



# Agenda

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

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



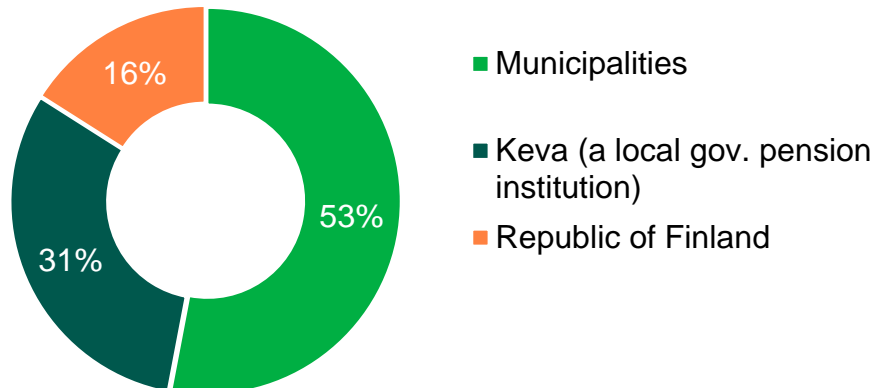


# MuniFin in brief

**The leading provider of financial services to Finland's municipal sector 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

**MOODY'S**  
**Aa1 (Stable)**

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

## ESG ratings

**ISS ESG**  
**C+ Prime**  
Ranking  
Finance 11/117

**SUSTAINALYTICS**  
**11.8**  
Ranking  
Banks 29/1039

**MSCI**  
**AA**  
Ranking  
n/a

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

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## 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

# Public sector and social housing sector

## Finnish public sector is split between central and local government



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

### Services provided:

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



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
- Water and energy supply
- Waste management
- Environmental services

## 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.

\*293 mainland municipalities \*\* May be transferred to future regional governments

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

# 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
- Large reform in the healthcare sector in process



## Strong revenue base

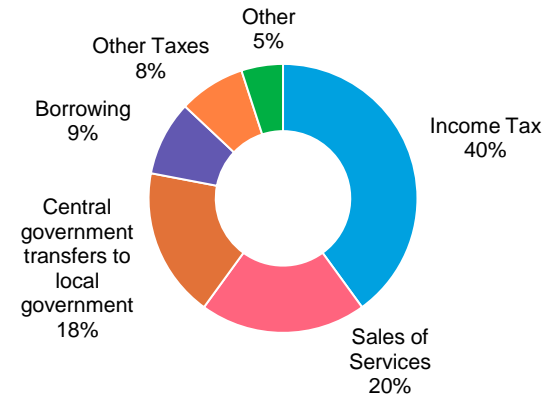
- Municipalities have an unlimited right to levy taxes on their inhabitants (municipal tax rate)
- Other revenues taxation related charges from service production



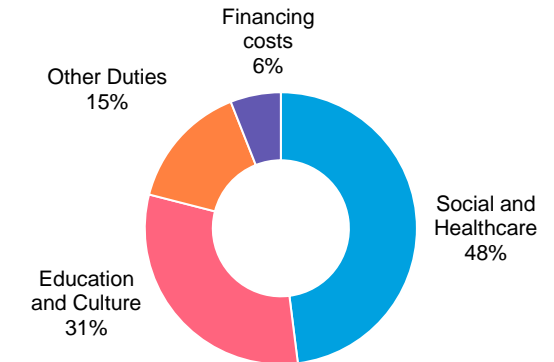
## Budget Control

- 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 47 billion)



## Expenditure (~EUR 47 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 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/](https://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

# 28.0

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 housing corporations 47%
- Municipalities 35%
- 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)

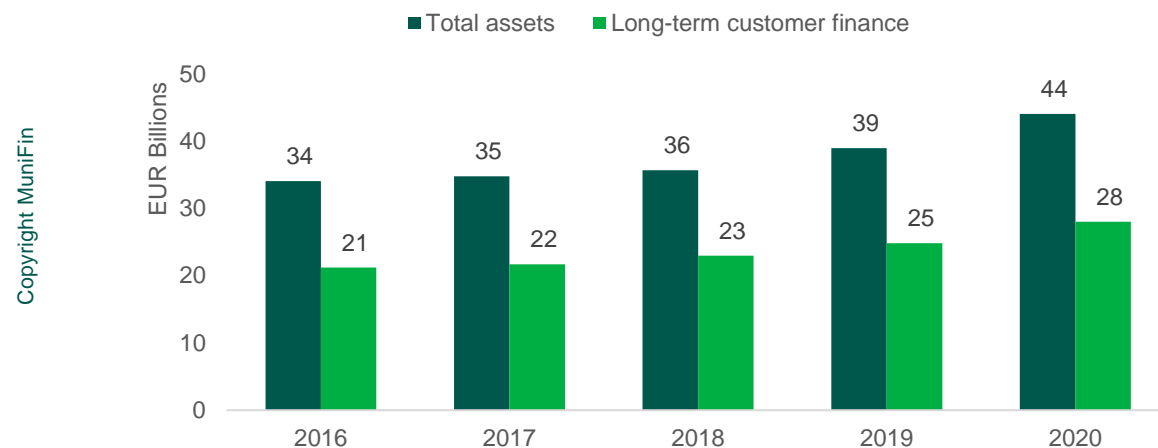
All customer financing carries **0%** risk weighting  
a BIS

## Goal

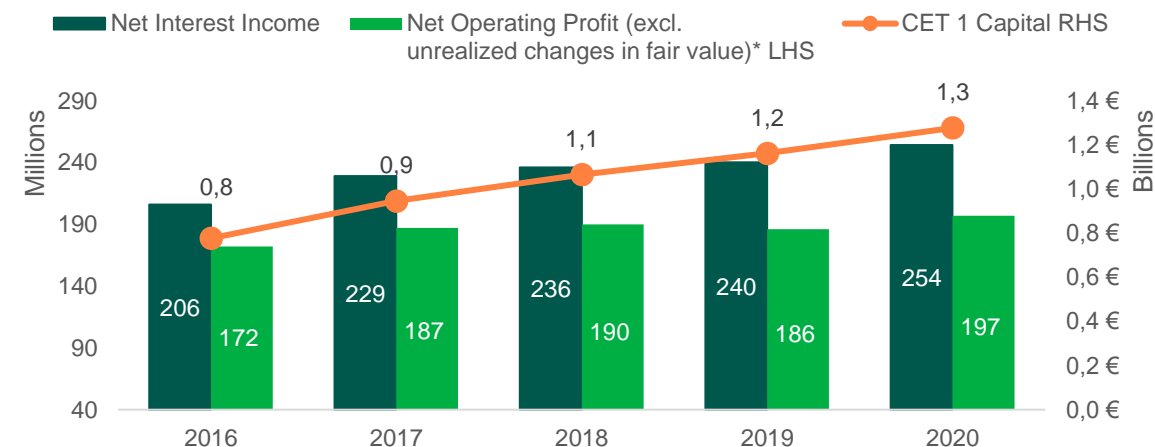
Green and social finance account for 20% of the long-term customer financing portfolio by 2024

# Financial performance 2020

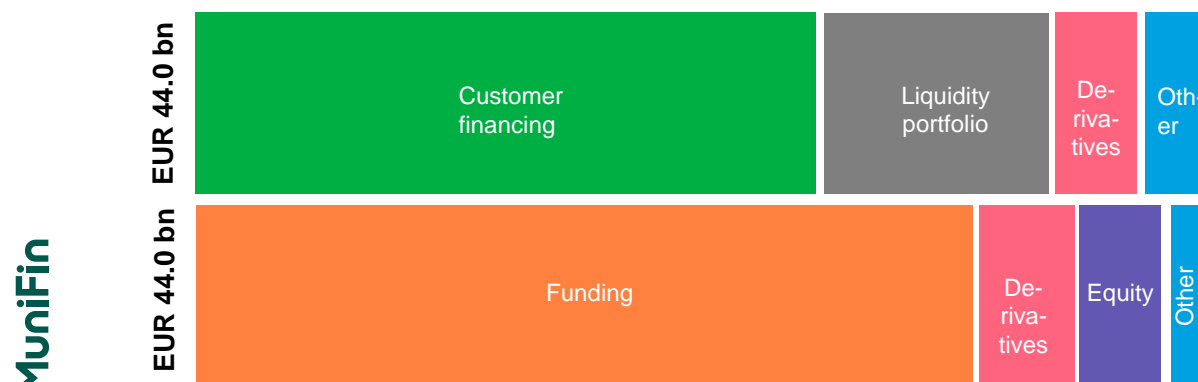
## COVID-19 pandemic spurred growth in long-term customer finance



## Solid capital adequacy was supported by profitability



## Balance sheet totalled to EUR 44 billion



Cost-to-Income Ratio*	0.2	0.2	0.2	0.3	0.2
Return on Equity*	12.5%	12.6%	10.8%	6.8%	9.4%
Leverage Ratio	3.5%	3.8%	4.1%	4.0%	3.9% <sup>1</sup>
CET1 Ratio	46.2% <sup>2</sup>	53.0% <sup>2</sup>	66.3% <sup>2</sup>	83.1% <sup>2</sup>	104.3% <sup>2</sup>

<sup>1</sup> MuniFin Group's leverage ratio was 13.4% calculated using the CRR II calculation principles, to be enforced in June 2021.






<sup>2</sup> The CET1 Ratio is a consolidated figure for Municipality Finance Group, not the parent company. The CET1 ratio of the parent company was 107.1% at the end of December 2020 and 85.0% at the end of December 2019.

\* Alternative performance measure. More information on alternative performance measures can be found in the Annual Report/Board of Directors Report.

# Operations rely on low risk appetite

## MuniFin's risk pillars

## Objectives and related measures

 <b>Profitability &amp; Capital</b>	<b>A sufficient level of earnings, profitability and capital</b>
 <b>Liquidity &amp; Funding risks</b>	<b>An adequate liquidity buffer and a sustainable funding position and profile</b> <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>
 <b>Credit risks</b>	<b>Sound credit risk profile appropriate for MuniFin's business model</b> <ul style="list-style-type: none"> <li>• All customer financing is direct municipal risk, or the financing is guaranteed by a municipality 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>
 <b>Market risks</b>	<b>Sound market risk profile appropriate for MuniFin's business model</b> <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>
 <b>Operational risks</b>	<b>Effective operational control and compliance to support functional and responsible operations</b> <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

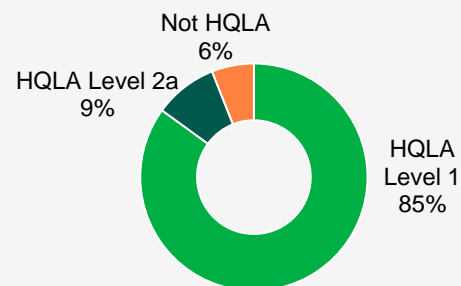
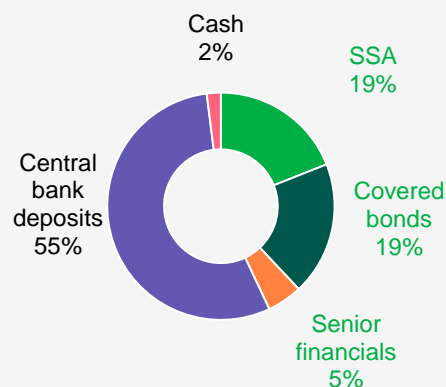
## Liquidity Portfolio

# 10.0

## 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

Average rating

## AA+

Average maturity

## 2.8 years

Only issuers from OECD countries

## Separate sustainable investment portfolio

## 8%

## of security investments

target size linked to the outstanding amount of green and social bonds

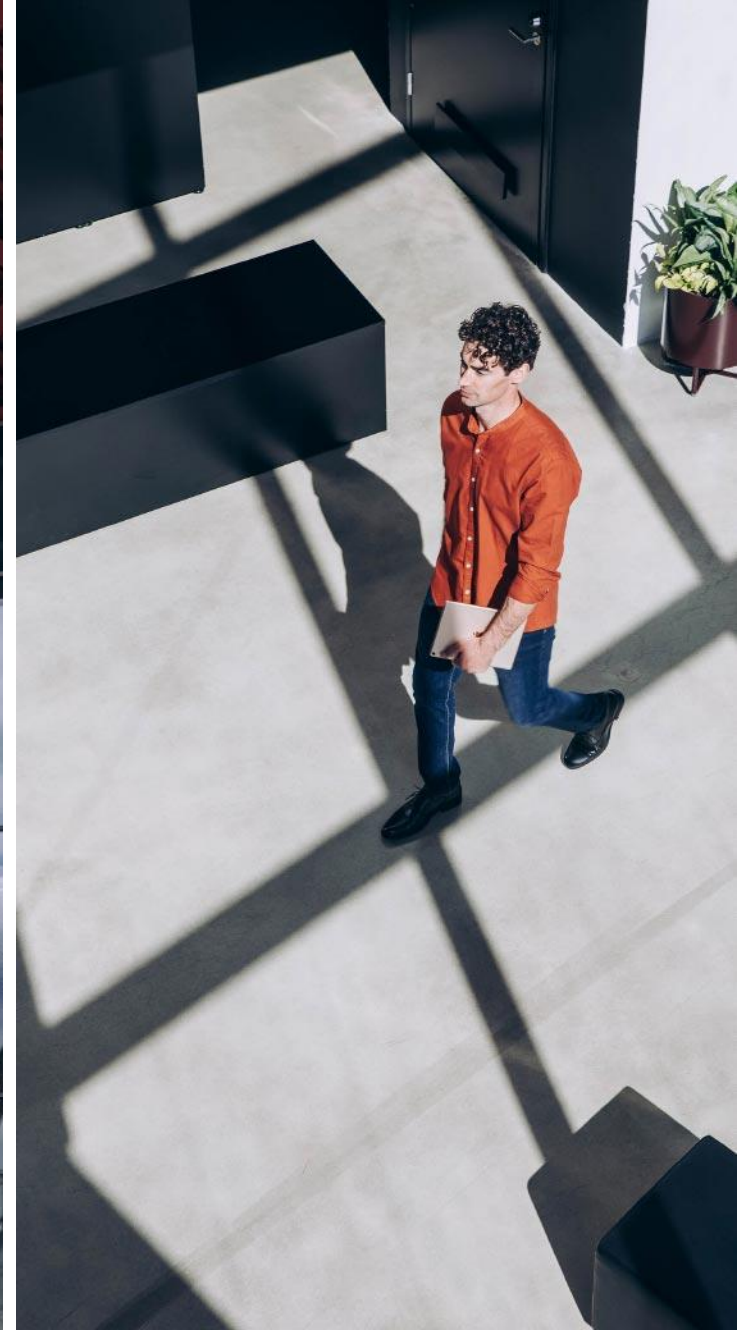
ESG score

## 4.5%

## over sustainability benchmark

The average ESG score of all security investments is monitored against a sustainability benchmark index

# The Finnish economy and economic outlook





# 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

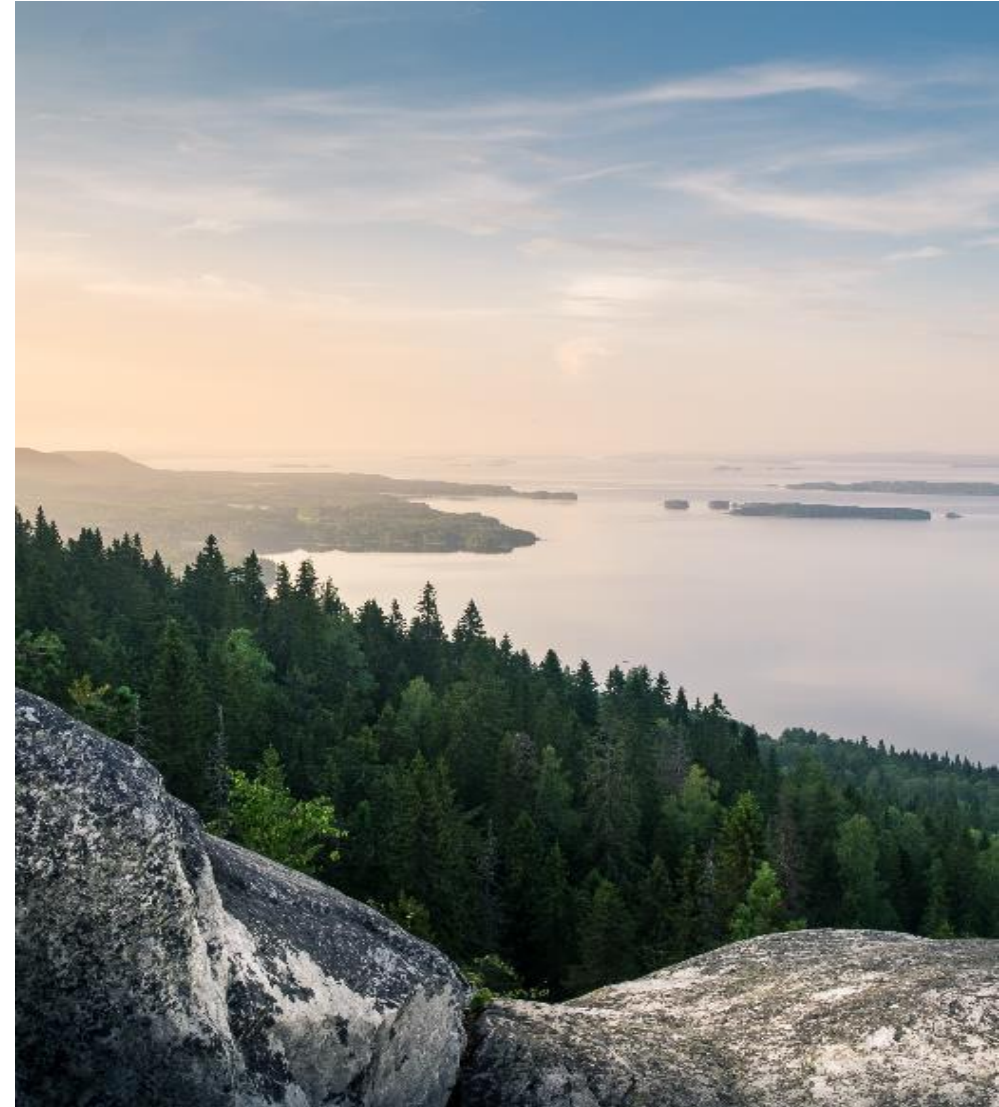


**Machinery, Electrical equipment, Paper and Metal products**  
Largest manufacturing sectors

**#1**



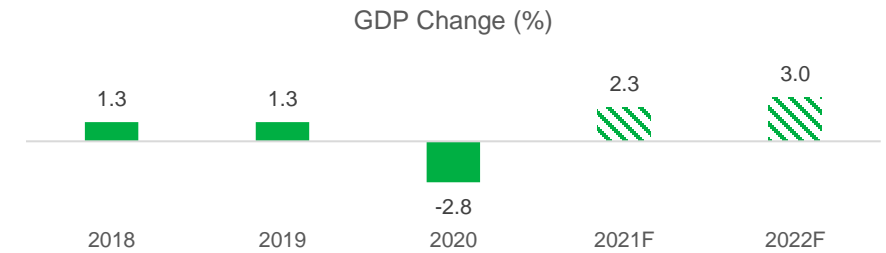
- **Happiest** country in the world four times in a row
- The most **stable** country in the world
- One of the top OECD countries in **education**
- The best **governance** in the world
- EU's best **digital** public services
- The **water** richest country in the world
- The most **forests** in Europe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



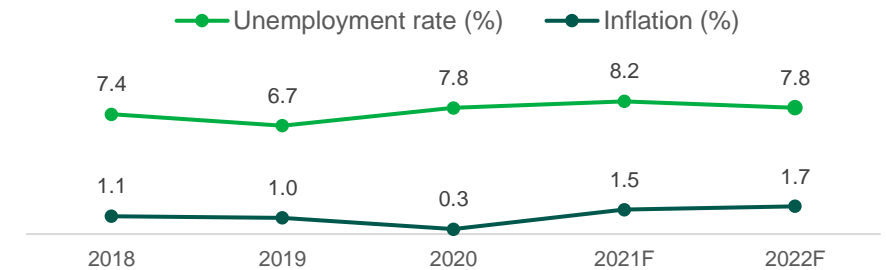
Sources: Statistics Finland; OECD; Ministry of the Environment; The United Nations annual World Happiness Report, 2021, 2020, 2019, 2018; The Fund for Peace Fragile States Index 2018; OECD, Better Life Index: Education; Legatum Institute, The Legatum Prosperity Index 2018: Finland; European Commission, 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

# Economic outlook of Finland

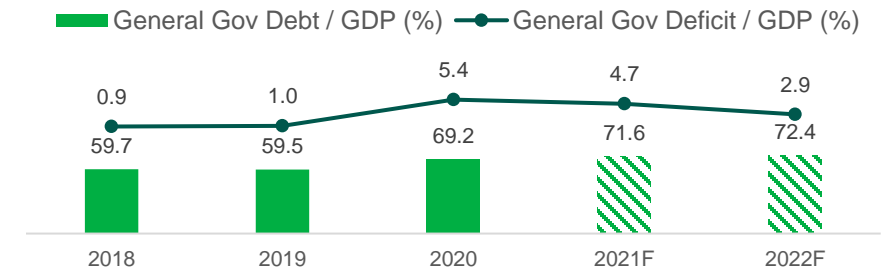
- Due to the Covid-19 outbreak, the Finnish GDP declined by 2.8 % in 2020. Early containment measures, increased public spending and diversified industrial base mitigated the economic impact of the epidemic
- GDP growth will resume this year driven by private consumption and is projected to be 2.3 %
- Unemployment has risen relatively moderately as firms have benefitted from temporary lay-offs to protect their long-term productive capacity
- 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

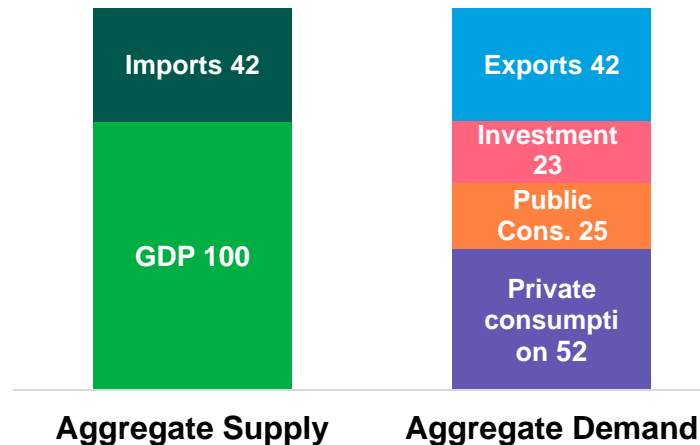
# The Finnish Economy

## Know-how intensive production base

- Services account for ca. 70 % of GDP

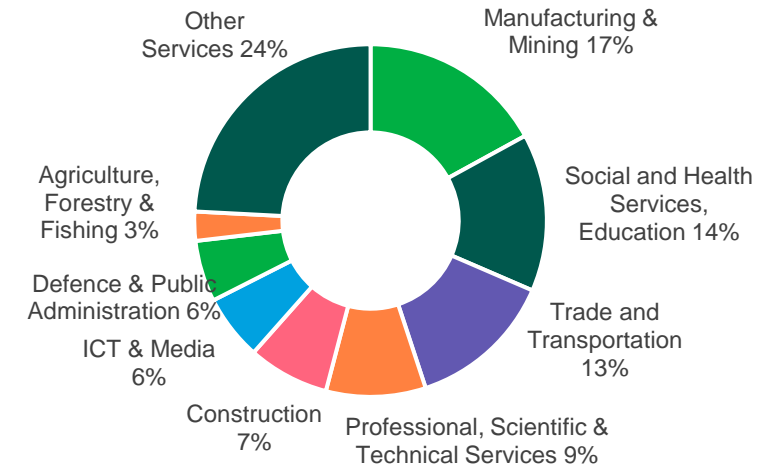
## Trade oriented open economy - export-to-GDP ca. 42 %

- 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



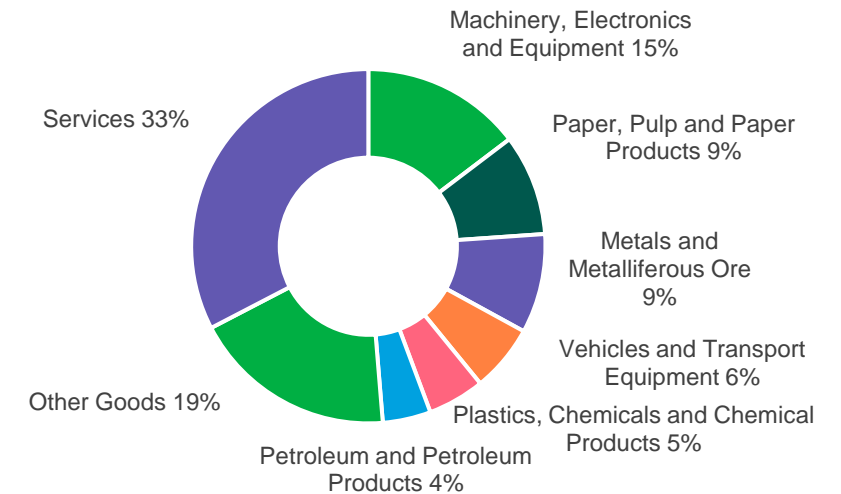
Source: Statistics Finland, MuniFin  
Finland Supply and Demand 2020 GDP=100

## Finnish GDP by Sector 2019



Source: Statistics Finland, Macrobond, MuniFin

## Finnish Exports 2020



Source: Statistics Finland, Finnish Customs, Macrobond, MuniFin

# Funding operations



**W I N N E R**  
SSA Structured Notes  
Issuer of the Year



**W I N N E R**  
Issuer of the Year



**Municipality Finance**



Green bond of the Year - Sub-sovereign,  
supranational and agency (SSA) and Biggest issuer - Local authority

# Funding strategy

## Strategic benchmark markets

EUR and USD  
benchmarks

Green and  
Social bonds

## Tactical funding markets

Other public  
markets

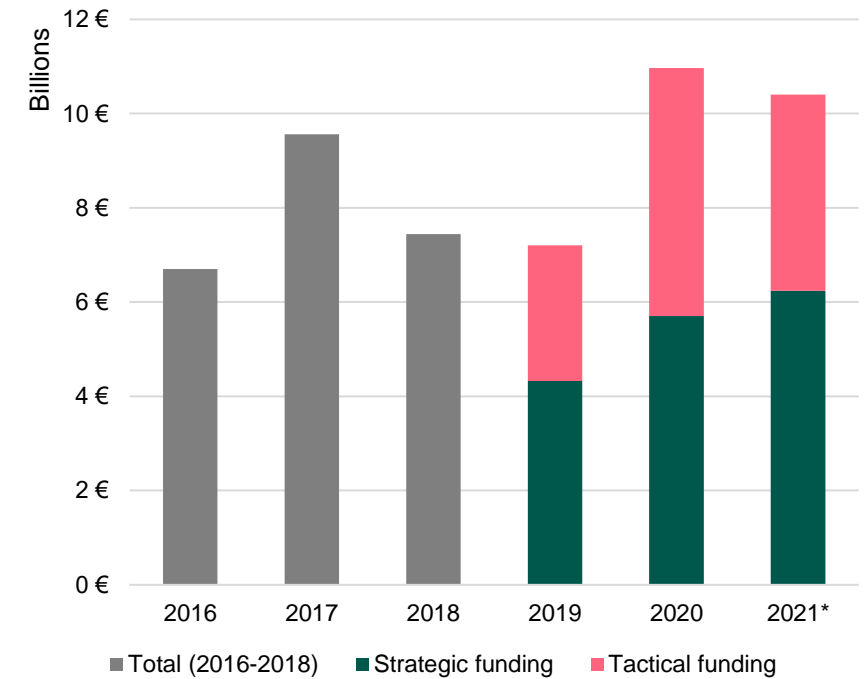
Private  
placements

Retail

## Euro commercial paper

ECP  
(short-term)

## Long-term funding program



**BIS 0%** risk-weighted

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

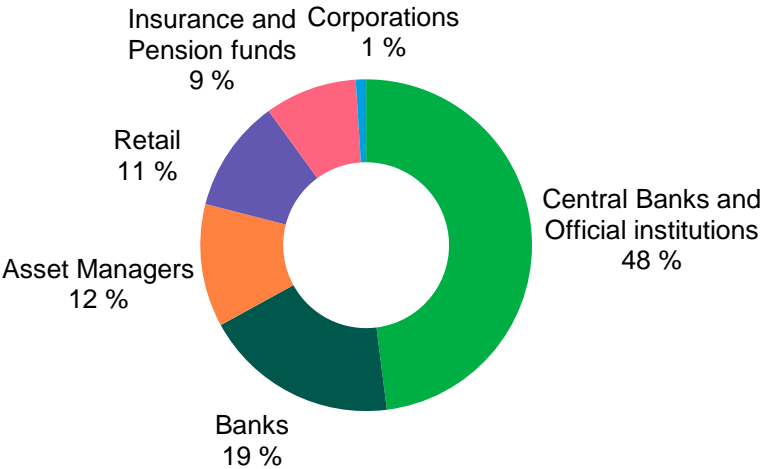
\* Forecast as of May 2021



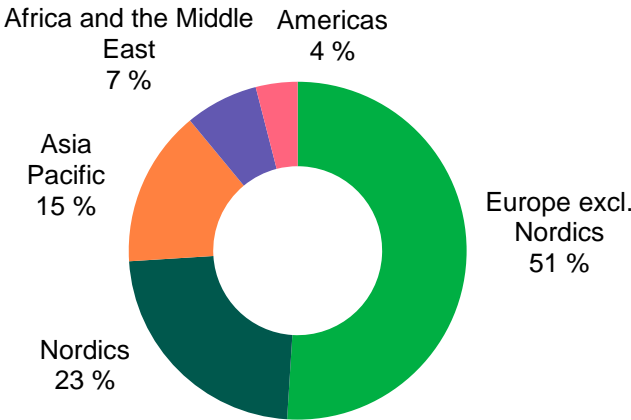
# Funding breakdown 2020

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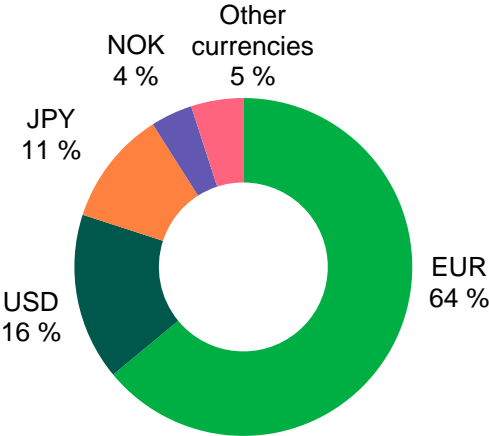
Funding by investor type



Funding by region



Funding by currency



# Successful public market strategy

## Strategic benchmark markets



EUR FIXED BENCHMARKS 12.6 bn

Oct 2021, Mar 2024, Nov 2024, April 2025, Nov 2026, [Sep 2027<sup>1</sup>](#), April 2028, [Sep 2029<sup>1</sup>](#), [Oct 2030<sup>1</sup>](#), March 2031, Feb 2033, [Sep 2035<sup>2</sup>](#)



USD FIXED BENCHMARKS 8.25 bn

June 2021, [Sep 2021<sup>1</sup>](#), Mar 2022, Sept 2022, Mar 2023, Sep 2023, Nov 2023, Mar 2026

## Tactical other public markets



NOK 24.9 bn

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



CHF 1.1 bn

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



GBP 840 m

Dec 2022, Dec 2025



AUD 900 m

Mar 2024, Feb 2026, Jul 2027, Aug 2029

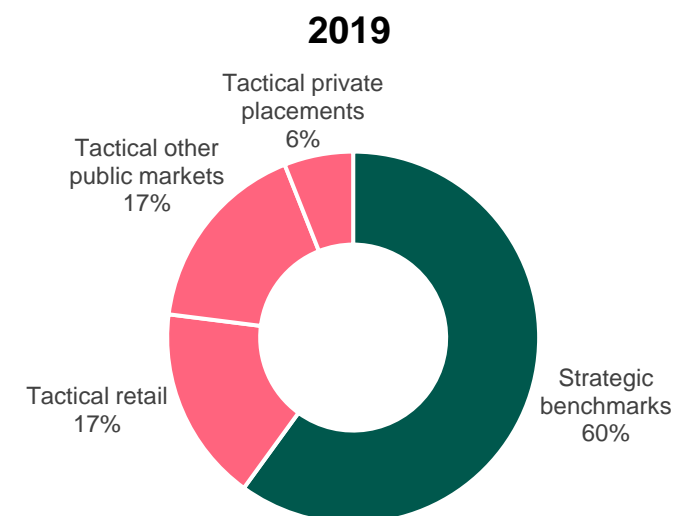
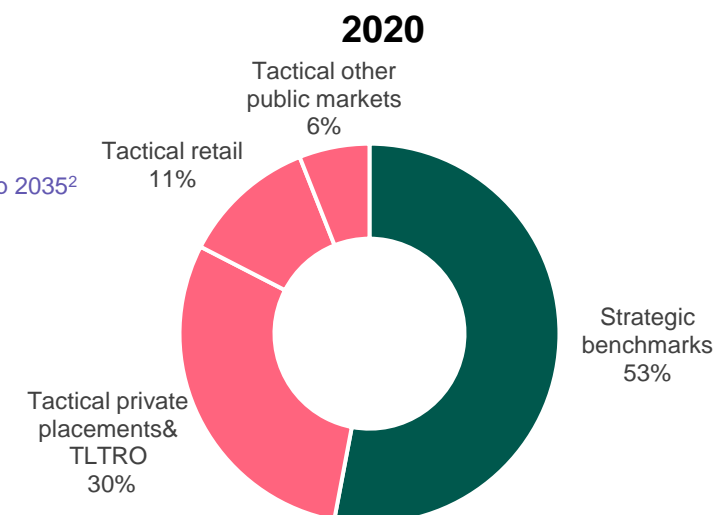


NZD  
150 m

June 2023

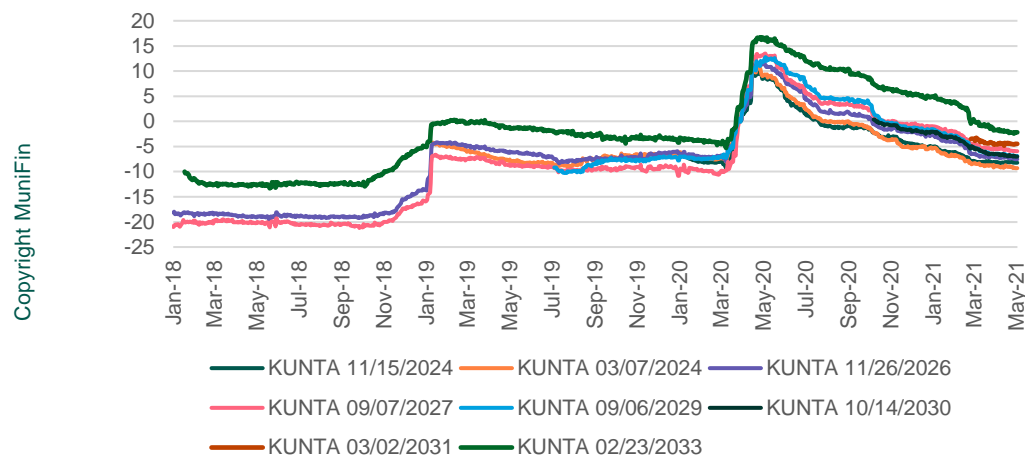
<sup>1</sup> Green bond issuance

<sup>2</sup> Social bond issuance

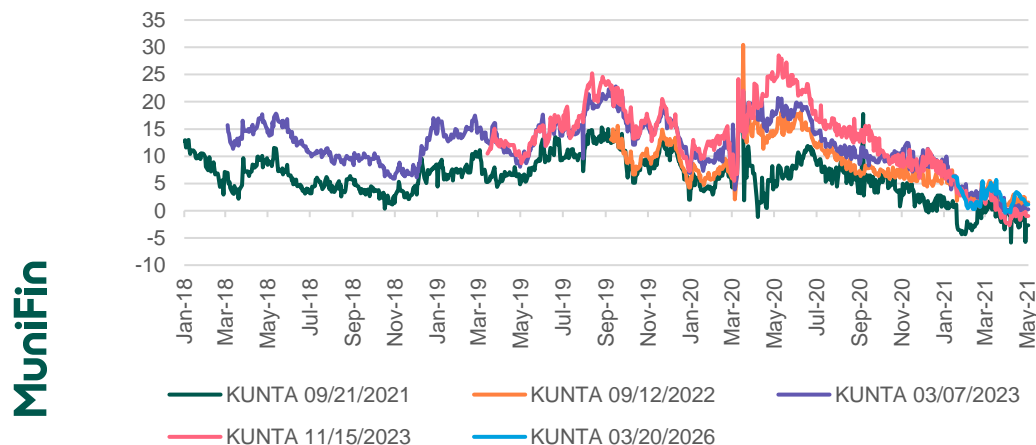


# Secondary market of strategic benchmarks

Mid ASW spreads of selected MuniFin EUR Benchmarks



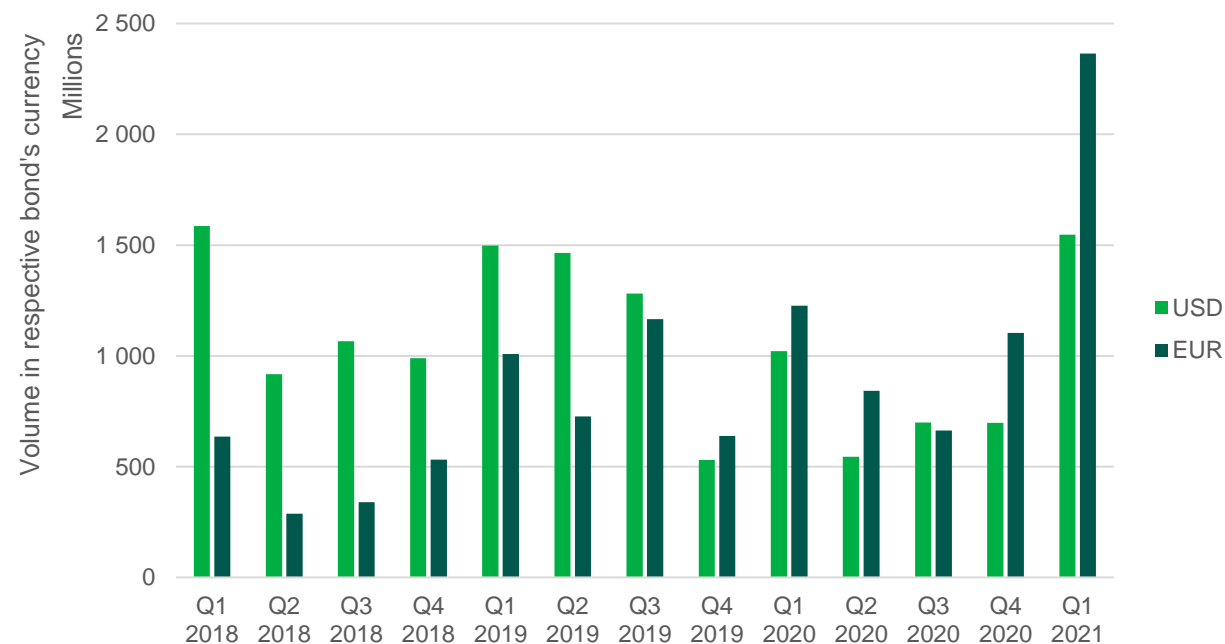
Mid ASW spreads of selected MuniFin USD Benchmarks



Source: Bloomberg 3 May 2021

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

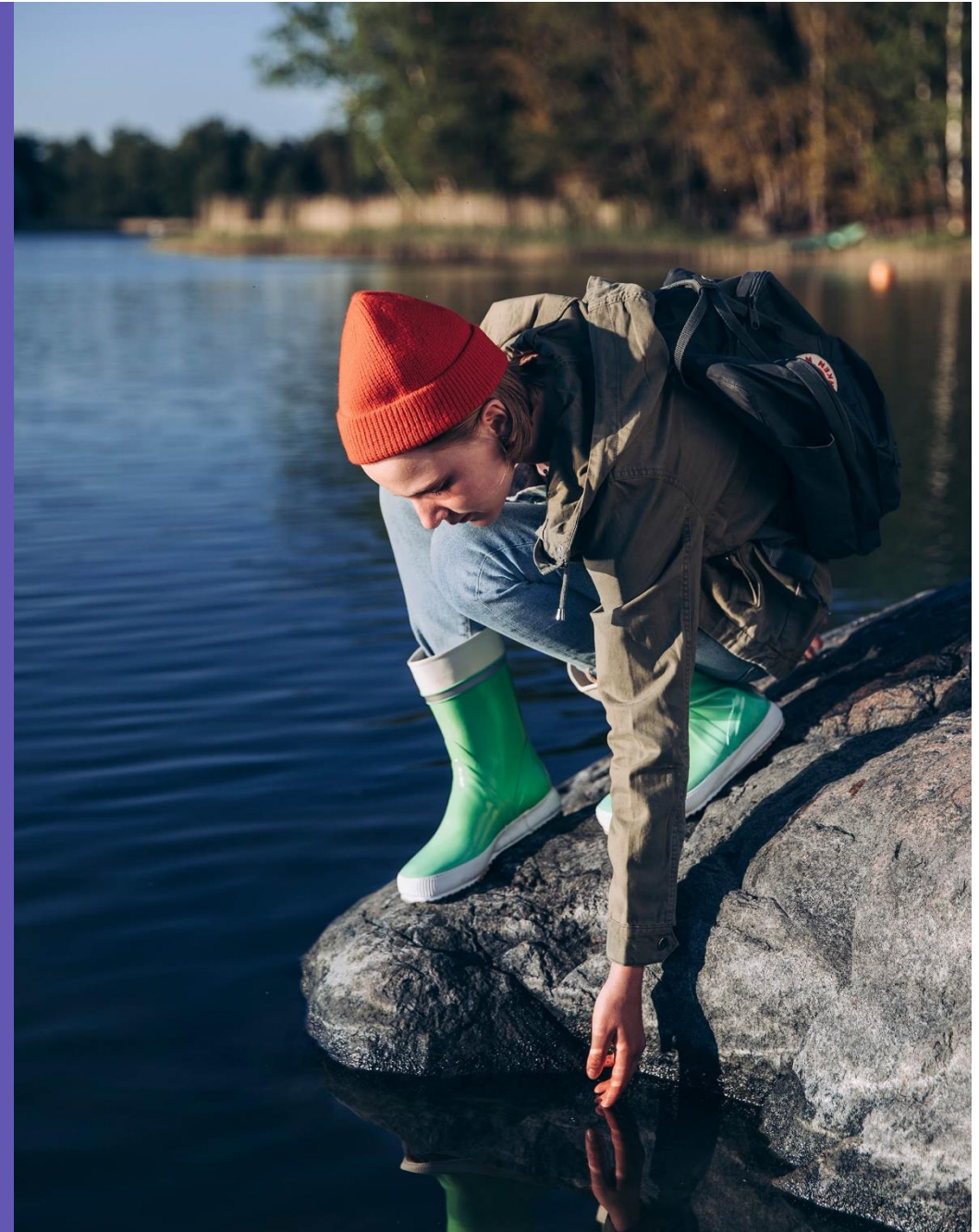
- Secondary market data is collected every quarter from the dealer bank group
- The data is also used to assess each dealer bank's performance



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

# Sustainable bonds

## Green and social bonds



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

*“Inclusive and competent Finland – a socially, economically and ecologically sustainable society”<sup>1</sup>*



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

<sup>1</sup> Title of the Finnish Government programme: <https://valtioneuvosto.fi/en/marin/government-programme>



# MuniFin's sustainable products



- First pure Finnish Green Bond issuer
- 5 Green Bonds issued since 2016
  - Outstanding ~2 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

CO<sub>2</sub>



- First Nordic SSA Social Bond issuer
- Inaugural social bond issued in 2020
  - Outstanding 600 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



# Sustainable bonds

Outstanding  
Green bonds  
**5**  
bonds  
~**2.0**  
EUR, billion

Outstanding  
Social bonds  
**1**  
bond  
**600**  
EUR, million

GREEN  
USD 500m  
9/2021

GREEN  
EUR 500m  
9/2027

GREEN  
EUR 500m  
9/2029



SOCIAL TAP  
EUR 100M  
9/2035

Issuance year

2016

2017

2019

2020

GREEN  
AUD 50M  
10/2027

SOCIAL  
EUR 500m  
9/2035

GREEN  
EUR 500m  
10/2030



# Green finance in figures



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

Annual energy savings  
(avoided/reduced):

**23,558<sup>1</sup>** MWh

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

**50,260<sup>2</sup>** tCO<sub>2</sub>

Number  
of green  
projects:

**147**

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<sup>3</sup>

Annual amount of treated wastewater  
with increased capacity in the future:

**17,746,667** m<sup>3</sup>

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

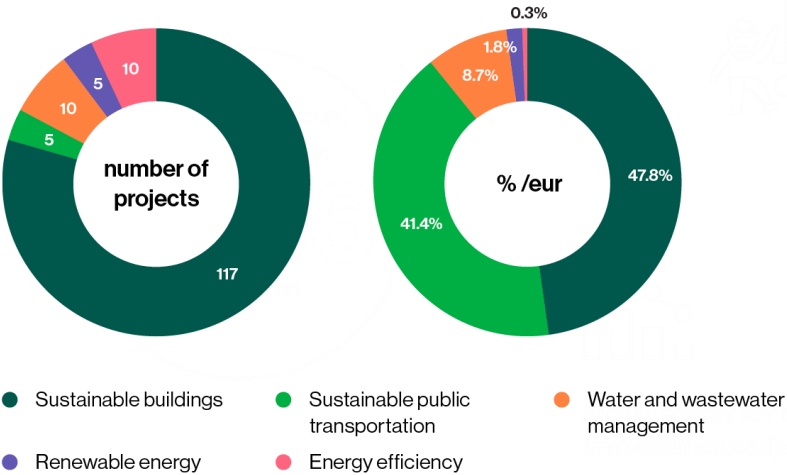
<sup>1</sup> 23,558 MWh: Equals the annual consumption of about 1,170 electrically heated single-family houses (Source: Motiva)

<sup>2</sup> 50,260 tCO<sub>2</sub>: Equals the average annual carbon footprint of about 4,800 Finns (Source: Sitra)

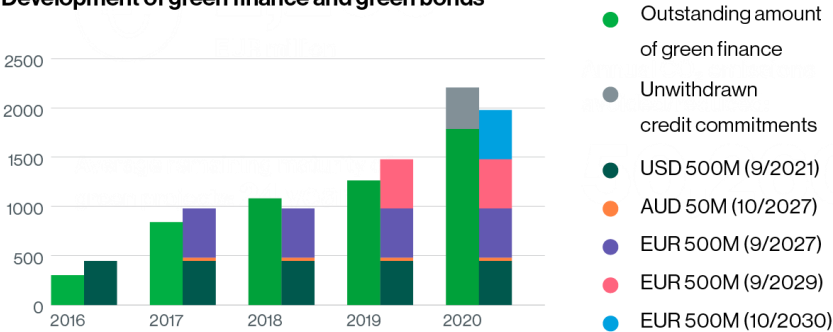
# Executive summary of green finance

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Green finance project breakdown



Development of green finance and green bonds



Project category	Outstanding amount, EUR million	Annual CO <sub>2</sub> emissions avoided/reduced, tCO <sub>2</sub>	Impact, tCO <sub>2</sub> 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	1786	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 (m³)	19,499,714
Annual amount of treated wastewater with increased capacity in the future (m³)	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



Total committed social finance:



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**

Read more: [MuniFin Sustainable Bonds Impact Report 2020](#)

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



# Thank you



## Senior Management contact information

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**Please visit [www.munifin.fi](http://www.munifin.fi)**

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# Appendices



## Appendix 1

# The Finnish healthcare, social services and regional government reform

The former Finnish government proposed changes to legislation concerning Finnish social and healthcare services as well as regional governments. Although the preparations for the implementation of this reform were discontinued in 2019, the current government has continued the preparations.

At this point in time MuniFin is not in a position to evaluate the reform's potential impact on its operations, as there is no finally approved legislation available and the plans related to the reform are under political discussion. While there is no telling how the reform will materialise and what effects it will have on MuniFin or its customers, it is not expected to have any significant effects on MuniFin's operations in 2021.

More information concerning the status of the reform, including the latest published draft proposals for legislation, 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>

# 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

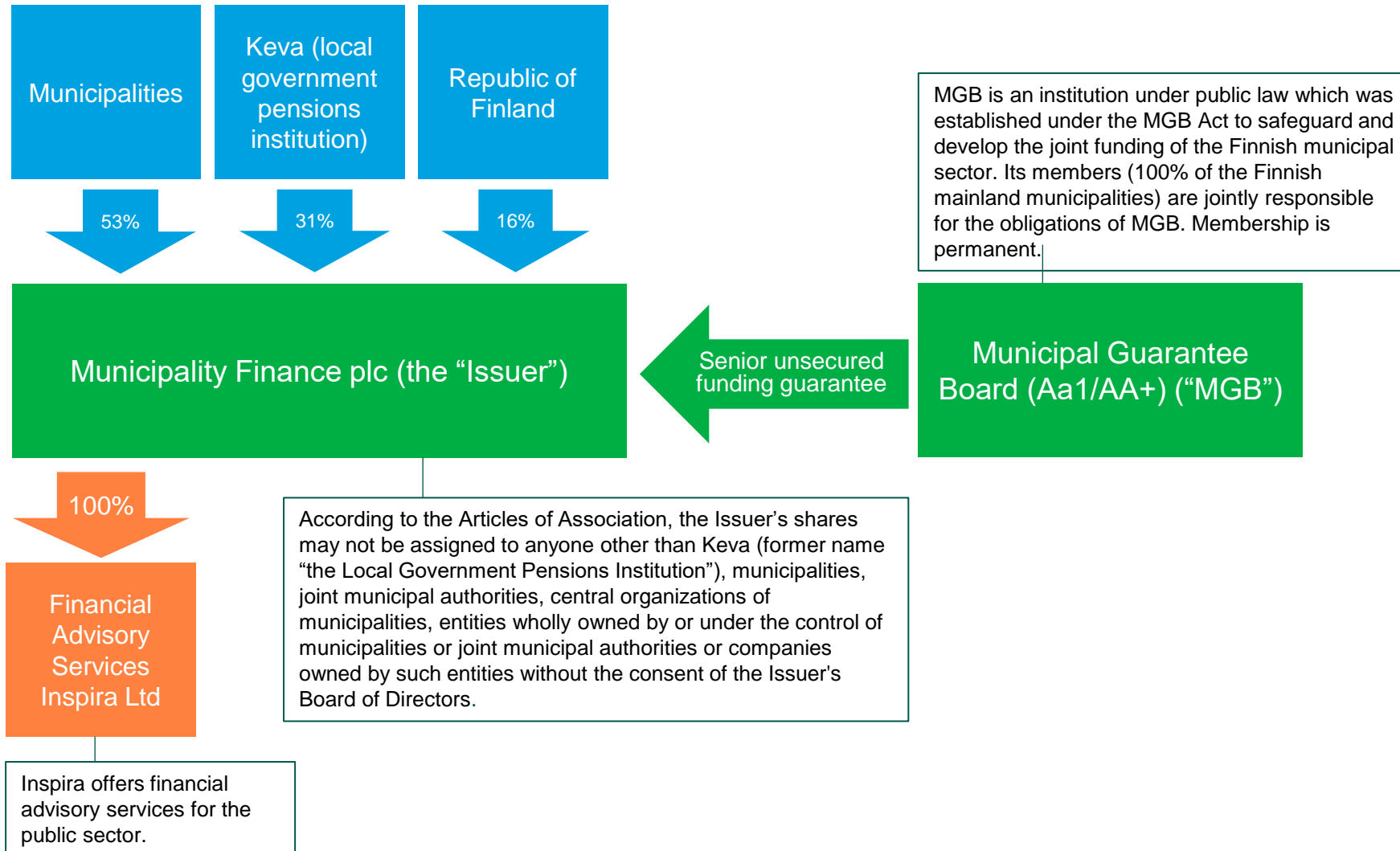
- MuniFin's credit granting process is carried out by the account manager, who will estimate whether a customer and a financing request will fulfill requirements of the Act on the Municipal Guarantee Board and MuniFin's credit risk strategy.
- As a part of the credit granting process MuniFin will conduct 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.

## Appendix 3

# Municipality Finance – Legal structure





## Appendix 4

# Finnish economy: Key forecast figures

	2019 EUR billion	2019 change in volume (%)	2020* change in volume (%)	2021* change in volume (%)	2022* change in volume (%)
GDP at market prices	241	1.1	-3.3	2.5	2.0
Imports	95	3.3	-7.5	4.5	3.8
<b>Total supply</b>	<b>336</b>	<b>1.7</b>	<b>-4.5</b>	<b>3.0</b>	<b>2.4</b>
Exports	97	7.7	-10.4	5.0	4.6
Consumption	181	0.9	-2.3	3.6	1.5
- private	126	0.8	-3.9	3.8	2.5
- public	55	1.1	1.4	3.1	-0.7
Investment	57	-1.0	-3.3	-1.6	2.4
- private	47	-1.6	-6.0	-2.0	3.8
- public	10	2.1	9.0	0.1	-2.7
<b>Total demand</b>	<b>336</b>	<b>1.8</b>	<b>-4.3</b>	<b>3.2</b>	<b>2.6</b>
<b>Unemployment (%)</b>		<b>6.7</b>	<b>7.8</b>	<b>8.0</b>	<b>7.6</b>

\*forecast

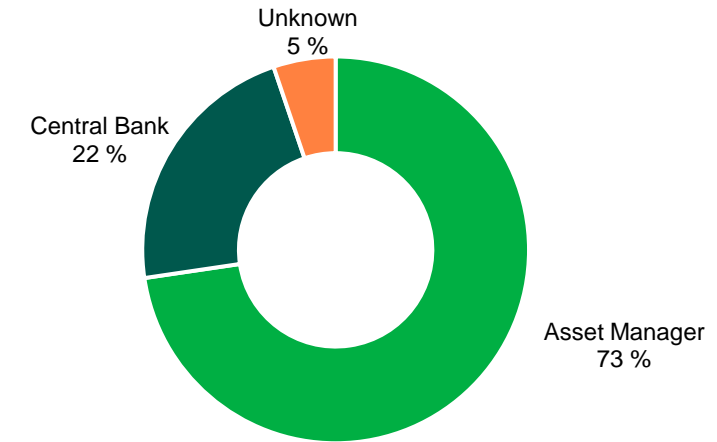
Source: Ministry of Finance, Economic Survey, Winter 2020

## Appendix 5

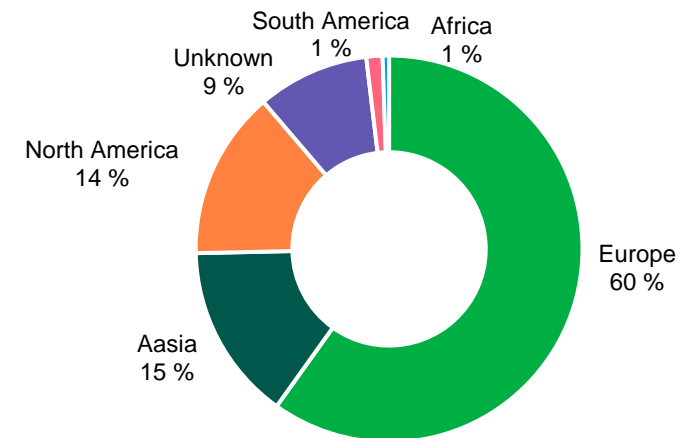
# MuniFin Euro-Commercial Paper (ECP) programme

- 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

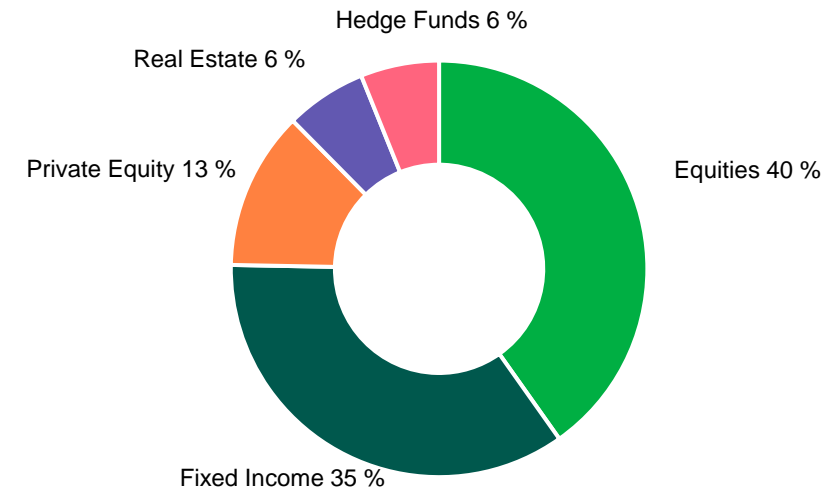


## Appendix 6

# 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



## Appendix 7

# Green bond eligible project categories

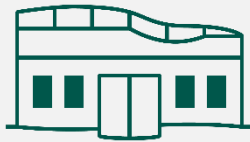
## Renewable energy

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



## 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<sup>2</sup> in year of at least 30%



## Public transportation



## Energy efficiency

District heating/cooling, recovered energy, smart grids

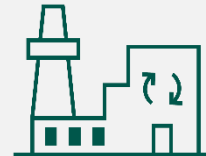


## Water and waste water management



## Waste management

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



## Environmental management

(max 20%)



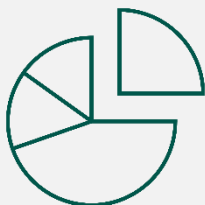
The Green Evaluation Team analyses each project separately and approves projects only if the longer term net environmental impact is positive.

## 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

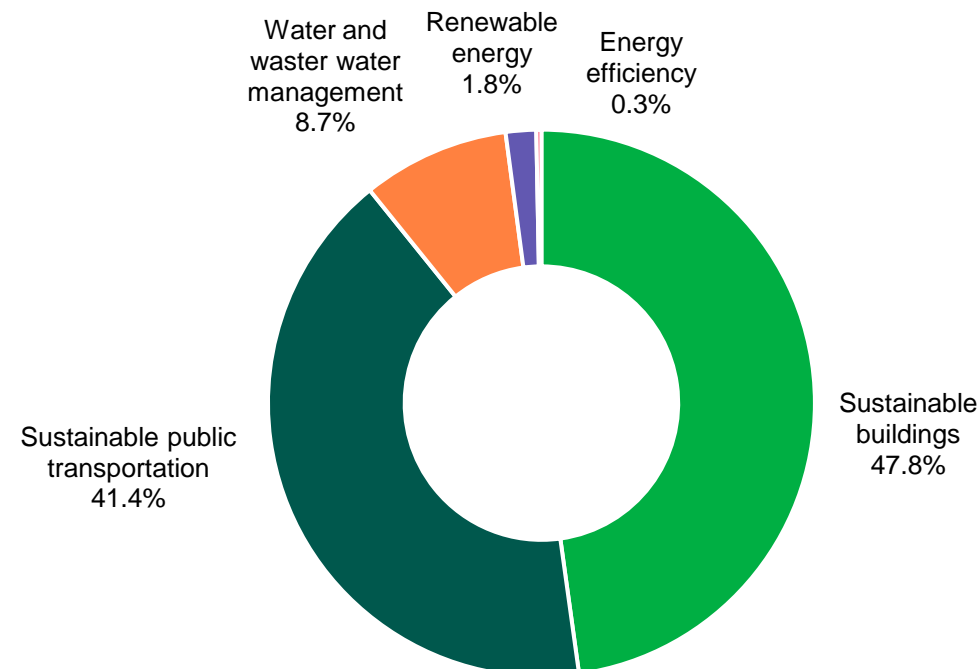


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5

## Green finance portfolio split by project category



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

# 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



# Social bond eligible project categories

## Social housing



### Social housing sub-categories

- i. Most vulnerable population
- ii. Supports communal living

### 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. People with risk of being socially excluded



## 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 (parks, fields, centres, swimming halls, ice rinks)
- iii. Culture facilities (libraries, culture centres, museums, theatres, multipurpose venues)

### 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)

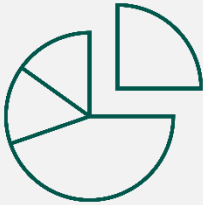


## Appendix 11

# Social finance portfolio



Total committed social finance  
768 million €



Outstanding amount of social finance  
589 million €

*As of 31 December 2020*

## Number of projects in the portfolio



20



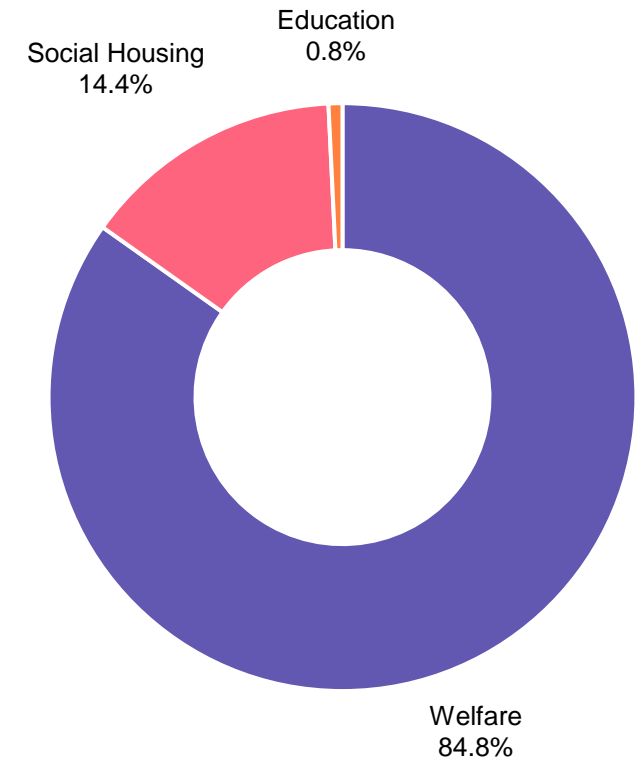
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1

As of 31 December 2020

## Social finance portfolio split by project category



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

# 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)

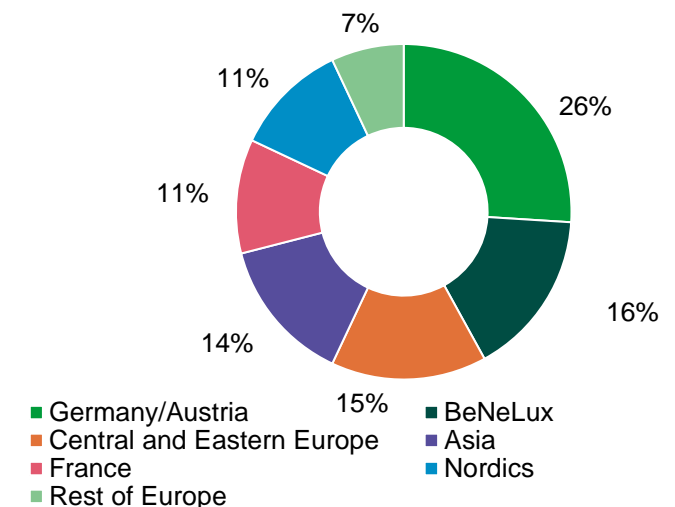
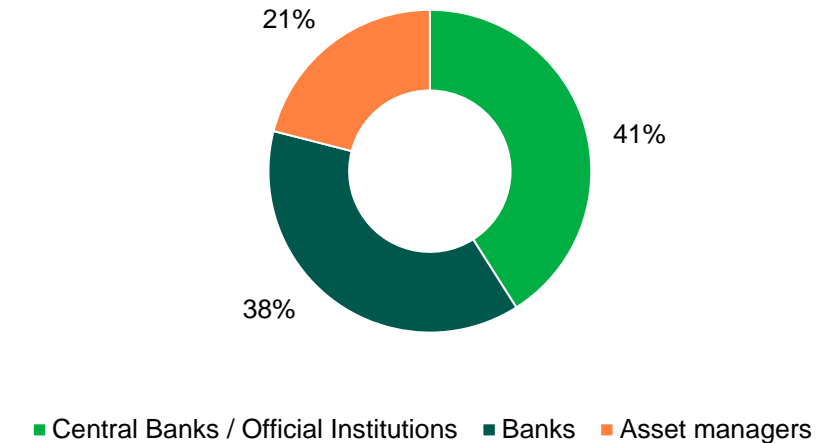


**Rami Erkkilä**  
Senior Specialist  
MuniFin

## Appendix 13

# 7y EUR 500 million benchmark

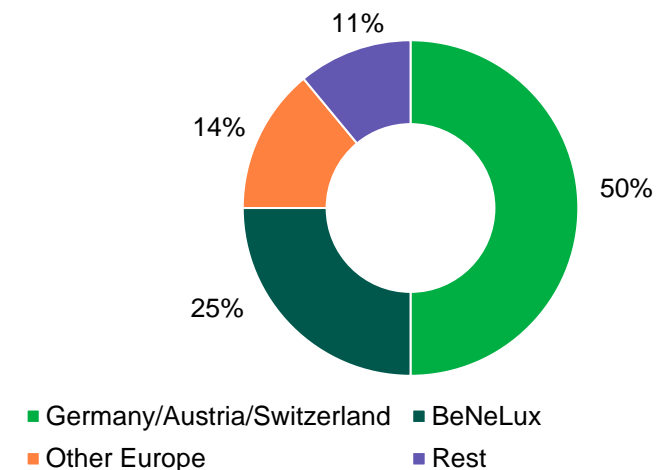
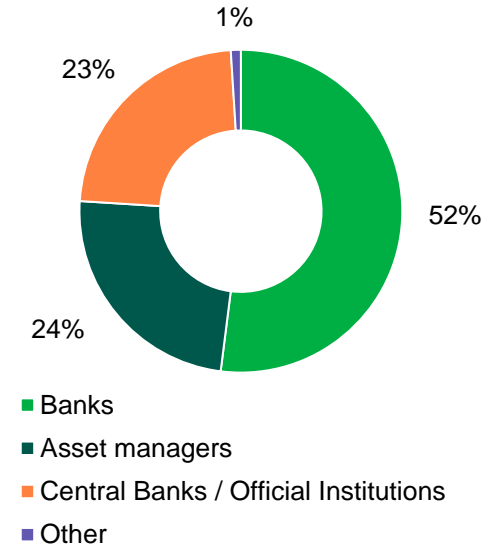
- MuniFin priced its third benchmark transaction of 2021 on 14 April 2021.
- The bond is a 7-year EUR 500 million note due 21 April 2028.
- The joint lead managers were Danske, LBBW, Morgan Stanley and Nordea.
- The benchmark was priced at mid swaps -6 bps and pays an annual coupon of 0%. The spread 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.



## Appendix 14

# 10y EUR 1 billion benchmark

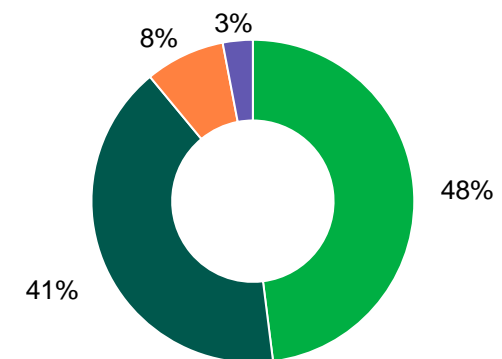
- MuniFin priced its second benchmark transaction of 2021 on 23 February 2021.
- The bond is a 10-year EUR 1 bn note due 2 March 2031.
- The joint lead managers were Barclays, Citi, HSBC and Swedbank.
- The benchmark was priced at mid swaps -3 bps and pays an annual coupon of 0%. The spread over the 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.



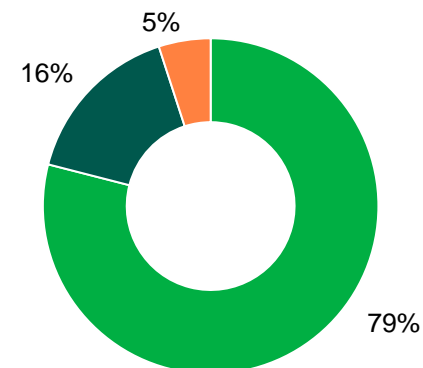
## Appendix 15

# 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.



- Banks
- Central Banks / Official Institutions
- Asset managers/Insurance/Pension funds
- Other



- EMEA
- Americas
- Asia Pacific

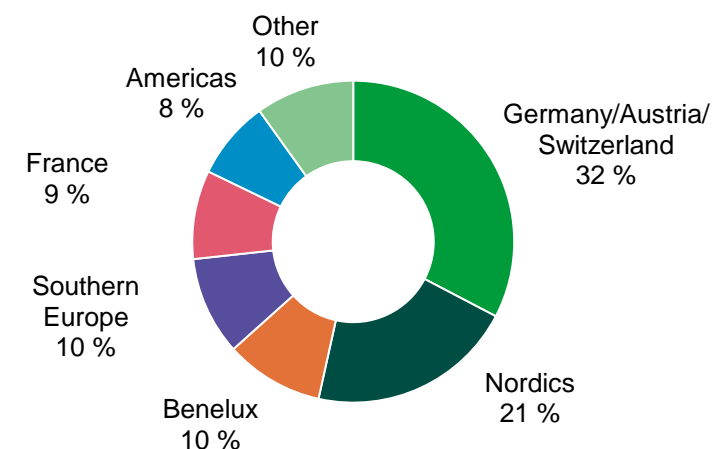
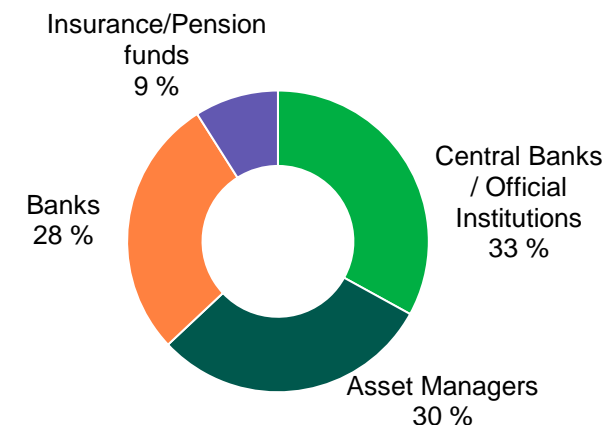


## Appendix 16

# EUR 500 million 10-year green bond



- MuniFin issued its third public green bond on 6 October 2020.
- A record 55% allocation was sold to ESG focused investors, highest allocation in MuniFin's green bonds.
- The 10-year EUR 500 million benchmark offers a 0% coupon and a spread of 30.7bps over the DBR 08/2030, equivalent to 2 bps over mid-swaps.
- The mandate of a new 10y 500m green bond benchmark was announced at 11.00am London time on Monday 5th of October.
- The following morning books were officially opened at 8.00am London time with spread guidance of mid-swaps +5bps which represented minimal new issue concession of 1bp.
- Momentum was strong from the outset and orders built rapidly. By 9.35am London time demand was in excess of EUR 2.7bn and spread was revised by 3bps to ms+2bps, representing a negative new issue concession of 2bps.
- Despite the negative new issue concession on offer, orders continued to build with final books at 3.35bn.
- Green bond was jointly led by Danske Bank, NatWest Markets, Nomura and Nordea.
- 106 investors participated in the transaction.

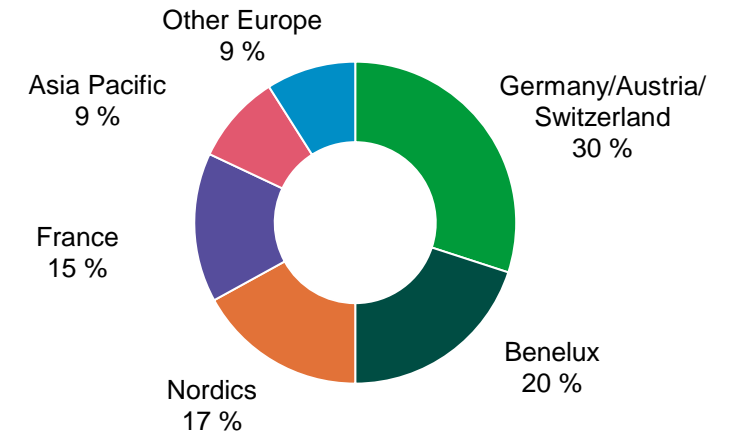
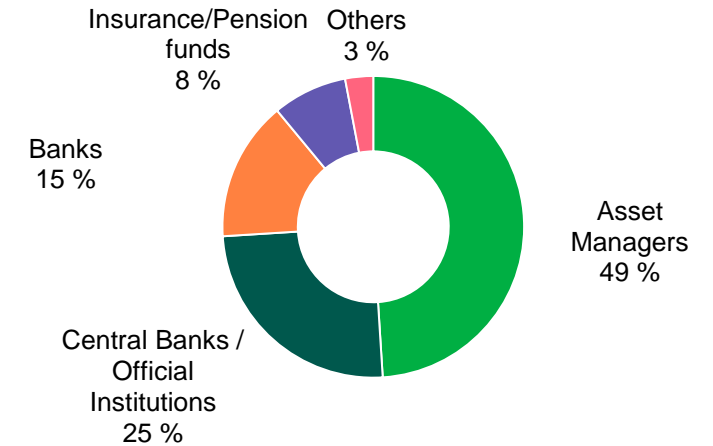


## Appendix 17

# Inaugural EUR social bond



- MuniFin issued its inaugural EUR 500 million 15-year social bond on 3 September 2020. The bond is the first Nordic and Finnish social bond issued in the SSA category.
- MuniFin will use the proceeds of the social bond to finance social housing, welfare and education in accordance with its Social bonds framework. MuniFin aims to encourage investments that have a notably strong impact and bring about wide-ranging social benefits.
- Ahead of the transaction MuniFin held a GIC as well as a series of one-on-one investor calls to update investors ahead of the inaugural transaction.
- The benchmark was almost four times oversubscribed in just 2.5 hours, which is a testimony of increasing investor interest in sustainable products. Books were opened on 3 September with price guidance at MS+12bps area and as a result of strong investor demand spread was set at MS+9bps with final orders in excess of EUR 1.9 billion.
- More than 91% of the bond was distributed to European investors. Almost one third of the bond was allocated to Germany, Austria and Switzerland and nearly one fifth to Nordic countries. Asset managers took the largest share by representing almost half of the investors, with significant demand from SRI investors.
- The note has a final maturity of 10 September 2035 and pays a fixed coupon of 0.05 % annually, which equates to 9 bps over the 15-year mid swap rate. This is equivalent to a 33.6 bps spread over the DBR 0% May 2035. The bond will be listed on the Sustainable Debt Market at Nasdaq Helsinki.
- The Joint Lead managers of the transaction were BNP Paribas, Credit Agricole CIB, DZ Bank and SEB.



Appendix 18

# MuniFin Additional Tier 1 Capital Transaction

- On 16<sup>th</sup> 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

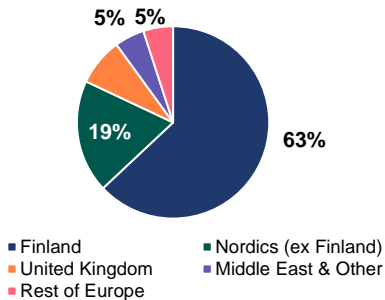
Structure

- The securities are EUR denominated (RegS format) and feature a fixed coupon of 4.500% up to but excluding the First Call Date (1<sup>st</sup> 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

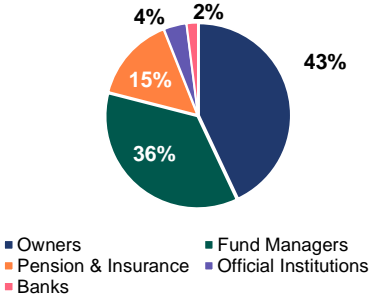
Execution

- Following a three-day constructive roadshow in London, Amsterdam, Zurich, and the Nordic region, MuniFin launched a € RegS PNC6.5 on Thursday 24<sup>th</sup> 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 (Kuntarahoytus Oyj)
Pricing Date:	24 <sup>th</sup> 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	<p>The coupon is fixed until the First Reset Date and then reset every 5 years thereafter (non-step up)</p> <p>First Reset Date: 1 April 2022 and will be fully discretionary non-cumulative, payable annually in arrears, with a short first coupon</p>
Interest Cancellation	<p>Coupon payment is at the full discretion of the Issuer.</p> <p>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</p>
Trigger Event	<p>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%</p>
Write-Down and reinstatement	<p>Upon a Trigger Event, the Prevailing Outstanding Amount will be written by the relevant Write-Down Amount.</p> <p>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)</p>
Optional Redemption	<p>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</p>
Special Event Redemption	<p>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</p>
ISIN:	XS1299724911

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