

MuniFin investor presentation

August 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

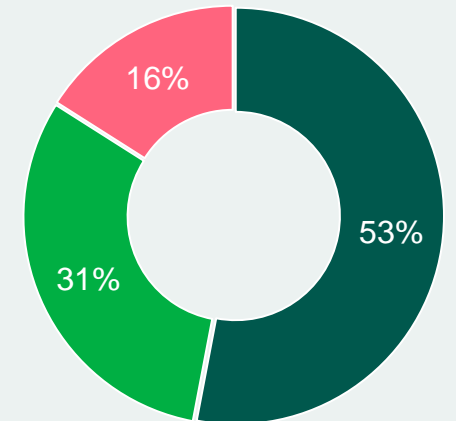
MuniFin is the leading provider of financial services to Finland's municipal sector, wellbeing services counties sector and affordable social housing

- Bloomberg ticker: **KUNTA**
- Funding guaranteed by the Municipal Guarantee Board (MGB)
- Credit 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)

Rating agency	Long-term funding	Outlook
Moody's Investors Service	Aa1	Stable
Standard & Poor's	AA+	Stable

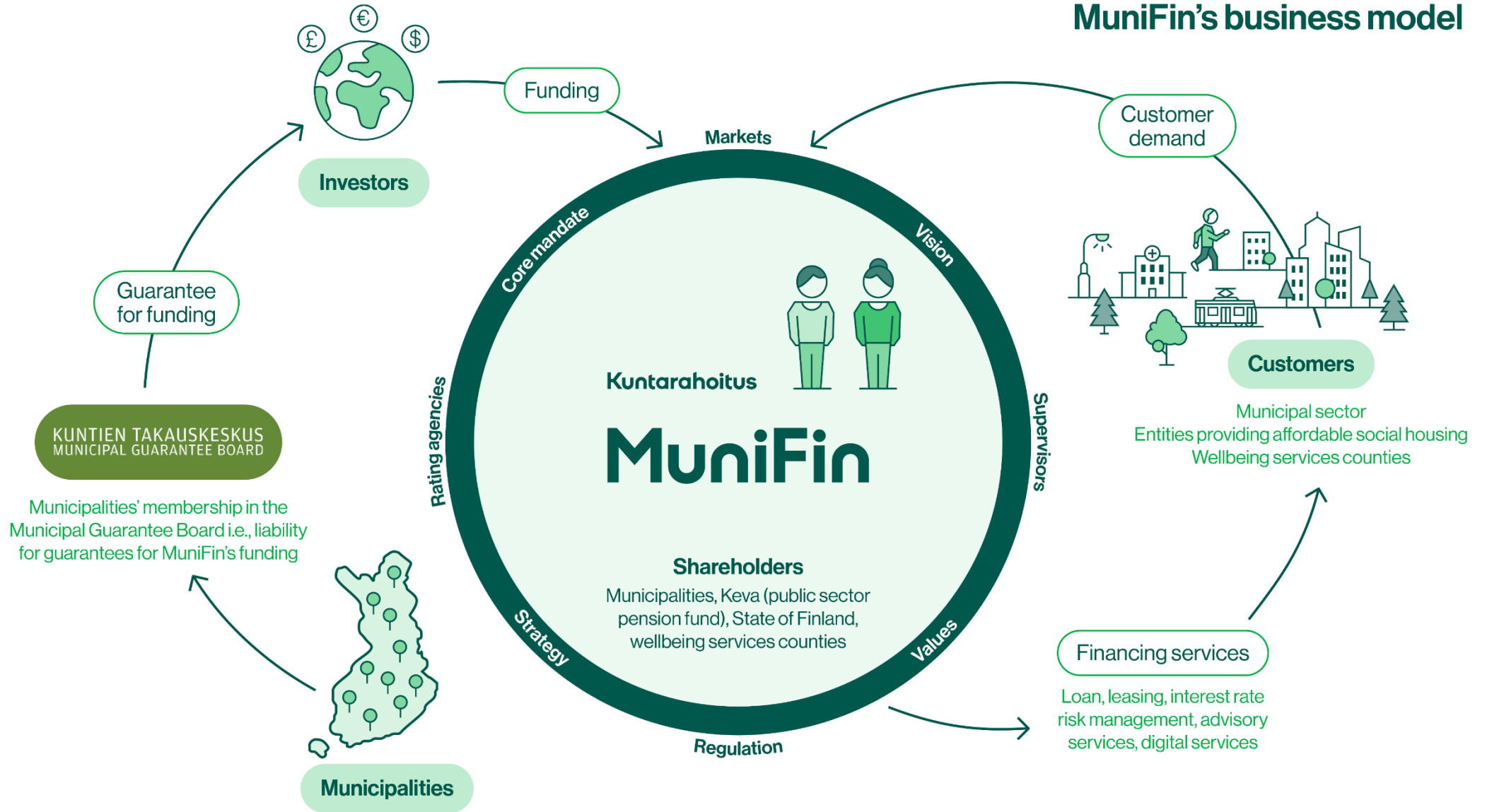
The Municipal Guarantee Board, which guarantees MuniFin's funding, also has the corresponding ratings. Read more about our credit and ESG ratings here: <https://www.kuntarahoitus.fi/en/for-investors/credit-and-esg-ratings>

100% Finnish public sector-owned credit institution



- Finland's municipal sector and wellbeing services counties
- Keva, a public sector pension fund
- State of Finland

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 kgCO₂e/m²

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



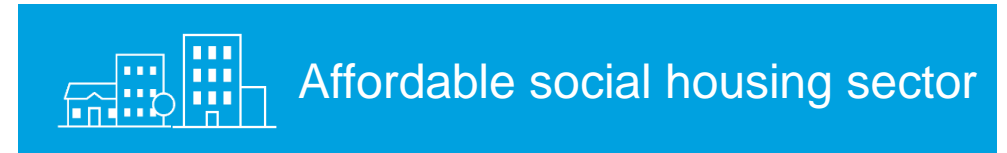
Currently 309 municipalities and additionally joint municipal authorities and corporate entities under their control**

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

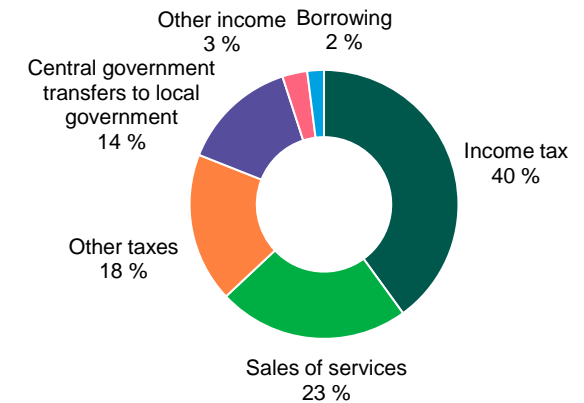
- Municipalities have an unlimited right to levy taxes on their inhabitants (municipal tax rate)
- Other revenues taxation related charges from service production



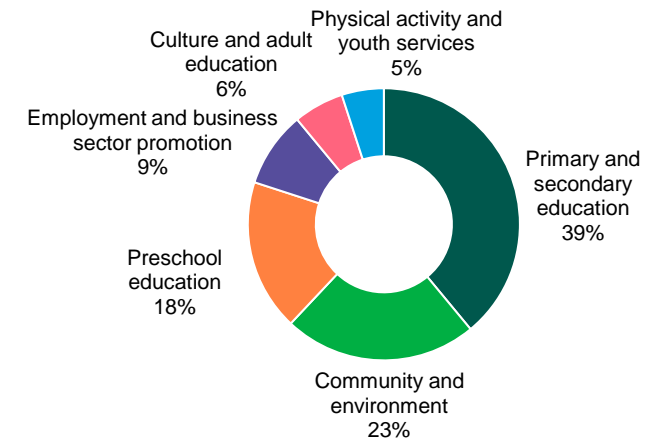
Budget Control

- 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 guarantee for MuniFin's funding



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 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%

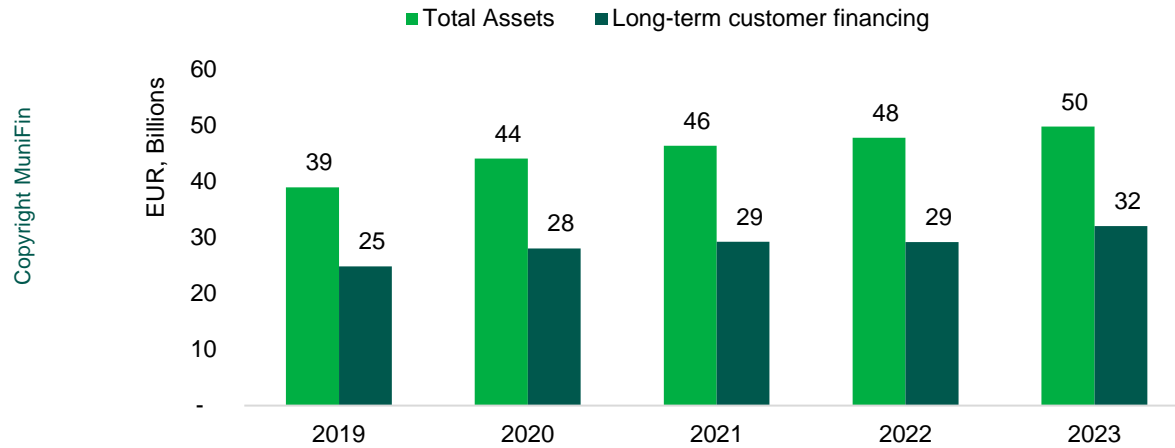
risk weighting

Guarantee

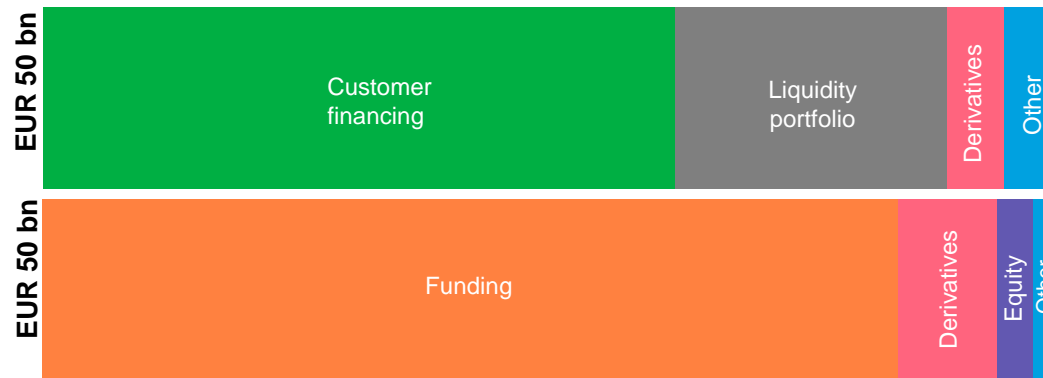
All customer financing is direct municipal or wellbeing services counties risk or is guaranteed by a municipality, a wellbeing services county, a joint municipal authority, a joint county authority for wellbeing services or central government (deficiency guarantee).

Financial performance 2023

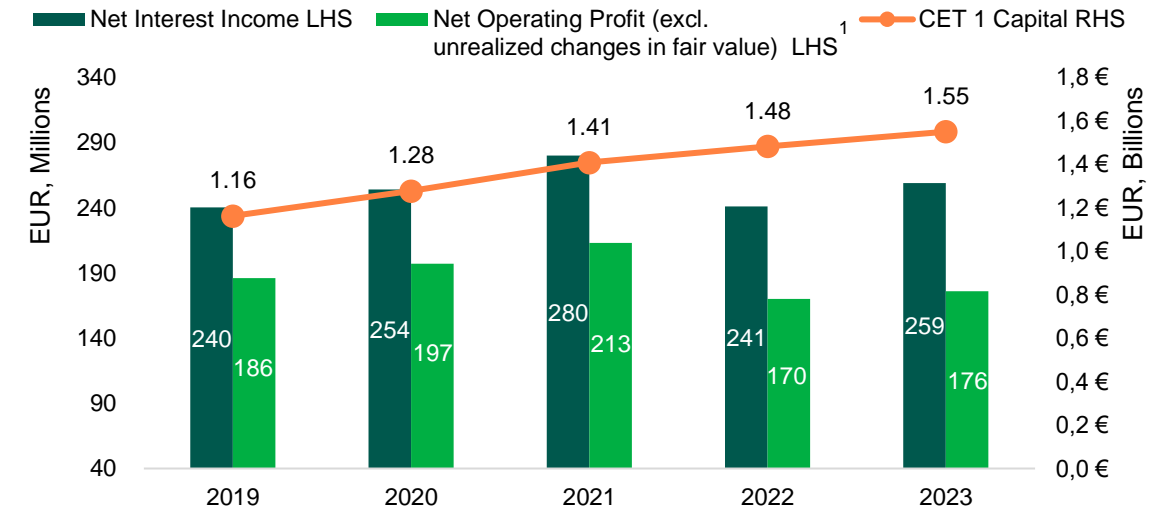
Business remained stable despite turbulent operating environment



Balance sheet totaled EUR 50 billion



Solid capital adequacy and leverage ratio



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






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

² 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 & Capital</p>	<p>A sufficient level of earnings, profitability and capital</p>
 <p>Liquidity & Funding risks</p>	<p>An adequate liquidity buffer and a sustainable funding position and profile</p> <ul style="list-style-type: none"> • Well diversified short- and long-term funding sources • Well-balanced, low risk liquidity portfolio with a high ratio of HQLA • Sufficient liquidity to cover continued undisturbed operations without new long-term funding for at least 12 months. Liquidity metrics, LCR and NSFR, to be kept well above regulatory requirements • Secondary source of funding: Monetary policy counterparty of the Bank of Finland
 <p>Credit risks</p>	<p>Sound credit risk profile appropriate for MuniFin's business model</p> <ul style="list-style-type: none"> • 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) • All customer financing carries a 0% risk weighting in capital adequacy calculations • Liquidity portfolio rating target AA+ (single issuer minimum rating requirement A-) • Derivative counterparty minimum rating requirement A- (with minor exceptions) • 0/0 threshold two-way CSAs with daily collateral management
 <p>Market risks</p>	<p>Sound market risk profile appropriate for MuniFin's business model</p> <ul style="list-style-type: none"> • Funding and liquidity portfolio investments are as a norm back-to-back hedged to floating rate EUR • Customer financing is all in EUR and as a norm hedged to floating rate
 <p>Operational risks</p>	<p>Effective operational control and compliance to support functional and responsible operations</p> <ul style="list-style-type: none"> • Objective is to minimize operational risks related to business and operations by carefully identifying and analyzing the impact and probability of the risks

Strong liquidity position

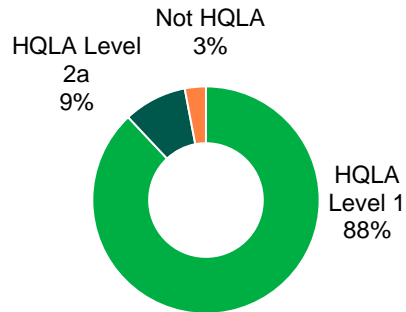
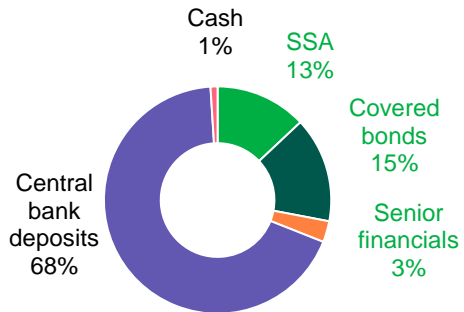
Liquidity Portfolio

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

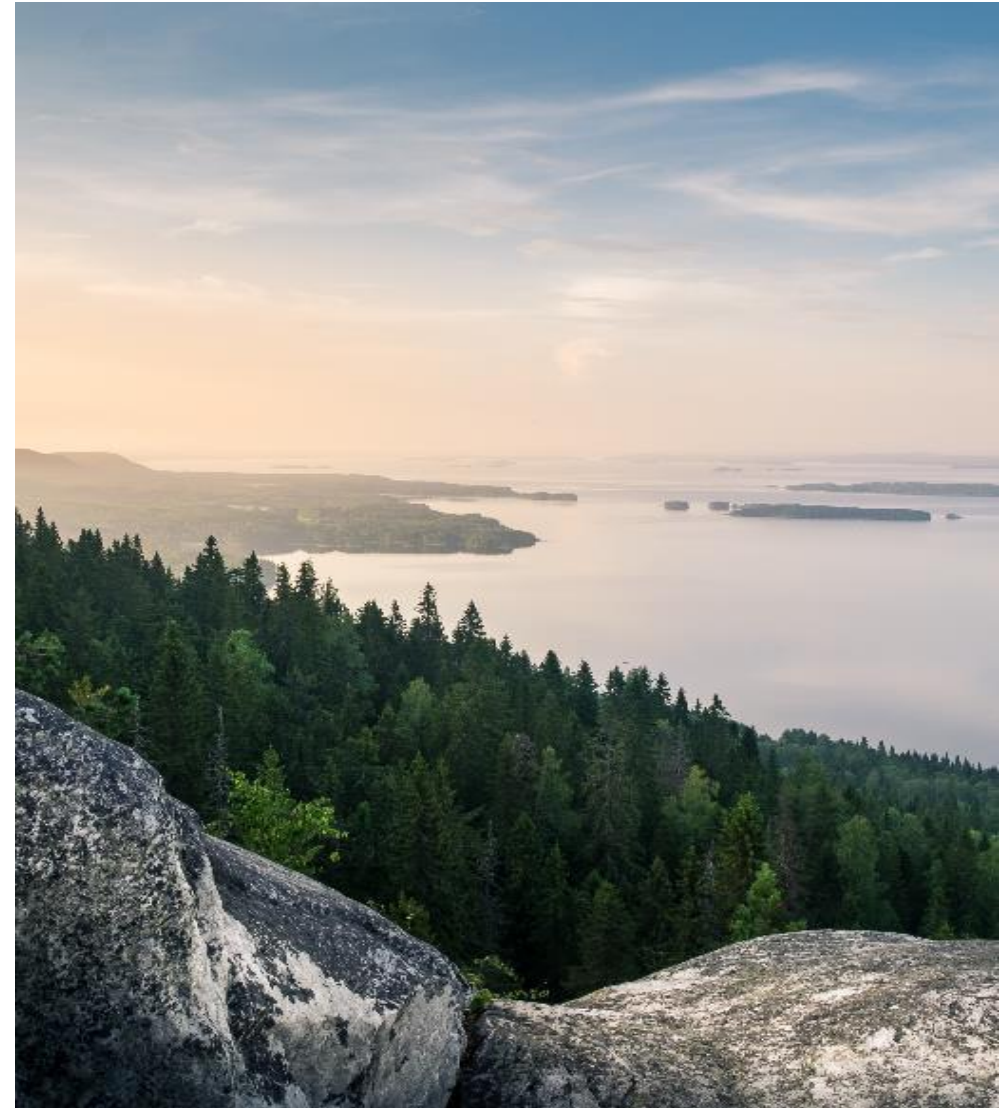


Machinery, Electrical equipment, Paper and Metal products
Largest manufacturing sectors

#1

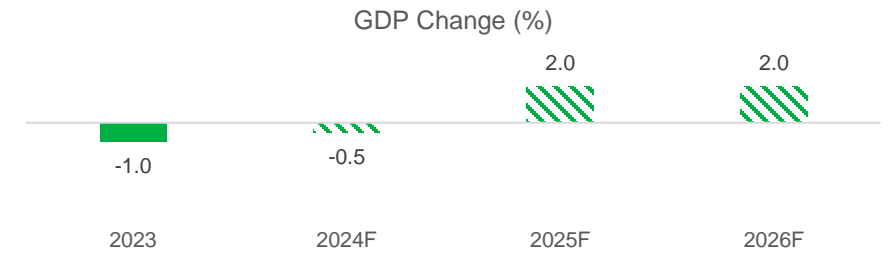


- **Happiest** country in the world seven years in a row
- The most **stable** country in the world
- One of the top OECD countries in **education**
- The best **governance** in the world
- The **water** richest country in the world
- The most **forests** in Europe
- Finns drink most **coffee** per person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

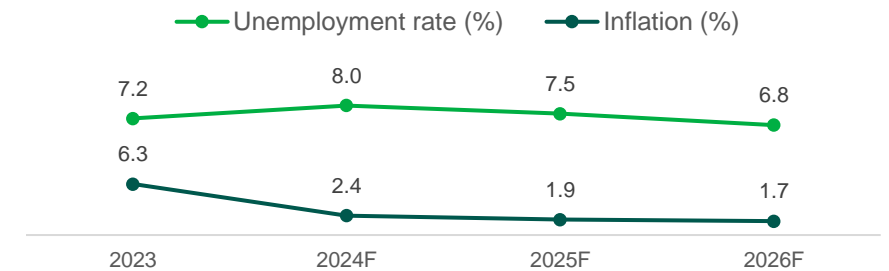


Economic outlook of Finland

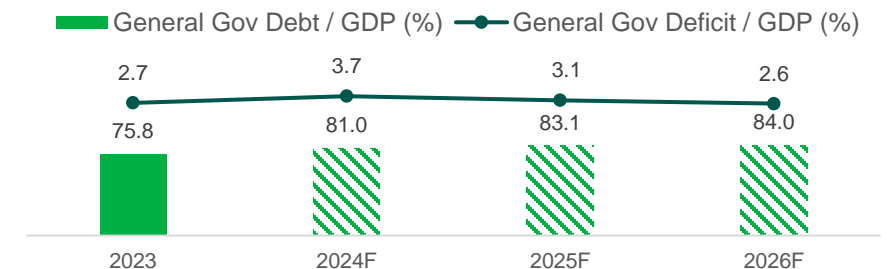
- Finland's economy is currently emerging from a recession, which has been fueled by a slowdown in housing construction, weak consumer confidence and struggling exports.
- Employment reacts to economic cycles with a delay. Unemployment will still rise moderately in 2024 and begin to decline in 2025.
- The increase in the general value-added tax will temporarily raise inflation at the end of 2024. Otherwise, inflationary pressure in Finland has eased more quickly than in the rest of the euro area.
- MuniFin expects a positive turn in the economy to be 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

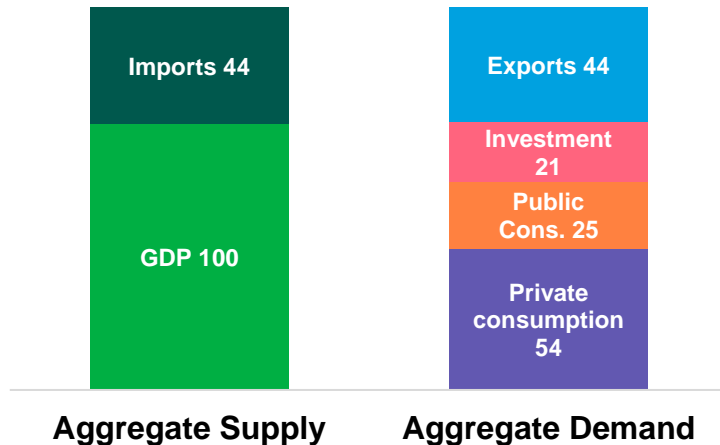
The Finnish Economy

Know-how intensive production base

- Services account for ca. 70% of GDP

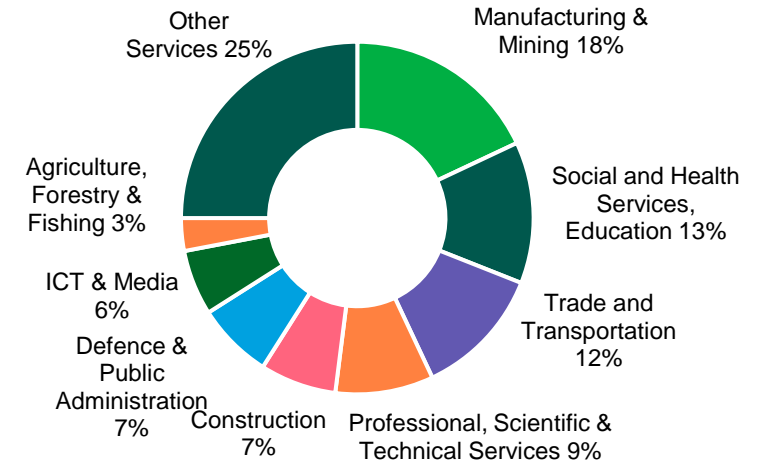
Trade oriented open economy - export-to-GDP ca. 44%

- 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.



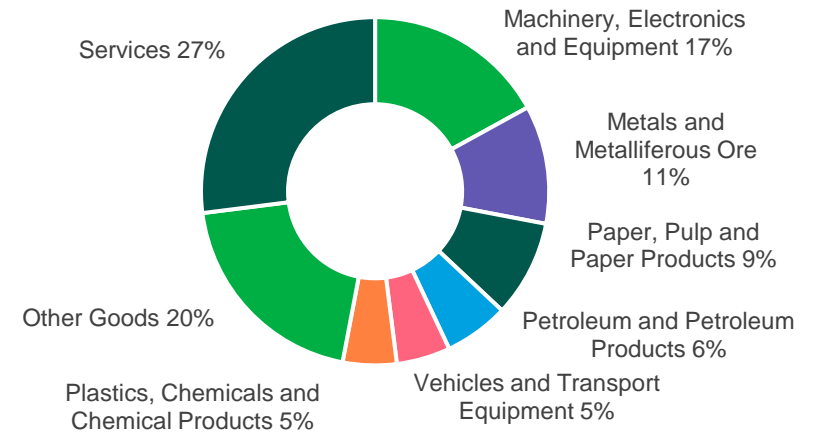
Source: Statistics Finland, MuniFin
Finland Supply and Demand 2023 GDP=100

Finnish GDP by Sector 2022



Source: Statistics Finland, Macrobond, MuniFin

Finnish Exports 2023



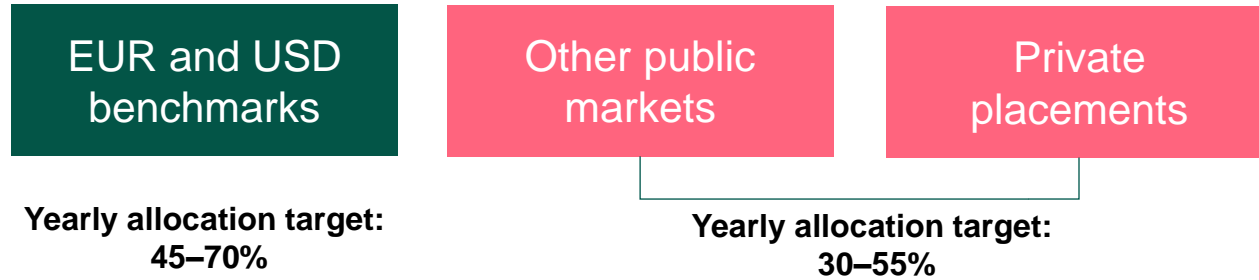
Source: Statistics Finland, Finnish Customs, Macrobond, MuniFin

Funding operations

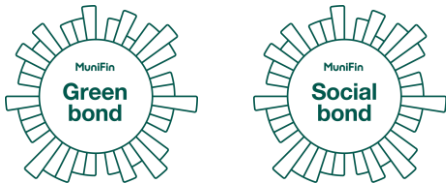


Funding Strategy

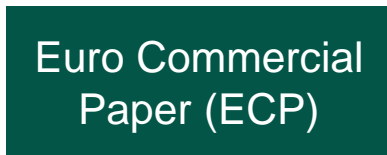
Long-term funding



Green and social bonds can be issued in all funding markets

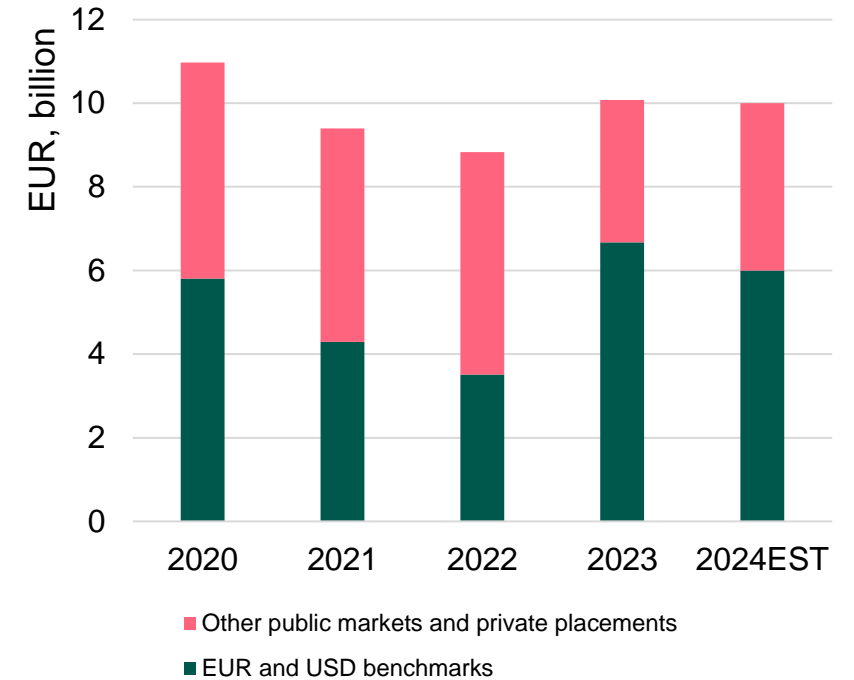


Short-term funding



Outstandings
2.5–4.5 bn

Long-term funding program



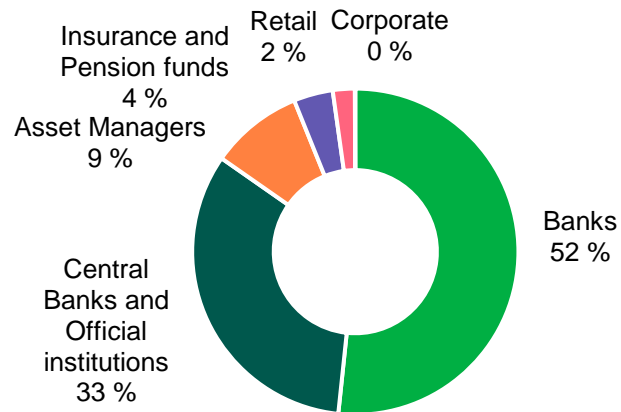
BIS 0% risk-weighted

LCR HQLA Level 1 asset in the EU area and Switzerland

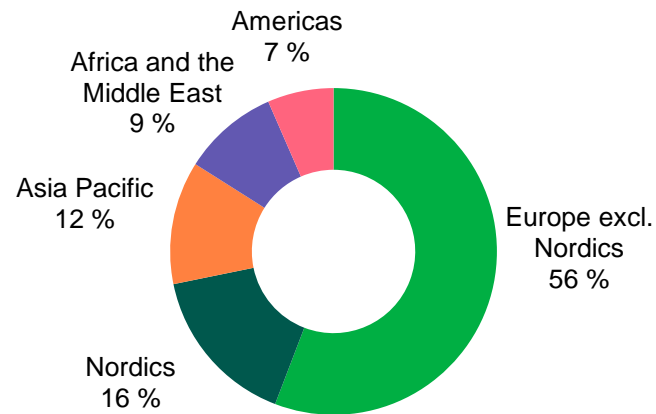
Funding breakdown 2023

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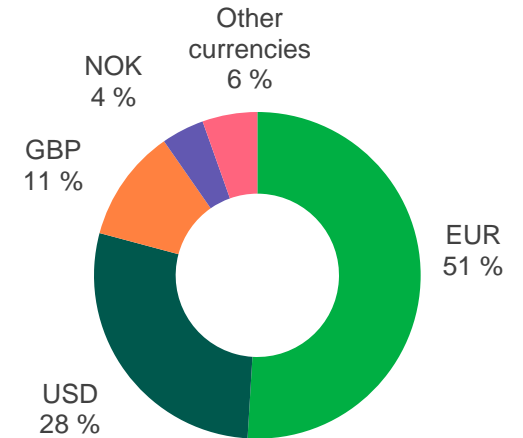
Funding by investor type



Funding by region



Funding by currency



Successful public market strategy

EUR and USD benchmarks



EUR FIXED BENCHMARKS 18.7 bn

11/2024, 04/2025, 11/2026, 09/2027¹, 01/2028, 04/2028, 09/2028¹, 05/2029¹, 09/2029¹, 07/2030, 10/2030¹, 03/2031, 02/2032, 02/2033, 02/2034, 09/2035²



USD FIXED BENCHMARKS 8.3 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 4.0 bn

12/2024¹, 06/2025, 12/2025, 01/2026, 07/2027, 10/2028, 01/2029



NOK 30.9 bn

09/2024, 01/2025, 01/2026, 03/2026, 09/2026, 01/2027, 04/2027, 08/2027, 04/2028, 02/2029², 04/2037

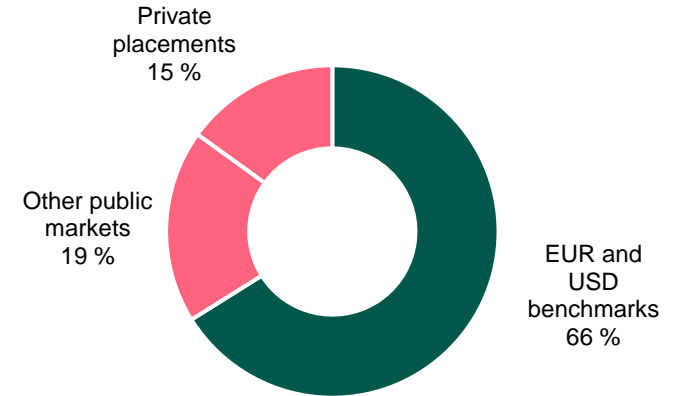


NZD 150 m

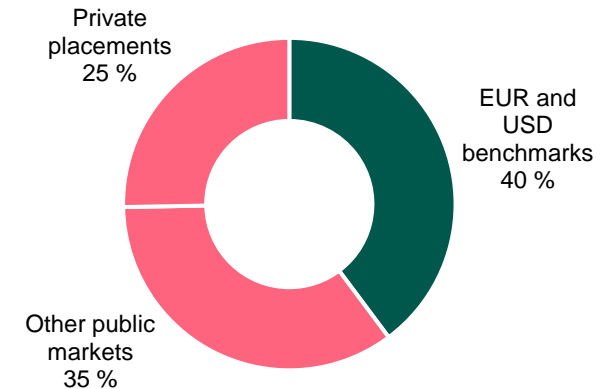
05/2026

1 Green bond
2 Social bond

2023

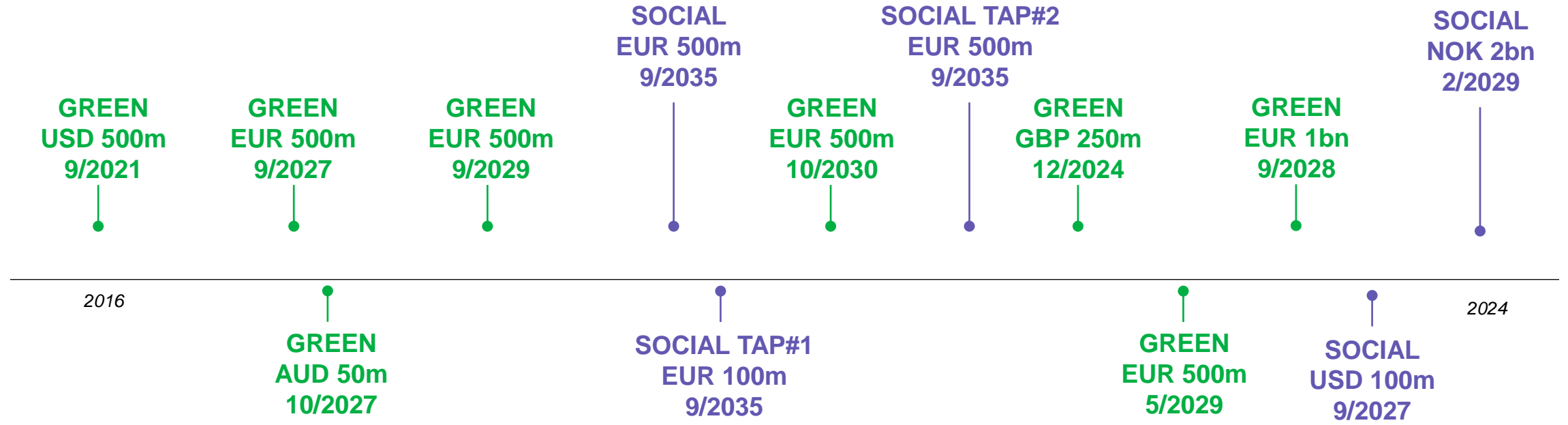


2022



Green and social bond timeline

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MuniFin



Outstanding green bonds

7

3.3 EUR, billion



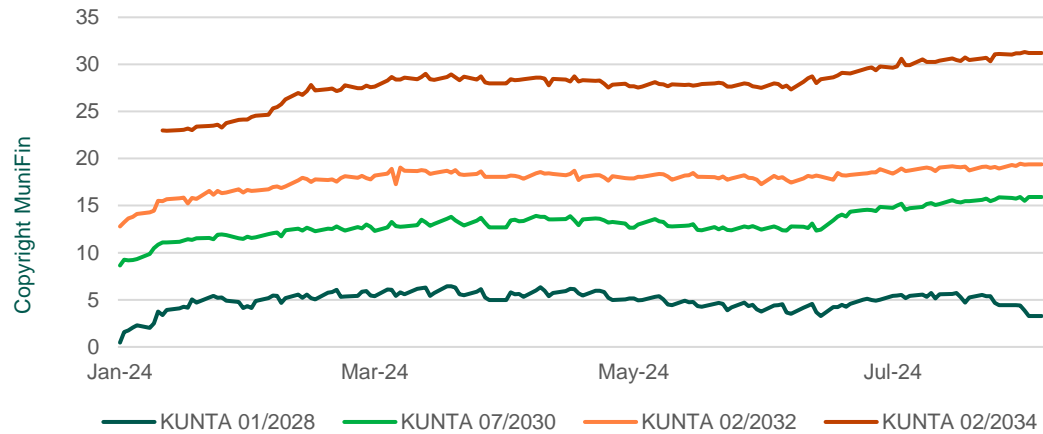
Outstanding social bonds

3

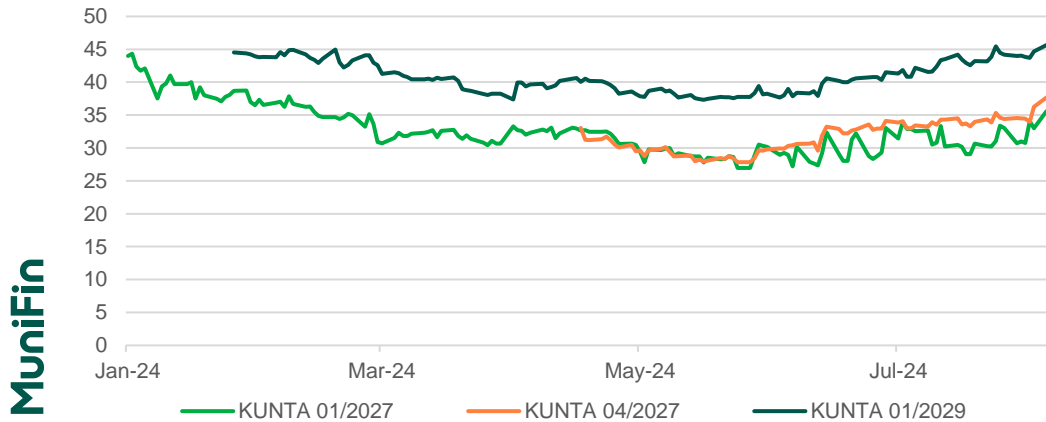
1.4 EUR, billion

Secondary market of EUR and USD benchmarks

Mid ASW spreads of selected MuniFin EUR benchmarks



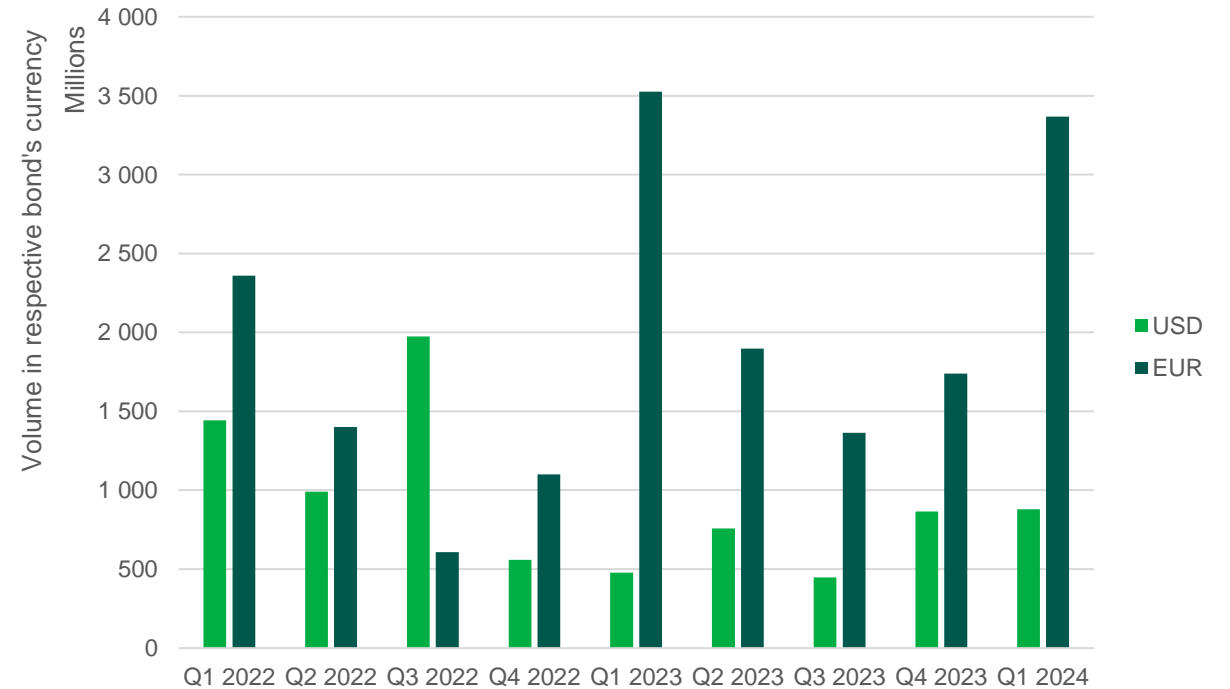
Mid ASW spreads of selected MuniFin USD benchmarks



Source: Bloomberg 5 August 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 June 2024

**As of 31 December 2023

The updated Green Bond Framework 2022



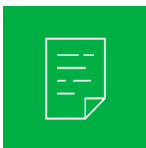
Transparency on criteria

- 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

- 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

- 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

- 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

- 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



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)¹

51,736 MWh



Annual CO₂ emissions avoided/reduced²

81,366 tCO₂³



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

25,894,417 m³

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

36,048,174 m³



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

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

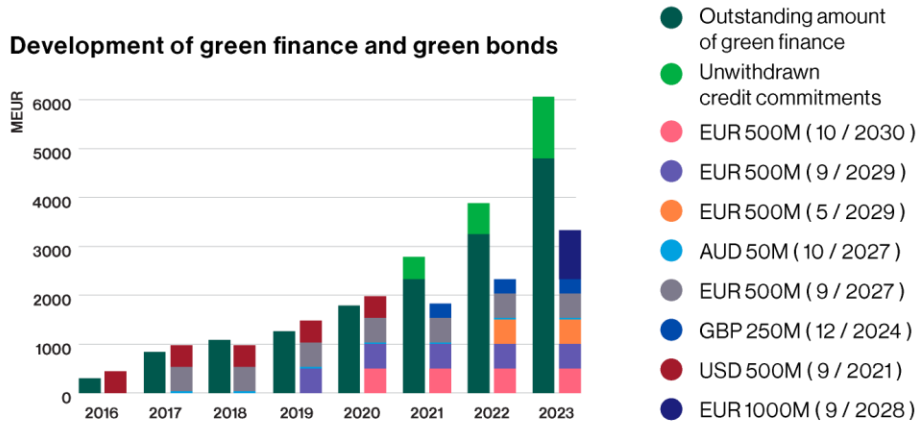
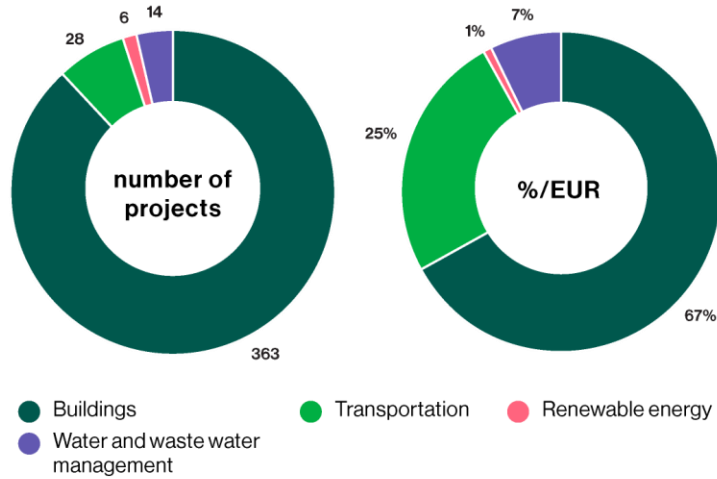
¹ 51,736 MWh: Equals the annual consumption of about 2,970 electrically heated single-family houses (Source: Motiva)

² Calculated using the emission factor for electricity consumed in Finland (38 g CO₂e/kWh, Fingrid). When calculated using the emission factor recommended by the Nordic Position Paper on Green Bonds Impact Reporting (191 g CO₂e/kWh, 2024 draft), the figure stands at 84,096 tCO₂. The emission factor's biggest impact is on the buildings category.

³ 81,366 tCO₂: Equals the average annual carbon footprint of about 7,900 Finns (Source: Sitra)

Executive summary of Green finance

Green finance project breakdown



Project category	Outstanding amount, EUR million	Annual CO ₂ emissions avoided/reduced, tCO ₂	Impact, tCO ₂ 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
Total	4,795	81,366	1,716

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 ³	25,894,417
Annual amount of treated waste water with increased capacity in the future, m ³	36,048,174

Impact attributable to green bond investors

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

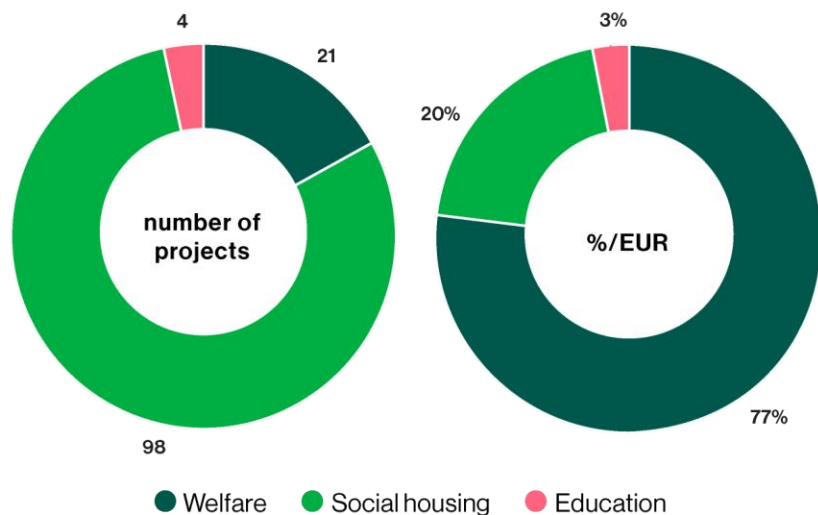


Figures based on the outstanding amount of social finance on 31 December 2023

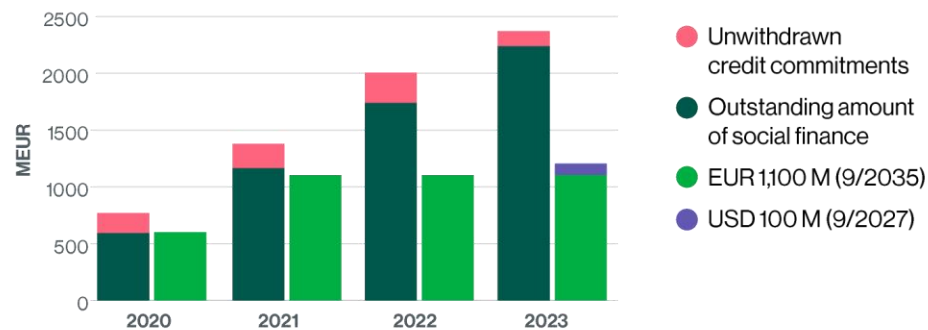
Read more:
[MuniFin Social Impact Report 2023](#)

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
Total	2,234

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

Senior Management



Esa Kallio

President and CEO
+358 9 6803 6231

Funding



Antti Kontio

Head of Funding and
Sustainability
+358 9 6803 5634



Karoliina Kajova

Senior Manager, Funding
+358 9 6803 6215



Lari Toppinen

Senior Analyst, Funding
+358 9 6803 5685



Aaro Koski

Analyst, Funding
+358 9 6803 5694

Sustainability



Joakim Holmström

Executive Vice President,
Capital Markets & Sustainability
+358 9 6803 5674



Mikko Noronen

Manager, Sustainability
+358 504 797 533



Elina Sääskilahti

Manager, Sustainability
+358 415 438 695

Please visit www.munifin.fi

Funding and Sustainability team contact
information
funding@munifin.fi

Direct e-mail address format
firstname.lastname@munifin.fi

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/en/raports/munifin-annual-report-2023>

<https://www.kuntarahoitus.fi/wp-content/uploads/2024/05/EUR-50b-MTN-Programme-Offering-Circular-2024.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.

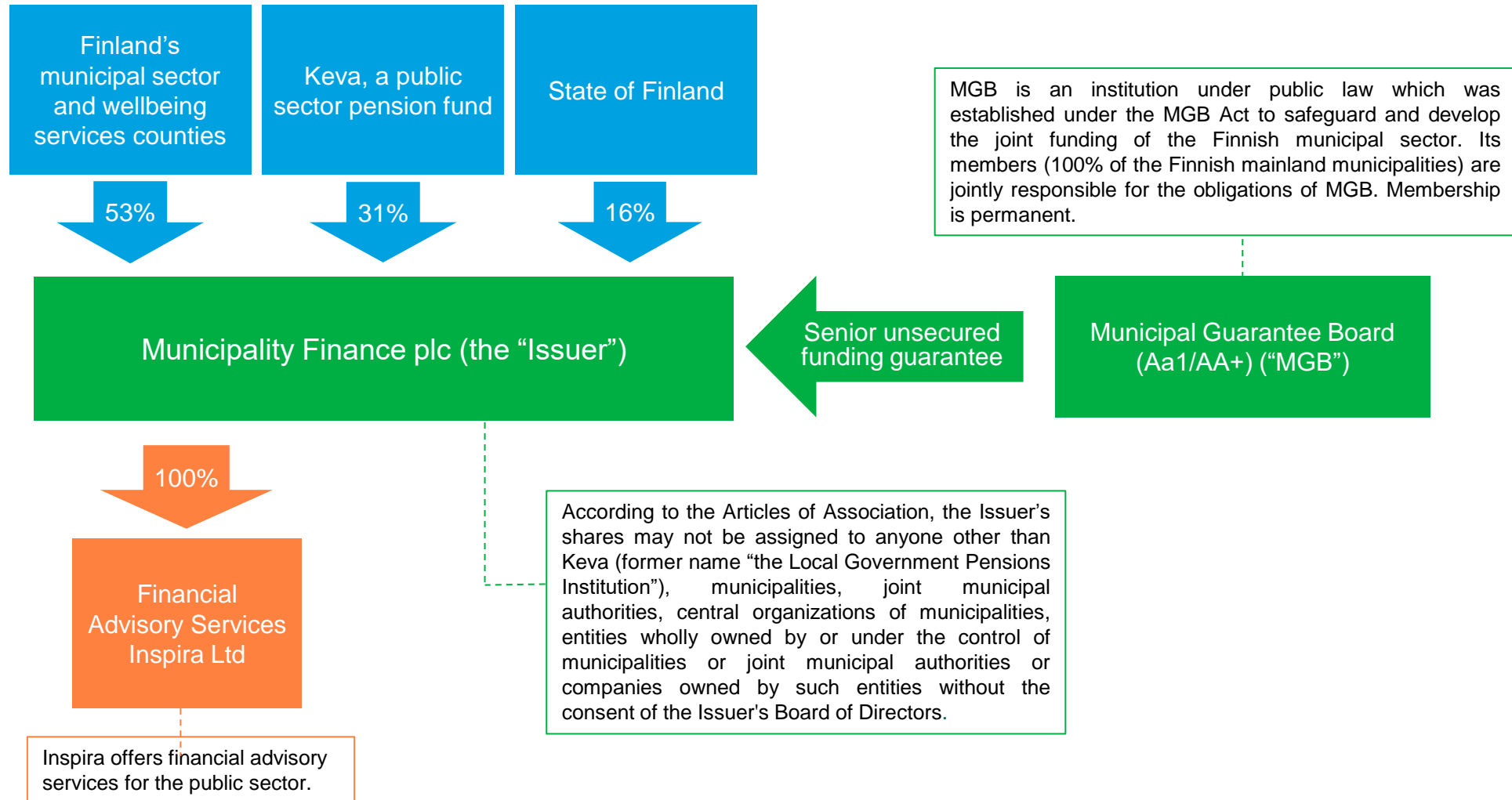
Credit granting process

- 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.

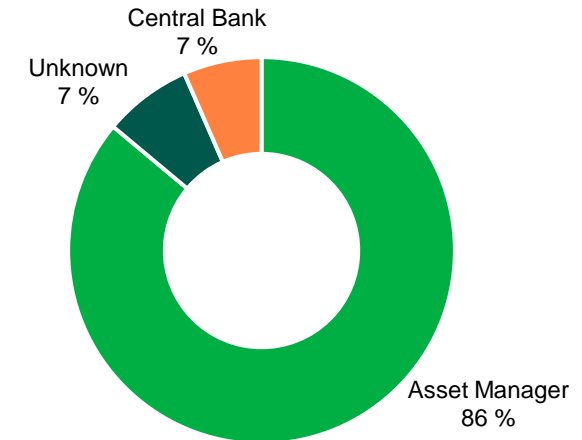
Municipality Finance – Legal structure



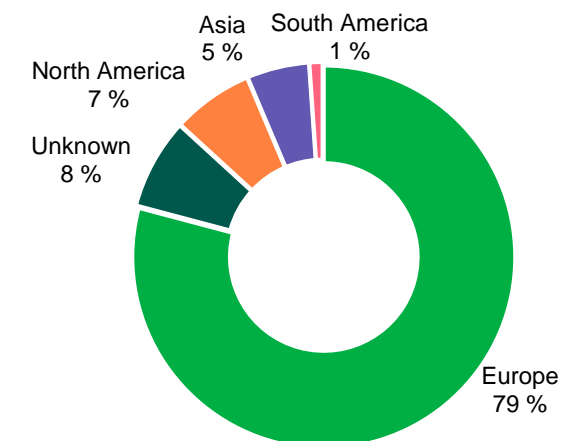
MuniFin Euro-Commercial Paper (ECP) programme

- 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



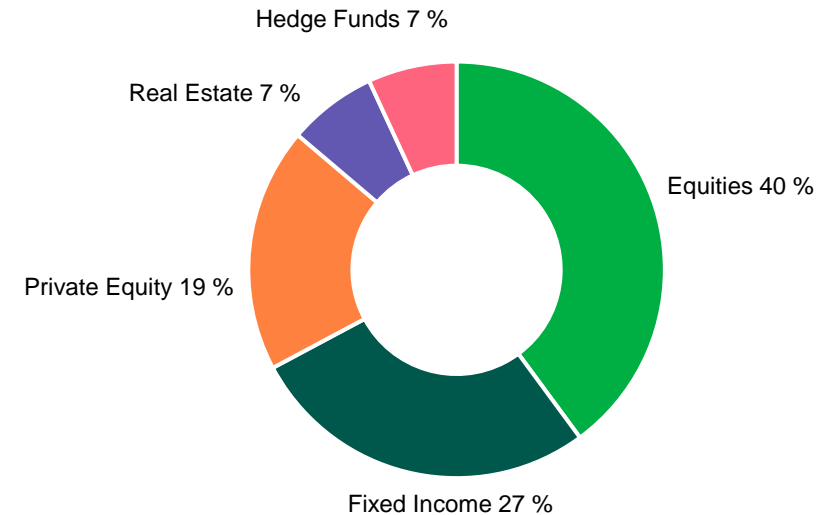
Investor by region 2023



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


Buildings

- 1.1a Buildings: EPC A
- 1.1b Other buildings
- 1.2 Renovations: Overall reduction in primary energy demand by at least 30%
- 1.3 Individual energy efficiency measures
- 1.4 Renewable energy in buildings
- 1.5 Energy saving project (ESCO)
- 1.6 Biodiversity and adaptation measures


Cicero Shading: Light to Medium Green




7 AFFORDABLE AND CLEAN ENERGY




9 INDUSTRY, INNOVATION AND INFRASTRUCTURE




11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION




15 LIFE ON LAND


Transportation

- 2.1 Public transportation: zero direct (tailpipe) CO2 emissions
- 2.2 Supporting infrastructure for public transportation
- 2.3 Passenger cars and light commercial vehicles: zero direct (tailpipe) CO2 emissions and related charging infrastructure
- 2.4 Infrastructure for personal mobility
- 2.5 Biodiversity and adaptation measures


Cicero Shading: Dark Green




9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



15 LIFE ON LAND




13 CLIMATE ACTION

Renewable energy

- 3.1 Solar energy
- 3.2 Wind energy
- 3.3 Bioenergy
- 3.4 Geothermal energy
- 3.5 Waste heat

Cicero Shading: Medium to Dark Green




7 AFFORDABLE AND CLEAN ENERGY


Water and waste water management

- 4.1 New waste water facilities
- 4.2 Existing waste water facilities
- 4.3 New water facilities
- 4.4 Existing water facilities


Cicero Shading: Medium to Dark Green



6 CLEAN WATER AND SANITATION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



14 LIFE BELOW WATER



1. Buildings¹⁰

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 A¹¹ are presented below.

Building type	E-value limit EPC A	Corresponding energy performance requirements ¹² -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 m², the building undergoes testing for air-tightness and thermal integrity, upon completion.
- ii. For buildings larger than 5000 m², 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

¹⁰ 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.

¹¹ 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.

¹² 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. Buildings¹⁰

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.

¹⁰ 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. Transportation¹³

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) CO₂ 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) CO₂ emissions and related charging infrastructure.

6.5 Transport by motorbikes, passenger cars and light commercial vehicle

2.4 Infrastructure for personal mobility¹⁴

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.

¹³ Not dedicated to the transport of fossil fuels.

¹⁴ 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 biomass¹⁵ 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 CO₂e/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

¹⁵ 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 management¹⁶

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

¹⁶ 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, sustainable finance
MuniFin



Mikko Noronen
Sustainability Manager
MuniFin



Elina Säaskilahti
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 2nd 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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