

Basic information:

Social bonds frameworks applied to the social finance portfolio	MuniFin Social Bonds Framework as of February 2021
Reporting period	The reporting is based on the social finance portfolio as at 31 Dec 2023
Report publication date	7 March 2024
Reporting frequency	Annual
Next report planned for	March/April 2025
Reporting approach	Portfolio-based and project-by-project reporting
Reporting framework	ICMA Social Bond Principles (June 2021) and ICMA Handbook – Harmonised Framework for Impact Reporting (June 2022, when applicable)

Thank you



# Contact us

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# Appendices



# The Finnish healthcare and social services reform

On 1 January 2023, Finland's long-prepared health and social services reform became effective and the new wellbeing services counties began their operations. The operative work of the wellbeing services counties is being largely funded by the central government, but the counties have government authorization to acquire long-term funding for their investments. The counties can also seek short-term funding independently without government authorization.

MuniFin continued to act as a lender and counterparty to the loans and other liabilities that were transferred to the wellbeing services counties at the start of 2023. Legislation also allows MuniFin to finance new investments and other new financing needs by the wellbeing services counties. By virtue of a decision by the FIN-FSA, wellbeing services counties, similar to the central government and municipalities, will also fall in the zero-risk category in the capital adequacy regulation of credit institutions.

New financing to wellbeing services counties is currently affected by the fact that the wellbeing services counties are not liable for the guarantees for MuniFin's funding because, unlike municipalities, wellbeing services counties are not members of the MGB. For this reason, the MGB has set an annual limit to the amount of new financing MuniFin can grant to wellbeing services counties. In 2024, the MGB's limit for MuniFin's long-term loans to wellbeing services counties is EUR 400 million. MuniFin estimates the counties' financing needs to be higher than the limit. The MGB's limit for MuniFin's new short-term financing (i.e. commercial paper) to wellbeing services counties is EUR 900 million in 2024.

The long-term financial effects of the health and social services reform remain difficult to estimate. MuniFin's financing volumes will be affected by the wellbeing services counties' future level of investment, the limits set by the MGB and the fact that the operating expenses of the wellbeing services counties are covered from the central government's budget. In MuniFin's current financing operations, lending related to health and social services does not play such a role that changes in it would have a material impact on the Group's financial position 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/2/2024/03/MuniFin\\_Annual-Report\\_2023.pdf](https://www.kuntarahoitus.fi/app/uploads/sites/2/2024/03/MuniFin_Annual-Report_2023.pdf)

<https://www.kuntarahoitus.fi/app/uploads/sites/2/2023/05/MuniFin-EMTN-2023-Offering-Circular-Final-Version.pdf>



# 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, profitability and ESG. 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.

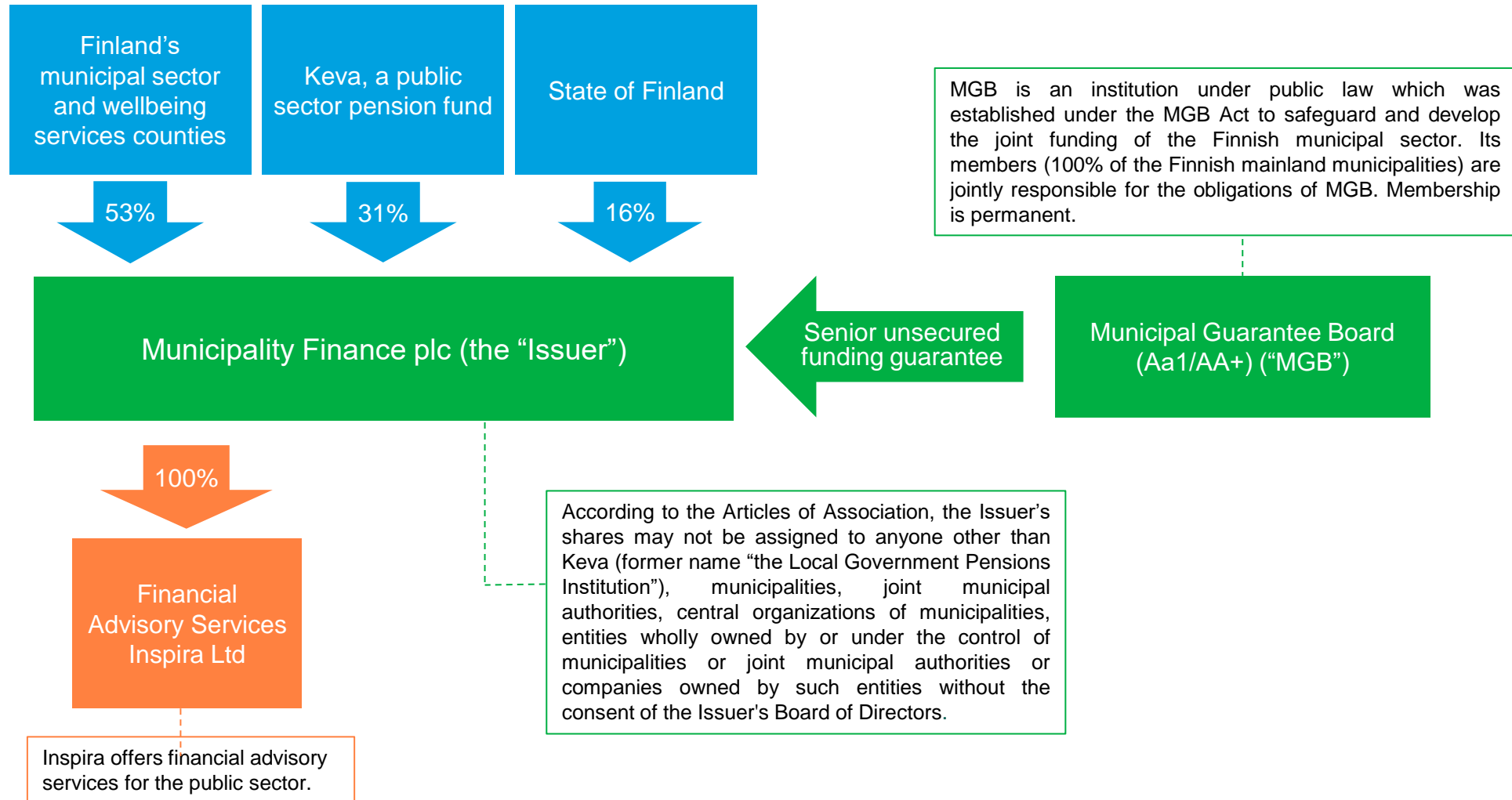
## Credit granting process

- 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 and ESG.
- 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.

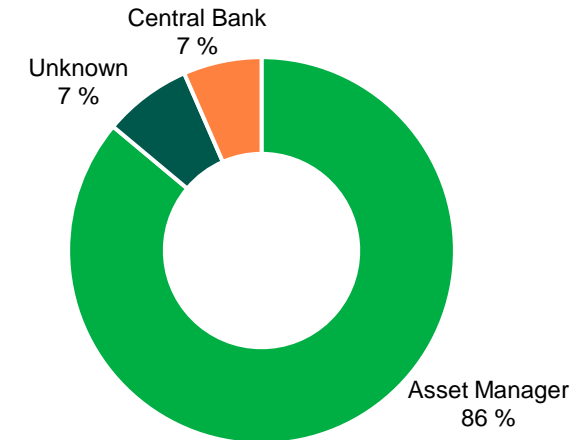
# Municipality Finance – Legal structure



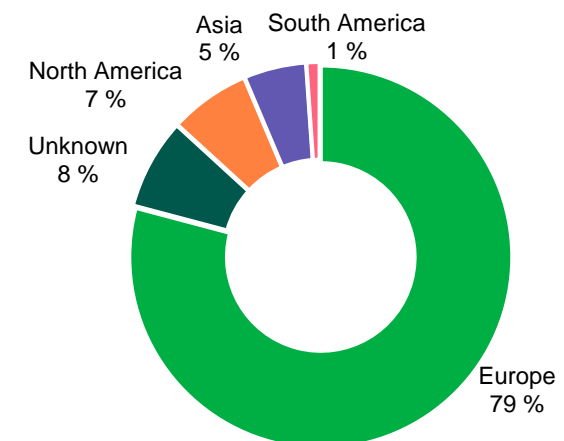
# MuniFin Euro-Commercial Paper (ECP) programme

- ECP issuance is MuniFin's primary tool for adjusting total liquidity in the short-term horizon. Total outstandings vary based on liquidity needs.
- MuniFin issues ECPs actively through its dealer banks and ECP levels are updated daily to match liquidity needs.
- The size of the programme (under English law) is EUR 10 billion.
- STEP-compliant since 2020.
- Outstandings at the end of 2023: EUR 4.1 billion.
- Main currencies: EUR, GBP and USD.  
- Also available: AUD, CAD, CHF, NZD, SEK.
- Dealers: BAML, Barclays, Bred, CA-CIB, Citibank, UBS and Rabobank.

Investor by type 2023



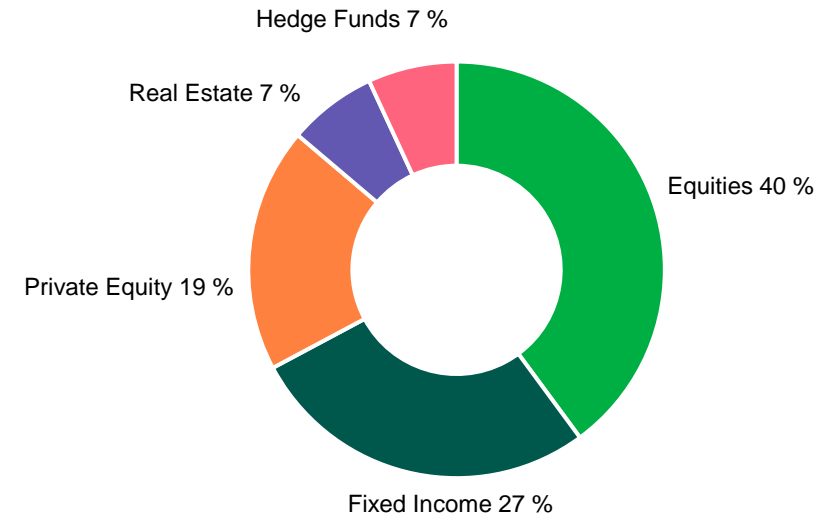
Investor by region 2023



# Keva – A public sector pension fund

- 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 EUR 65.7 billion. Largest pension fund in Finland.



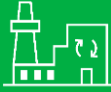





**Breakdown of investments**



# Green bond eligible project categories

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MuniFin

<b>Buildings</b> 	<b>Transportation</b> 	<b>Renewable energy</b> 	<b>Water and waste water management</b> 
<p>1.1a Buildings: EPC A</p> <p>1.1b Other buildings</p> <p>1.2 Renovations: Overall reduction in primary energy demand by at least 30%</p> <p>1.3 Individual energy efficiency measures</p> <p>1.4 Renewable energy in buildings</p> <p>1.5 Energy saving project (ESCO)</p> <p>1.6 Biodiversity and adaptation measures</p>	<p>2.1 Public transportation: zero direct (tailpipe) CO2 emissions</p> <p>2.2 Supporting infrastructure for public transportation</p> <p>2.3 Passenger cars and light commercial vehicles: zero direct (tailpipe) CO2 emissions and related charging infrastructure</p> <p>2.4 Infrastructure for personal mobility</p> <p>2.5 Biodiversity and adaptation measures</p>	<p>3.1 Solar energy</p> <p>3.2 Wind energy</p> <p>3.3 Bioenergy</p> <p>3.4 Geothermal energy</p> <p>3.5 Waste heat</p>	<p>4.1 New waste water facilities</p> <p>4.2 Existing waste water facilities</p> <p>4.3 New water facilities</p> <p>4.4 Existing water facilities</p>
<p><b>Cicero Shading: Light to Medium Green</b></p>	<p><b>Cicero Shading: Dark Green</b></p>	<p><b>Cicero Shading: Medium to Dark Green</b></p>	<p><b>Cicero Shading: Medium to Dark Green</b></p>
			



## 1. Buildings<sup>10</sup>

UN Sustainable Development Goals: 7.3, 9.1, 9.4, 11.1, 11.3, 11.7, 12.2, 13.1, 15.5

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 7.1, 7.2, 7.3, 7.5, 7.6, 7.7



### PROJECT CATEGORY AND ELIGIBILITY CRITERIA

#### 1.1a Buildings

Buildings that have an Energy Performance Certificate (EPC) class A. The corresponding E-value requirements for EPC class A<sup>11</sup> are presented below.

Building type	E-value limit EPC A	Corresponding energy performance requirements <sup>12</sup> -x%
Small residential buildings	80	-24%
Apartment buildings, minimum 3 storeys	75	-17%
Office buildings, health care centres	80	-20%
Commercial buildings	90	-33%
Hospitality buildings, including sheltered housing	90	-44%
Schools and day-care centres	90	-10%
Hospitals	150	-53%

In addition to the energy requirements stated above, the following non-compulsory criteria (i–iii) will be considered and promoted in order to make environmentally friendly investments more attractive to MuniFin's customers and facilitate the implementation of the EU Taxonomy.

- i. For buildings larger than 5000 m<sup>2</sup>, the building undergoes testing for air-tightness and thermal integrity, upon completion.
- ii. For buildings larger than 5000 m<sup>2</sup>, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed
- iii. Buildings that self-supply renewable energy, have undergone an environmental impact analysis, make use of recyclable and low carbon materials, or have obtained a certification according to Nordic Swan Ecolabel, LEED Gold, BREEAM Very Good, The Building Information Foundation RTS 3 stars or better, or other equivalent certification with high ratings.

### EU TAXONOMY ELIGIBLE ACTIVITIES

7.1 Construction of new buildings

7.7 Acquisition and ownership of buildings

<sup>10</sup> Any buildings directly heated by fossil fuels, including hybrid solutions and peak load and backup systems powered by fossil fuels, will be excluded from the Green Bond Framework.

<sup>11</sup> The relevant E-value for energy class A that is specified in applicable regulation during design phase. In the event that the national building code is revised, the changes will supersede the values described in the table.

<sup>12</sup> We expect the Finnish nearly zero-energy buildings requirement, once established, to be equivalent to the National Building Code of Finland, Decree of the Ministry of the Environment on the Energy Performance of New Buildings (1010/2017).





## 1. Buildings<sup>10</sup>

UN Sustainable Development Goals: 7.3, 9.1, 9.4, 11.1, 11.3, 11.7, 12.2, 13.1, 15.5

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 7.1, 7.2, 7.3, 7.5, 7.6, 7.7



### PROJECT CATEGORY AND ELIGIBILITY CRITERIA

### EU TAXONOMY ELIGIBLE ACTIVITIES

#### 1.1b Other buildings

Other buildings, such as transport and communications buildings, indoor swimming pools, indoor ice rinks, and portable buildings, where

- a) the building supplies at least 75% of its own energy from renewable sources, or
- b) there are other environmental benefits proven by a specialist study.

#### 1.2 Renovations

Renovations that lead to an overall reduction in primary energy demand by at least 30% compared to the pre-investment situation.

7.2 Renovation of existing buildings

#### 1.3 Individual energy efficiency measures

Installation of energy-efficient equipment such as energy efficient windows and doors, energy efficient light sources, ventilation and measures to ensure air-tightness, leading to a 30% improvement in energy efficiency compared to the pre-investment situation. This list is not exhaustive.

7.3 Installation, maintenance, and repair of energy efficiency equipment

7.5 Installation, maintenance, and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

#### 1.4 Renewable energy in buildings

Installation of renewable energy technologies such as solar power, heat pumps or heat recovery systems.

7.6 Installation, maintenance, and repair of renewable energy technologies

#### 1.5 Energy saving project (ESCO)

Energy saving projects including ESCO, leading to a 30% improvement of energy efficiency compared to the pre-investment situation.

#### 1.6 Biodiversity and adaptation measures

Measures that aim to promote and/or sustain biodiversity and ecosystem services, such as roof-top beehives, green roofs and walls, and adaptation measures such as flood barriers, reinforcement of the building structure and rainwater harvesting. This list is not exhaustive.

<sup>10</sup> Any buildings directly heated by fossil fuels, including hybrid solutions and peak load and backup systems powered by fossil fuels, will be excluded from the Green Bond Framework.



## 2. Transportation<sup>13</sup>

UN Sustainable Development Goals: 9.1, 9.4, 11.2, 11.6, 13.1, 15.5

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 6.1, 6.3, 6.5, 6.7, 6.8, 6.10, 6.11, 6.13, 6.14, 6.15



### PROJECT CATEGORY AND ELIGIBILITY CRITERIA

#### 2.1 Public transportation

Public transport systems such as trains, metro, buses, trams, vessels, coaches and light rail systems with zero direct (tailpipe) CO<sub>2</sub> emissions

### EU TAXONOMY ELIGIBLE ACTIVITIES

6.1 Passenger interurban rail transport

6.3 Urban and suburban transport, road passenger

6.7 Inland passenger water transport

6.8 Inland freight water transport

6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities

6.11 Sea and coastal passenger water transport

#### 2.2 Supporting infrastructure for public transportation

Supporting infrastructure that is dedicated for zero direct emissions transport and promotes an improvement in the fleet efficiency, or an improved efficiency of the overall transport system.

6.14 Infrastructure for rail transport

6.15 Infrastructure enabling low-carbon road transport and public transport

#### 2.3 Passenger cars and light commercial vehicles

Passenger cars and light commercial vehicles with zero direct (tailpipe) CO<sub>2</sub> emissions and related charging infrastructure.

6.5 Transport by motorbikes, passenger cars and light commercial vehicle

#### 2.4 Infrastructure for personal mobility<sup>14</sup>

Infrastructure dedicated to personal mobility such as pavements, bike lanes, pedestrian zones, street lighting and electrical charging installations for personal mobility devices. This list is not exhaustive.

6.13 Infrastructure for personal mobility, cycle logistics

#### 2.5 Biodiversity and adaptation measures

Measures that aim to promote and/or sustain biodiversity and ecosystem services such as wildlife crossings, noise barriers, and climate change adaptation measures such as flood barriers, reinforcement of the infrastructure.

<sup>13</sup> Not dedicated to the transport of fossil fuels.

<sup>14</sup> Including the construction of roads, motorway bridges and tunnels and other infrastructure that are dedicated to pedestrians and bicycles, with or without electric assist.



### 3. Renewable energy

UN Sustainable Development Goals: 7.2

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 4.1, 4.3, 4.6, 4.22, 4.24, 4.25



#### PROJECT CATEGORY AND ELIGIBILITY CRITERIA

##### 3.1 Solar energy

Energy generation using solar power

##### 3.2 Wind energy

Energy generation using wind power

##### 3.3 Bioenergy

Facilities producing heat from biomass<sup>15</sup> as well as supporting infrastructure, such as mobile fuel storage and unloading systems.

##### 3.4 Geothermal energy

Geothermal energy-generation facilities and geothermal heating systems that operate at lifecycle emissions lower than 100g CO<sub>2</sub>e/kWh.

##### 3.5 Waste heat

Facilities that produce heat/cool using waste heat, such as excess heat from data centres.

#### EU TAXONOMY ELIGIBLE ACTIVITIES

4.1 Electricity generation using solar photovoltaic

4.3 Electricity generation from wind power

4.24 Production of heat/cool from bioenergy

4.6 Electricity generation from geothermal energy

4.22 Production of heat/cool from geothermal energy

4.25 Production of heat/cool using waste heat

<sup>15</sup> Excluding use of food and feed crops. Use of fossil fuel is excluded, with the exemption of start-up, peak load or backup in case of breakdown.



## 4. Water and waste water management<sup>16</sup>

UN Sustainable Development Goals: 6.3, 6.4, 6.6, 9.1, 9.4, 14.1

EU environmental objectives: Climate change mitigation (CCM), Sustainable use and protection of water and marine resources

Preliminary mapping of economic activities under the EU Taxonomy: CCM 5.1, 5.2, 5.3, 5.4



### PROJECT CATEGORY AND ELIGIBILITY CRITERIA

#### 4.1 New waste water facilities

New treatment plants, systems and technologies designed for waste water collection (sewer network) and treatment where it is proven that substances (BOD7, phosphorus, nitrogen) have loading values better than required by the applicable environmental permit.

#### 4.2 Existing waste water facilities

Measures at existing waste water facilities, including capacity expansion and upgrades, that achieve one of the following:

- a) improved treatment quality, b) at least 20% increase in energy efficiency, c) reduced use of chemicals or leakages, or d) recovering heat from waste water.

#### 4.3 New water facilities

New water collection, treatment and supply systems enabling water purification, improved drinking water quality, improved reliable fresh water supply and/or increased water use efficiency.

#### 4.4 Existing water facilities

Measures at existing water facilities, including capacity expansion and upgrades, that achieve one of the following:

- a) at least 20% increase in energy efficiency or b) reduced use of chemicals or leakages, or c) improved water quality.

### EU TAXONOMY ELIGIBLE ACTIVITIES

5.3 Construction, extension and operation of waste water collection and treatment

5.4 Renewal of waste water collection and treatment

5.1 Construction, extension and operation of water collection, treatment and supply systems

5.2 Renewal of water collection, treatment and supply systems

<sup>16</sup> Any facility directly heated by fossil fuels will be excluded under the Green Bond Framework.

# The Green Finance Team (GFT) approves projects

- 1 MuniFin's customer submits an application for finance
- 2 The account manager handles the general finance application process, and in parallel the GFT collects information and supporting documentation from the customer to evaluate the eligibility for green finance, as well as the project's environmental and social impacts
- 3 A member of the GFT prepares a project presentation, which is supported with relevant documentation
- 4 The process applies the four-eyes principle, which requires another member of the GFT to assess the project presentation and determine the approval of the project and its status as an eligible green finance project
- 5 After approval, green finance is granted to the customer, and the approved green finance project is added to MuniFin's green project portfolio
- 6 An annual external review is conducted to assess compliance with MuniFin's Green Bond Framework and to assess the allocation of green bond proceeds (post-issuance review)



MuniFin gives a margin discount of 0–15 basis points to approved green finance projects. The discount is based on the project's characteristics, which are assessed and scored by the Green Finance Team

**The Green Finance Team consists of selected sustainability experts from the Customer Solutions division and the Capital Markets and Sustainability division at MuniFin**



**Rami Erkkilä**  
Senior Specialist  
MuniFin



**Mikko Noronen**  
Sustainability Manager  
MuniFin

# 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)





# 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

# 3y USD benchmark

- Three months following the record-breaking USD 1.5 billion issuance in January, MuniFin returns to the USD market with another 1 billion benchmark. The 3-year bond successfully gathered a high-quality orderbook.
- On Tuesday 16 April, MuniFin issued a new 3-year USD 1 billion benchmark with initial price guidance of MS+33 basis points. Investor demand continued to grow throughout the morning and books closed a few hours later in excess of USD 1.5 billion.
- The bond was priced at MS +33 basis points, consistent with the initial guidance, with a coupon of 4.875%, a reoffer price of 99.708% and a re-offer yield of 4.981%. It carries a spread of 18 basis points over the CT3 4.500% due 15 April 2027.
- The final orderbook was geographically diverse with 48 high-quality accounts participating. Central banks took 57% of the allocations, followed by Banks and bank treasuries (40%), and Asset Managers, taking the remaining 3%.
- The joint lead managers were JP Morgan, Morgan Stanley, Nomura and TD.



# 5y USD benchmark

- Only two weeks after MuniFin's highly successful opening transaction of 2024, MuniFin priced a new USD 1.5 billion benchmark on 24 January 2024. Investor demand was phenomenal from the beginning and resulted in an all-time record orderbook of USD 4.4 billion. The bond is also the largest USD issuance since 2021.
- The record-breaking bond carries a coupon of 4.250%, and was priced at SOFR mid-swaps+47bps, equivalent to a spread of +22.6bps over the UST 3.75% due 31 December 2028. From the initial price thoughts of +50bps, MuniFin was able to tighten the final pricing by 3bps due to the outstanding demand from high-quality investors.
- The final orderbook was of very high-quality and geographically diverse with 83 investors participating. In terms of investor type, the majority of allocations went to banks (49.1%), followed by central banks and other official Institutions (39.5%) and Fund Managers (11.4%).
- The joint lead managers were Barclays, BMO, Citigroup and Deutsche Bank.



# 10y EUR benchmark

- MuniFin kicked off its 2024 funding programme of EUR 9–10 billion with a 10-year EUR 1 billion benchmark bond on 10 January 2024. The benchmark ended up more than two times oversubscribed, as MuniFin carved out demand in a record volume week in the market.
- The orderbooks were opened with guidance at MS+26 bps area, but MuniFin was able to tighten the guidance and the books were closed at MS +24bps and in excess of EUR 2.2 billion. The benchmark is due on 2<sup>nd</sup> February 2034.
- Investor demand was driven by high-quality accounts and saw a particular interest from banks, central banks and official institutions, which comprised of 80% share of allocations.
- Geographically the demand was particularly high in key European regions, with the Central European countries of Germany, Austria, and Switzerland comprising 38% of the allocations and Benelux 19%.
- The joint lead managers were Danske Bank, LBBW, Natixis and SEB.



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