



NORD/LB Issuer Guide 2022 – Scandinavian Agencies (Nordics)

Markets Strategy & Floor Research

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Marketing communication (see disclaimer on the last pages)

NORD/LB

ISSUER GUIDE 2022

Scandinavian Agencies
(Nordics)

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The Nordic agency market – an overview

Authors: Dr Norman Rudschuck, CIIA // Jan-Phillipp Hensing

Banks for local authorities dominate the Scandinavian agency market

With outstanding bonds totalling the equivalent of around EUR 213.4bn, split across a total of 1,666 bonds issued by the six agencies covered in this publication, the Nordic agency market is medium-sized in a European comparison. The players within this market are very similar in many respects. Institutions whose mission is to finance local authorities play a particularly key role. Kommunalbank (KBN) from Norway, Kommuninvest i Sverige from Sweden, Denmark's KommuneKredit and the Finnish agency Municipality Finance (MuniFin) account for a large portion of the bonds issued by Nordic agencies that are currently in circulation. Given that they lend to municipalities, municipal associations, regions and public sector companies, there is a constant funding requirement, which is largely covered through capital market activities. Sweden's Kommuninvest i Sverige is the largest Nordic agency as measured in terms of total assets, while KBN from Norway is the second-largest institute. Unlike the other agencies from Nordic countries included in this issuer guide, SEK's mandate is to manage Sweden's export financing scheme. In this case, too, specialised export lending leads to a funding requirement that is heavily influenced by the demand for export credit and, consequently, by growth in the Swedish export industry. The Finnish agency Finnvera, which is involved in financing small and medium size enterprises (SMEs) in addition to export development activities, has a similar mandate. It became active in the EUR benchmark segment for the first time in 2014 and has been gradually building up a benchmark curve in EUR since this time.

Different risk weights under CRR/Basel III

Four Nordic agencies have explicit guarantees, which facilitates a risk weighting of 0% based on the standard approach of CRR/Basel III. Although KBN exhibits an implicit maintenance obligation through a Letter of Support, in this case, only a risk weighting of 20% can be assigned. Since SEK does not have any kind of guarantee or liability mechanism, a risk weighting of 20% is again only possible on the basis of the standard approach.

Nordic agencies – an overview

Institution	Type	Owner(s)	Guarantee	Risk weighting
Kommunalbanken (KBN; Norway)	Municipal bank	100% Norway	Maintenance obligation	20%
Svensk Exportkredit (SEK; Sweden)	Export financier	100% Sweden	-	20%
Kommuninvest i Sverige (Sweden)	Municipal bank	100% Kommuninvest Cooperative Society	Joint and several guarantee	0%
Municipality Finance (MuniFin; Finland)	Municipal bank	53% municipalities, municipal associations and companies in municipality ownership; 31% municipal pension institutions; 16% Finland	Joint and several guarantee	0%
KommuneKredit (Denmark)	Municipal bank	100% all Danish municipalities and regions	Joint and several guarantee	0%
Finnvera (Finland)	Export financier	100% Finland	Explicit guarantee	0%

Source: Issuers, NORD/LB Markets Strategy & Floor Research

Joint and several liability

Local authorities bear liability for three of the four municipal banks (Kommuninvest, KommuneKredit, MuniFin). This means that each individual local authority must assume responsibility for all of the liabilities of the respective municipal bank. If a liability event occurs, the creditors may demand performance or satisfaction of the claim from the entirety of the guarantors. The guarantors are obliged to service the overall claim even if one of the guarantors is unable to make the necessary payments. The respective liability quotas of the local authorities result from internal regulations in the internal relationship, although in the external relationship there is always an entitlement to full satisfaction of the claims.

Maintenance obligation

A maintenance obligation exists for Norway's Kommunalbanken Norge (KBN). This requires the Norwegian state to provide KBN with the funding necessary for its functioning, as defined in a Letter of Support. The state therefore has a duty to ensure that KBN's finances are managed in such a way that proper business operations are maintained and KBN's liabilities are serviced. The maintenance obligation therefore requires the guarantor to ensure solvency. De facto, this arrangement with the Norwegian state corresponds to an implicit (liquidity) guarantee.

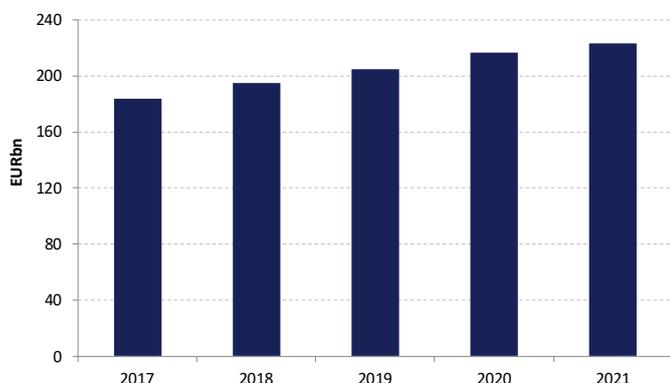
Nordic regional authorities: extremely high levels of creditworthiness

Most credit risks of Nordic agencies are accounted for by regional governments and local authorities (RGLAs; otherwise referred to as sub-sovereigns) in the respective home countries. The degree of decentralisation in handling public expenditure is very high in Nordic states. Sub-sovereigns such as municipalities, municipal associations, administrative districts and regions are responsible for planning most public-sector expenditure. The need for funding is accordingly high, with Nordic sub-sovereigns obtaining a significant share of their revenue by collecting income taxes.

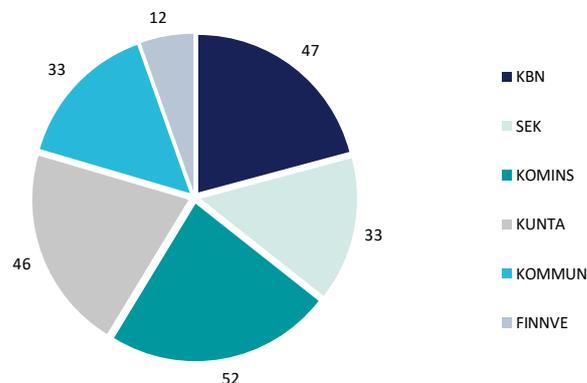
Strong state links and excluded from insolvency law

Links to central government are nevertheless also very high. Municipal banks were also established in the four countries to finance the general budget expenditure or projects. The mission of these banks is to finance regional and local authorities and companies with which they are associated. In Denmark, Finland, Norway and Sweden, municipal banks are the biggest financiers of the public sector. With the exception of the Norwegian KBN, the liabilities of the municipal banks are guaranteed by municipalities, municipal associations, regions or administrative districts. RGLAs are exempted from insolvency laws in all four Nordic states, while they are also authorised to collect income taxes. As a result, these organisations not only rake in high levels of income, but are simultaneously protected by law from the effects of any payment difficulties.

Balance sheet growth of Nordic agencies



Comparison of balance sheet totals (EURbn)

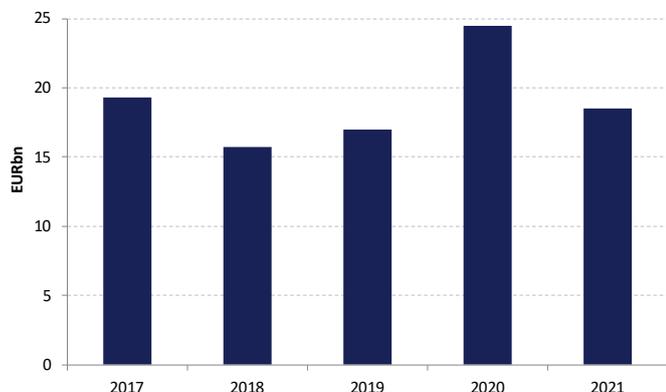


NB: Balance sheet data in foreign currencies in some instances. Converted at average exchange rates for the year.
 Source: Issuers, NORD/LB Markets Strategy & Floor Research

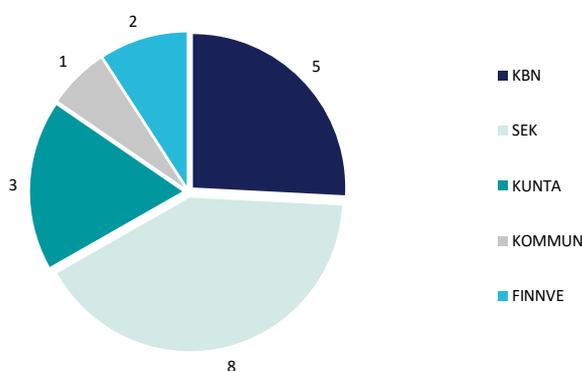
Further growth in balance sheet totals, decline in volume of new commitments

Steady growth in the aggregated balance sheet totals of Nordic agencies has been observed since 2017. Following the most recent decline in the aggregated value back in 2017, total assets have since increased substantially. After being converted into EUR, total assets rose in 2021 by EUR +5.8bn to EUR 222.6bn, with MuniFin and KommuneKredit recording the largest growth in this regard. Converted into EUR, MuniFin registered the highest balance sheet growth in absolute terms of EUR +2.3bn (+5.3% Y/Y), followed by the total assets of KommuneKredit, which rose by EUR +2.1bn (+6.7% Y/Y). The total assets of Sweden’s Kommuninvest saw an increase of EUR 0.6bn (+1.3% Y/Y) and the balance sheet total of the Swedish export financier SEK increased by EUR +0.4bn (+1.3% Y/Y), while its Finnish counterpart Finnvera registered a decline in total assets amounting to EUR -0.5bn (-3.6% Y/Y). However, the assets of the Norwegian municipal financier Kommunalbanken increased against the previous financial year by EUR +0.7bn (+1.6% Y/Y). As was the case in 2020, Kommuninvest is the largest Nordic agency as measured by total assets. It even managed to extend its lead over the second-placed Kommunalbanken by a total of EUR 1.3bn. The aggregated volume of new commitments in 2021 fell sharply against the previous year (EUR -6.0bn), although it remains above the level recorded in 2019. No data in connection with the new commitments of Kommuninvest has been made available.

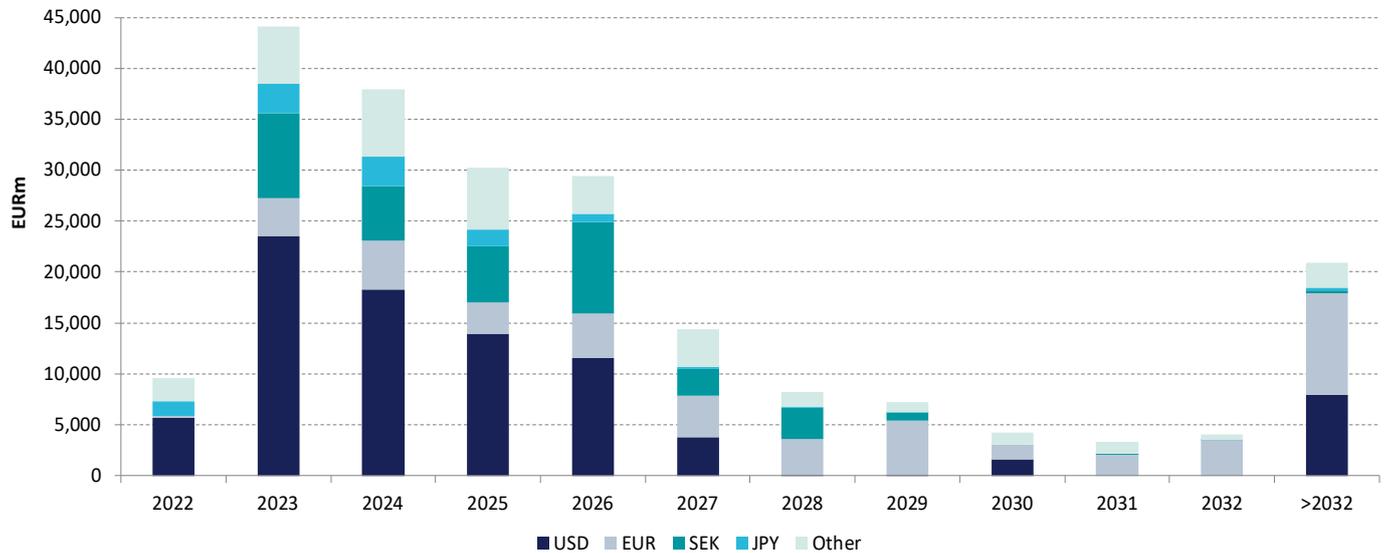
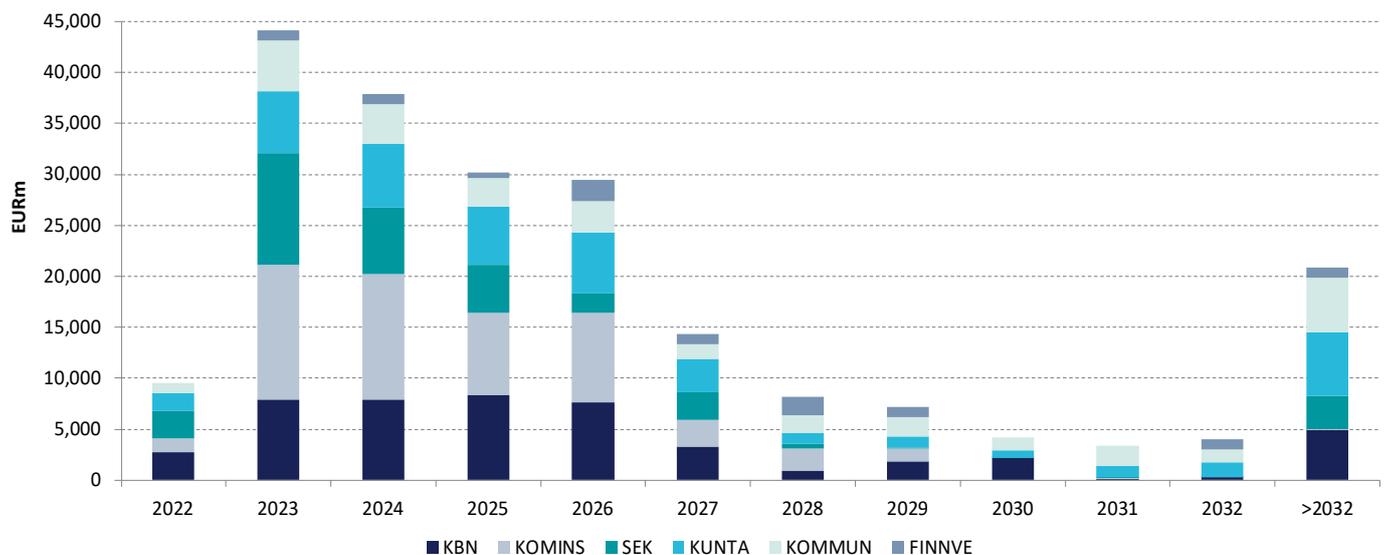
New commitments of Nordic agencies*



Comparison of new commitments 2021 (EURbn)*



*Excluding Kommuninvest. NB: Balance sheet data in foreign currencies in some instances. Converted at average exchange rates for the year.
 Source: Issuers, NORD/LB Markets Strategy & Floor Research

Nordic agencies: outstanding bonds by currency**Nordic agencies: outstanding bonds by issuer**

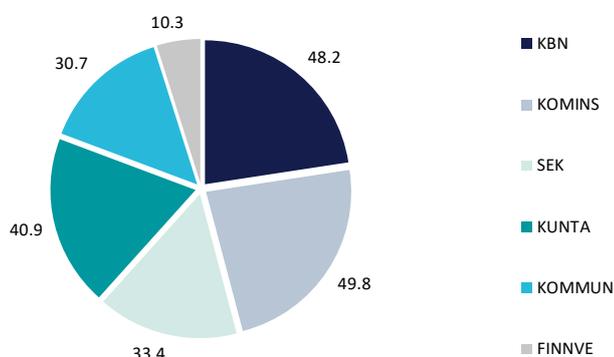
NB: Foreign currencies are converted into EUR at rates as at 26 October 2022.

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

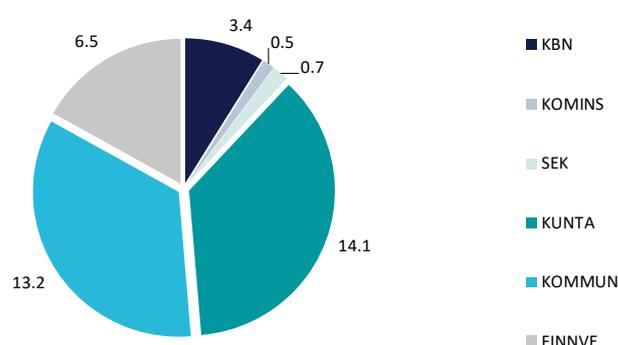
Very broad supply of FX bonds

The outstanding bonds issued by Nordic agencies are largely denominated in foreign currencies, with a focus in this regard on the USD. A total of 21 different foreign currencies are used for funding purposes by the six agencies covered in this review. The euro is relatively unimportant in this respect: 78.4% of the outstanding volume is not denominated in the single currency.

Outstanding bond volumes (EURbn)



Outstanding EUR benchmarks (EURbn)



NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn. Foreign currencies are converted into EUR at rates as at 26 October 2022.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Nordic agencies – an overview (EURbn/EUR equivalent)

Name	Ticker	Rating (Fitch/Moody's/S&P)	Outstanding Volume	EUR volume	Funding target 2022	Maturities 2022	Net Supply 2022	Number of ESG bonds	ESG volume
KBN	KBN	-/Aaa/AAA	48.2	3.9	9.0	9.6	-0.6	9	2.7
SEK	SEK	-/Aa1/AA+	33.4	2.0	10.0	9.2	0.8	10	1.9
Kommun- invest	KOMINS	-/Aaa/AAA	49.8	0.9	13.7	11.8	1.9	9	6.1
MuniFin	KUNTA	-/Aa1/AA+	40.9	18.0	9.5	6.9	2.6	7	3.4
Kommune- Kredit	KOMMUN	-/Aaa/AAA	30.7	14.9	5.0	5.3	-0.3	7	3.1
Finnvera	FINNVE	AA+/Aa1/-	10.3	6.5	1.0	1.0	0.0	0	0.0
Total			213.4	46.2	48.2	43.8	4.4	42	17.2

NB: Foreign currencies are converted into EUR at rates as at 26 October 2022.

On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

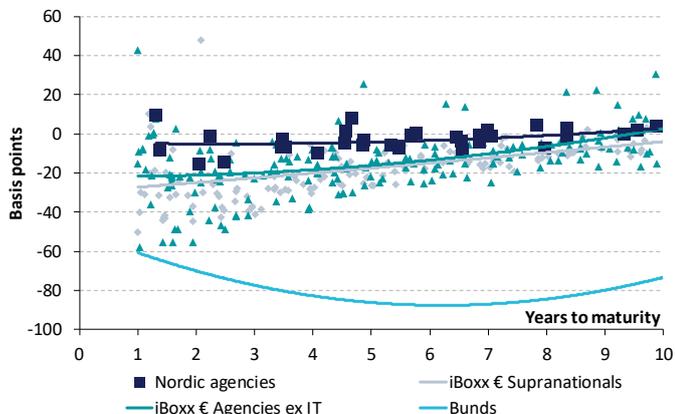
Source: Bloomberg, issuers, NORD/LB Markets Strategy & Floor Research

Comment

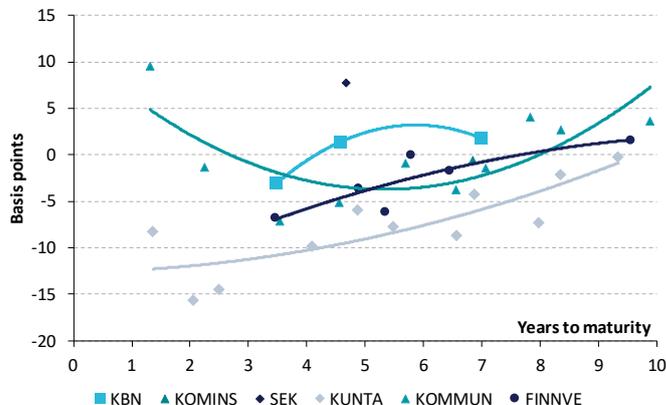
The Nordic agency market is a significant player when compared with other European markets, especially with regard to foreign currency bonds. New issues are also at a high level, producing a broad supply in a range of foreign currencies. However, the EUR supply is relatively constrained. We would expect state support to be forthcoming in the event that any of the institutes covered here were to encounter financial difficulties. Theoretically speaking, the importance of the respective institutes for their owners or states is too great for them not to take action should the banks face problems. It should be noted that since no explicit guarantees are in place, KBN and SEK bonds are assigned a risk weight of 20% under CRR/Basel III.

Nordics A comparison of spreads

Nordic agencies vs. iBoxx € Indices & Bunds



Nordic agencies – a comparison

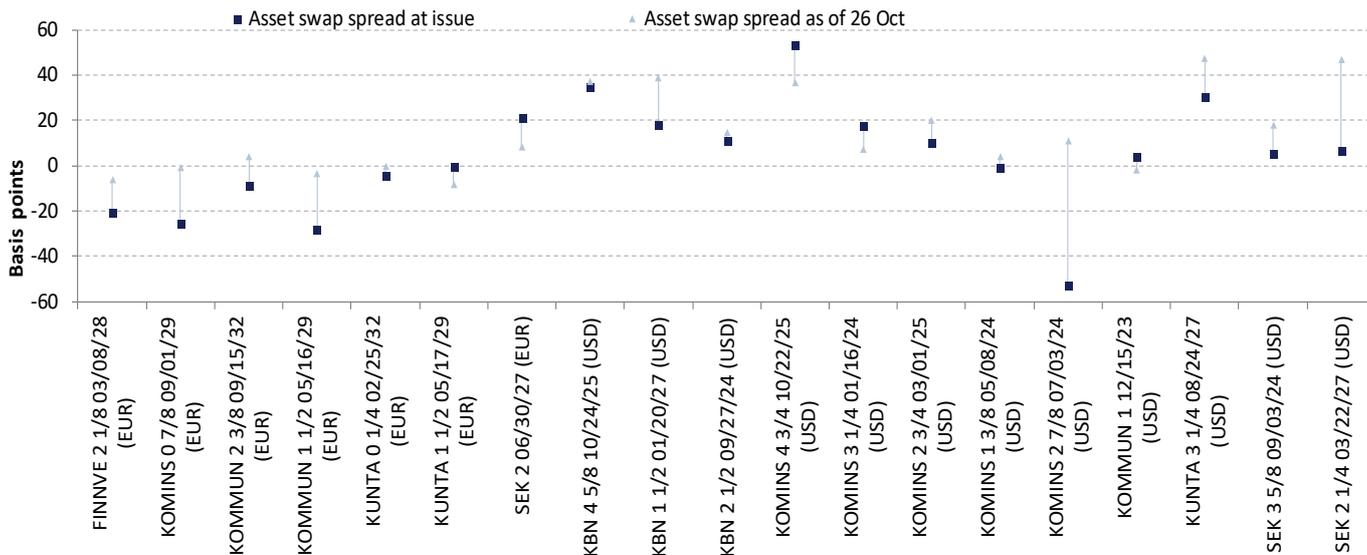


Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn.

Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Nordics Primary market activities – an overview

Development of fixed income benchmark issues 2022



NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn or USD 1.0bn.

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research



Kommunalbanken (KBN)

Kommunalbanken Norway (KBN) was formed in 1999 from Norges Kommunalbank, which was established in 1926 itself. Its mission is to provide low-cost financing to regional governments and local authorities (RGLAs) in Norway. As a result, KBN's business activity is strictly regulated: loans may only be granted to municipalities and administrative districts, while explicit guarantees are required for financing inter-municipality companies. Although KBN's mandate includes raising the level of competition in this market segment, municipal banks are the largest competitors in this market. The quality of KBN's loan portfolio is extremely high: since 1927, the year in which its predecessor institute commenced business operations, each and every loan has been repaid. In other words, not a single credit default has been recorded up to now. KBN trades in the form of an Aksjeselskap (AS), which is comparable to the German AG (Aktiengesellschaft) or the UK's plc (public limited company). The bank's aims for the future are centred on further expanding its involvement in green investments and municipal sustainability projects in particular. Within the framework of this strategy, a total of USD 4bn (as at July 2022) has been granted in the form of green loans. In this context, financing activities are carried out via the issuance of green bonds in various currencies. KBN was one of the first European issuers to place a green bond in USD. Green bond proceeds are invested in the following categories: buildings, renewable energies, transport, climate change adaptation, waste management and the circular economy, water/wastewater management and land use. Although there is no state liability for KBN, the Norwegian central government has formulated its support for KBN through a Letter of Support: the state therefore has a duty to ensure that KBN's finances are managed in such a way that proper business operations are maintained and KBN's liabilities are serviced (maintenance obligation).

General information

[Homepage](#)

[Investor Relations](#)

Owner(s)

100% Norway

Guarantor(s)

Norway (implicit)

Liability mechanism

Maintenance obligation

Legal form

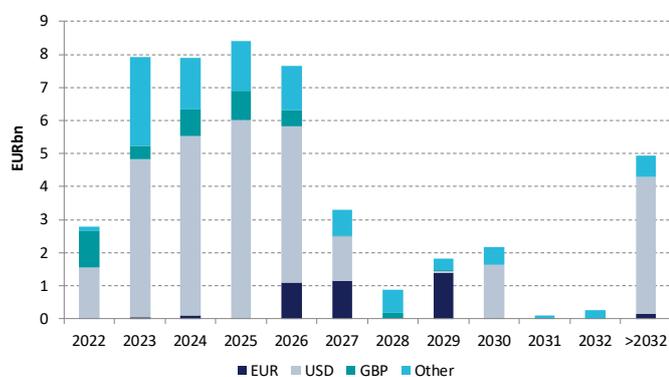
Aksjeselskap (AS)

Bloomberg ticker

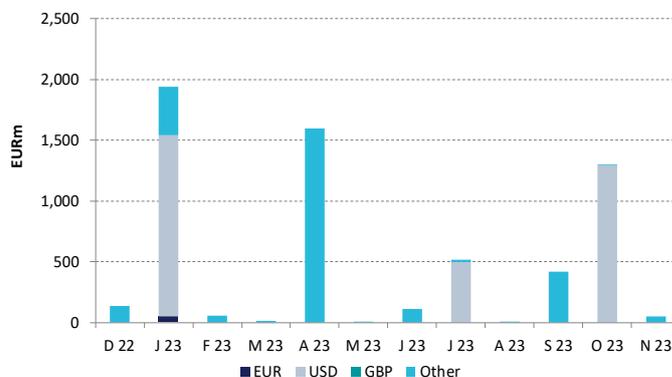
KBN

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	AAA	stab

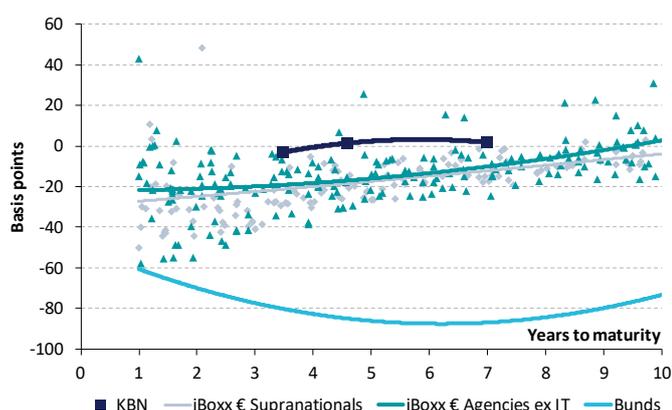
Bonds by currency



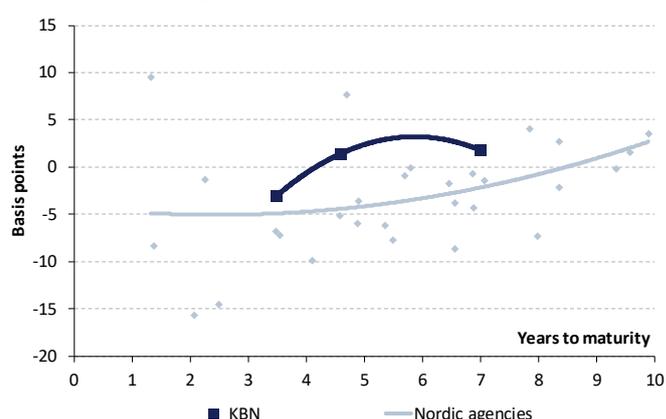
Bond amounts maturing in the next 12 months



KBN vs. iBoxx € Indices & Bunds



KBN vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 26 October 2022; Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Regulatory details

Risk weighting according to CRR/Basel III (standard approach)	Liquidity category according to Liquidity Coverage Ratio (LCR)	Haircut category according to ECB repo rules	Leverage ratio/BRRD
20%	Level 2A	IV	Relevant; in our opinion, implicit guarantee prevents use of a bail-in

Relative value

Attractiveness vs. Bunds (G-spread; bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Public Banks
89	89	90	-3	1	2	0.2%	0.6%

Funding & ESG (EURbn/EUR equivalent)

Target 2022	Maturities 2022	Net Supply 2022	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
9.0	9.6	-0.6	Benchmarks, other public bonds, green bonds, private placements and commercial paper	-	9	2.7

Outstanding volume (EURbn/EUR equivalent)

Total	of which in EUR	No. of EUR benchmarks**	of which in USD	No. of USD benchmarks**	of which in other currencies
48.2	3.9	3	29.7	17	14.5

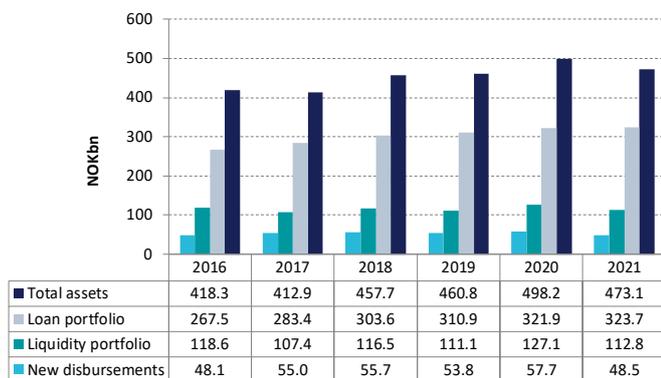
* Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 26 October 2022.

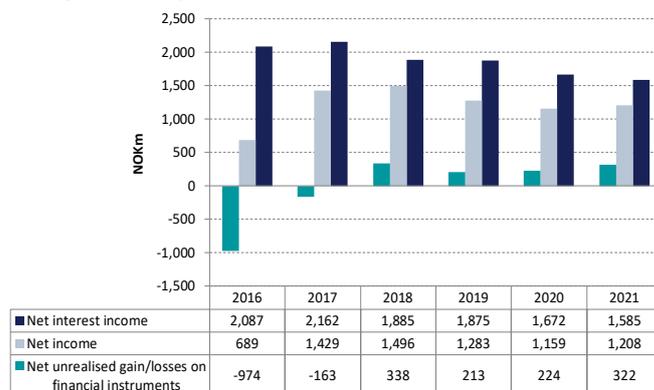
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

Source: Bloomberg, Issuer, NORD/LB Markets Strategy & Floor Research

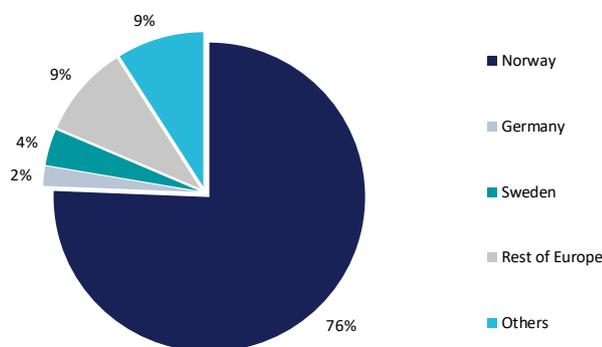
Balance sheet development



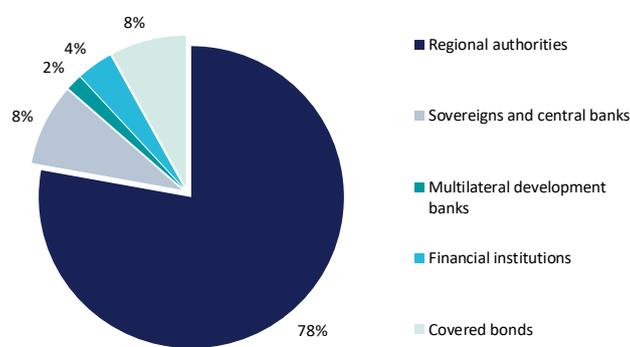
Earnings development



Exposure by country



Exposure by counterparty



Source: Issuer, NORD/LB Markets Strategy & Floor Research

Strengths

- + High importance for Norwegian sub-sovereigns
- + Loan portfolio of very high quality

Weaknesses

- No explicit guarantee
- Relatively low leverage ratio

SEK **Svensk Exportkredit (SEK)**

Svensk Exportkredit (SEK) was formed in 1962 by the Swedish government and Swedish commercial banks as a response to a sharp rise in demand for banking services, especially related to export finance. In order to boost its export promotion, Sweden implemented a state-backed loans system (SEK System) in 1978. Since that time, SEK has enjoyed a form of monopoly position in which it is exclusively authorised to grant state-subsidised loans. In addition to managing the SEK System, SEK also offers export finance including, for example, trade and project finance, among other activities. The lending activities of SEK are based heavily on guarantees from export credit agencies such as Euler Hermes or Coface. Accordingly, the quality of the loan portfolio is very high. SEK is hugely important due to Sweden’s high export ratio and its monopoly status in the granting of low-interest loans. In 2021, Sweden exported goods worth USD 190bn. The significance of SEK for Swedish export policy was also in evidence at the end of 2008 when the government implemented a capital increase (approximately SEK 3bn, or EUR 311.5m) to further support export funding in response to the financial crisis. The Swedish state holds 100% of the shares in SEK. Having issued a total of 10 ESG bonds since 2020, SEK is also active in the area of sustainability, which can also be linked back to the role of the Swedish government and its climate policy. Due to SEK’s close links with the state, which is reflected in its monopoly position in the SEK System in particular, combined with the immense importance of SEK for the export sector, it is highly likely that state support would be forthcoming in the (unlikely) event that it encountered a crisis.

General information

[Homepage](#)
[Investor Relations](#)

Owner(s)
 100% Sweden

Guarantor(s)
 -

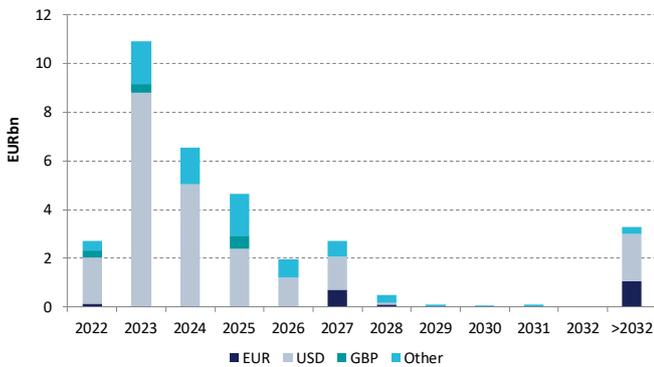
Liability mechanism
 -

Legal form
 Aktiebolag (AB)

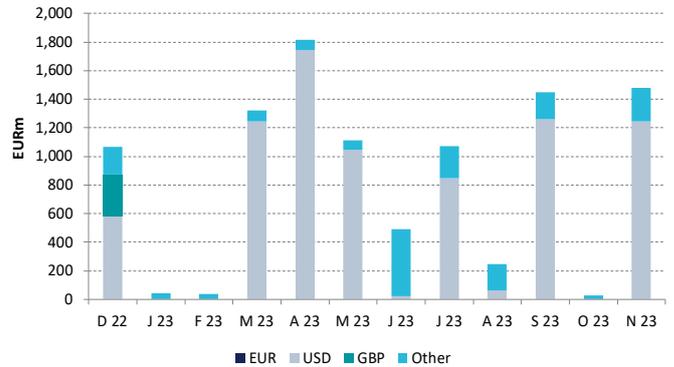
Bloomberg ticker
 SEK

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aa1	stab
S&P	AA+	stab

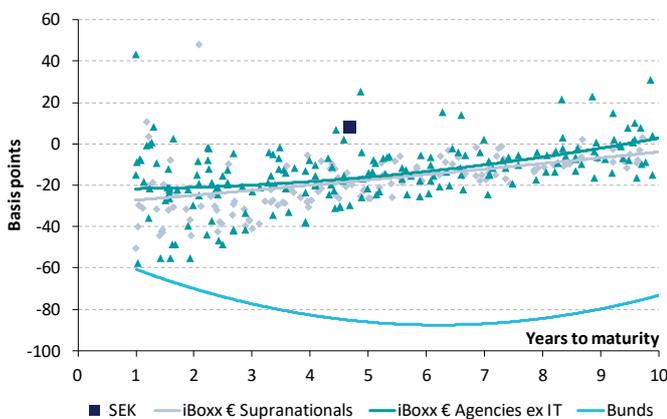
Bonds by currency



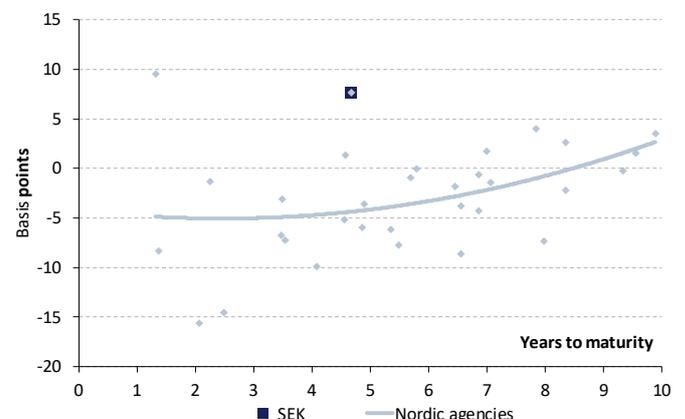
Bond amounts maturing in the next 12 months



SEK vs. iBoxx € Indices & Bunds



SEK vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 26 October 2022; Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Regulatory details

Risk weighting according to CRR/Basel III (standard approach) 20%	Liquidity category according to Liquidity Coverage Ratio (LCR) Level 2A	Haircut category according to ECB repo rules IV	Leverage ratio/BRRD Possible
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Relative value

Attractiveness vs. Bunds (G-spread; bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
4	4	4	93	93	93	0.0%	0.0%

Funding & ESG (EURbn/EUR equivalent)

Target 2022	Maturities 2022	Net Supply 2022	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
10.0	9.2	0.8	Benchmarks, other public bonds, green bonds, private placements and commercial paper	-	10	1.9

Outstanding volume (EURbn/EUR equivalent)

Total	of which in EUR	No. of EUR benchmarks**	of which in USD	No. of USD benchmarks**	of which in other currencies
33.4	2.0	1	22.7	13	8.8

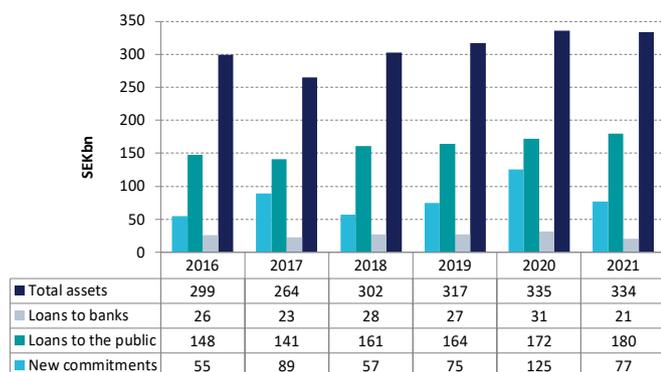
* Residual term to maturity > 1 year and < 10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 26 October 2022.

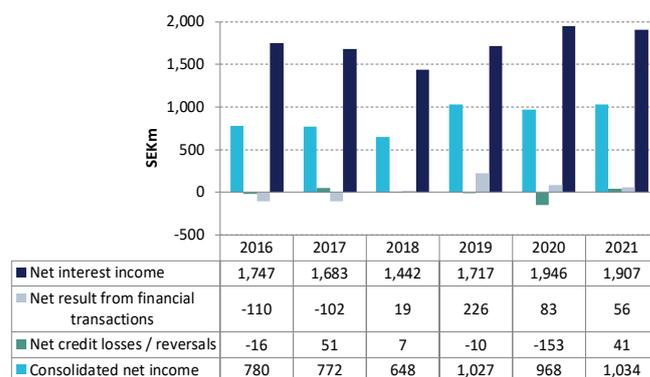
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Source: Bloomberg, Issuer, NORD/LB Markets Strategy & Floor Research

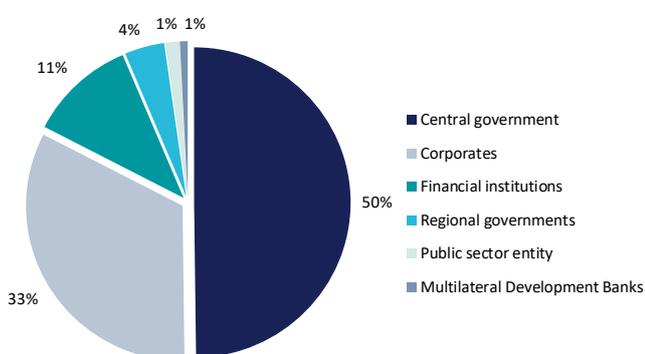
Balance sheet development



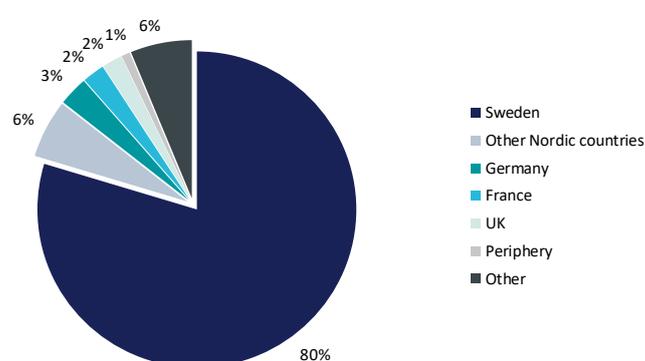
Earnings development



Net exposure by counterparties



Net exposure by country/region



Source: Issuer, NORD/LB Markets Strategy & Floor Research

Strengths

- + Major importance for the Swedish export sector
- + High quality of the loan portfolio

Weaknesses

- No guarantee
- No central bank access
- High earnings volatility



Kommuninvest i Sverige

Kommuninvest i Sverige was established in 1986 as a subsidiary of the Kommuninvest Cooperative Society (KCS). Its mission is to provide low-cost finance to KCS members. These exclusively comprise regional governments and local authorities (RGLAs) in Sweden. At present, 280 of the 290 municipalities (97%) and 14 of the 20 administrative districts (70%) are members of the KCS. Kommuninvest offers them debt management services, including long-term financing and short-term liquidity. The quality of Kommuninvest’s loan portfolio is extremely high: Swedish RGLAs are exempted from insolvency by law. A credit default has never occurred in this sector. From a constitutional viewpoint, the status of the RGLAs is comparable with that of the central government, since both are authorised to levy taxes. Additionally, the subordinate regional authorities are heavily regulated: they are required by law to conduct solid financial management, with a balanced budget also mandatory. Any deficits must be settled within three years, for example. If the central government transfers additional duties to RGLAs, it must provide financial resources in order to offset the cost effect arising from this transfer of duties. There is also a financial settlement system to equalise revenues and expenditure each year. Kommuninvest, which is solely owned by KCS, trades in the legal form of an Aktiebolag (AB). This is comparable with the German AG (Aktiengesellschaft) or the UK’s plc (public limited company). All the members of KCS guarantee Kommuninvest’s liabilities on a joint and several basis. Since 2017, Kommuninvest has been a regular issuer of green bonds in benchmark format: as at October 2022, these account for a share of 11% of the funding mix, making it the largest issuer of ESG bonds in Sweden.

General information

- [Homepage](#)
- [Investor Relations](#)

Owner(s)

100% Kommuninvest Cooperative Society (KCS)

Guarantor(s)

Members of the KCS

Liability mechanism

Joint and several guarantee

Legal form

Aktiebolag (AB)

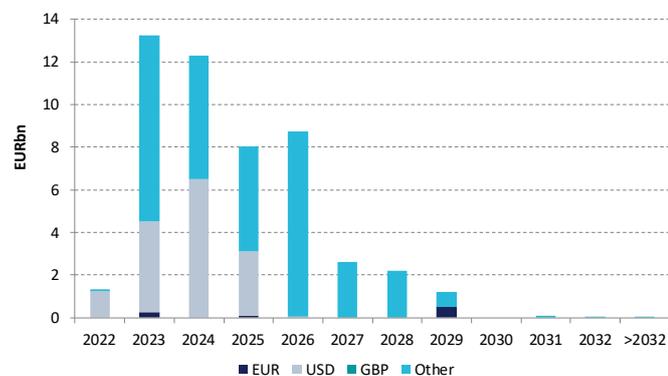
Bloomberg ticker

KOMINS

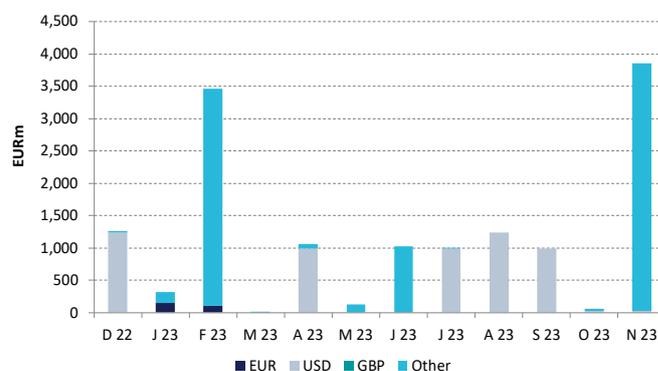
Ratings

	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	AAA	stab

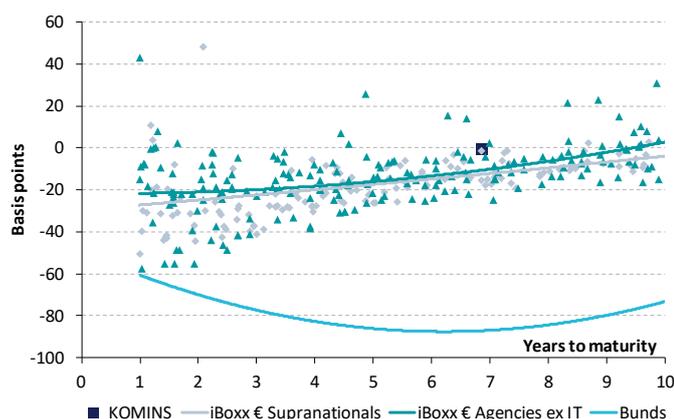
Bonds by currency



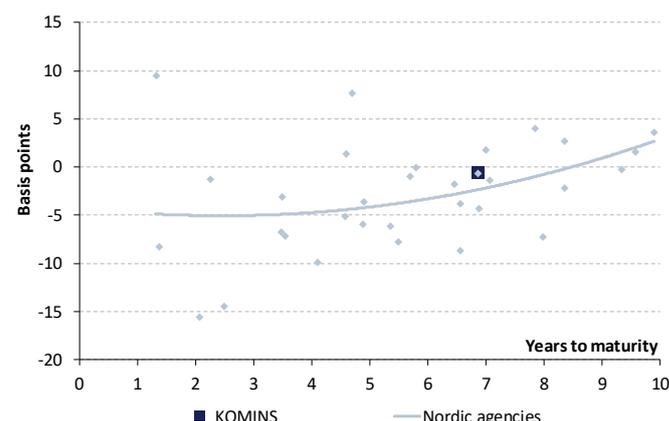
Bond amounts maturing in the next 12 months



KOMINS vs. iBoxx € Indices & Bunds



KOMINS vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 26 October 2022; Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn.

Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Regulatory details

Risk weighting according to CRR/Basel III (standard approach)	Liquidity category according to Liquidity Coverage Ratio (LCR)	Haircut category according to ECB repo rules	Leverage ratio/BRRD
0%	Level 1	IV	Relevant; in our opinion, explicit guarantee prevents use of a bail-in

Relative value

Attractiveness vs. Bunds (G-spread; bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
-5	-5	-5	83	83	83	0.0%	0.0%

Funding & ESG (EURbn/EUR equivalent)

Target 2022	Maturities 2022	Net Supply 2022	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
13.7	11.8	1.9	Benchmarks, other public bonds, private placements and commercial paper	Riksbank	9	6.1

Outstanding volume (EURbn/EUR equivalent)

Total	of which in EUR	No. of EUR benchmarks**	of which in USD	No. of USD benchmarks**	of which in other currencies
49.8	0.9	1	15.1	14	33.9

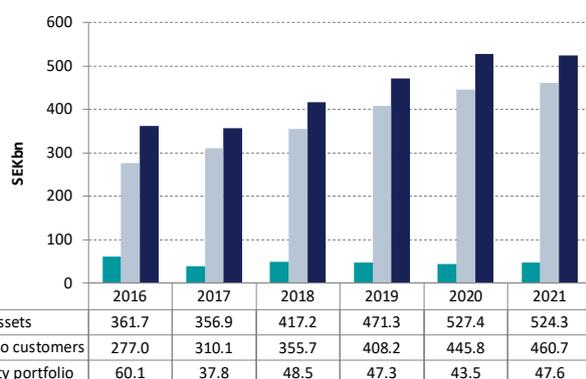
* Residual term to maturity > 1 year and < 10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 26 October 2022.

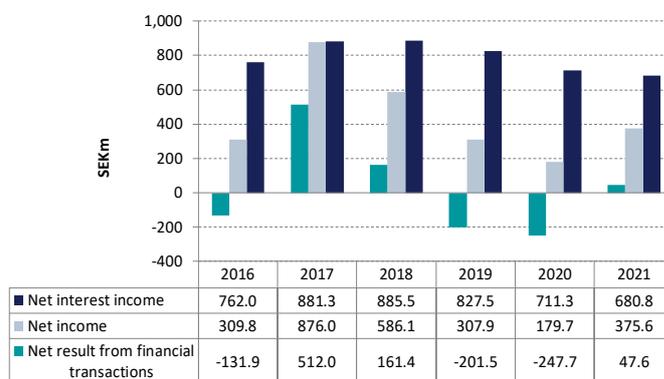
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

Source: Bloomberg, Issuer, NORD/LB Markets Strategy & Floor Research

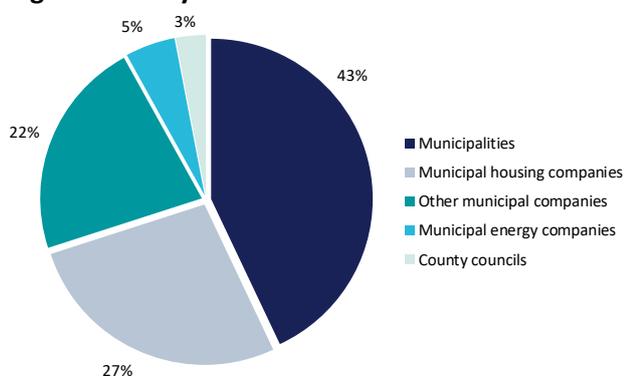
Balance sheet development



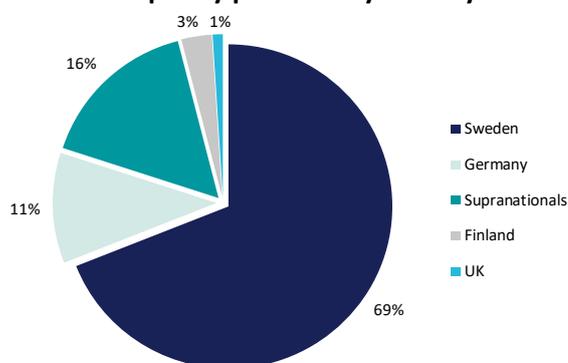
Earnings development



Lending business by sector



Breakdown of liquidity portfolio by country



Source: Issuer, NORD/LB Markets Strategy & Floor Research

Strengths

- + Joint and several guarantee
- + Loan portfolio of very high quality
- + High core capital ratio

Weaknesses

- Low leverage ratio
- Low diversification of the liquidity portfolio

MuniFin

Municipality Finance (MuniFin)

Formed in 2001 from the merger of Municipality Finance and Municipality Housing Finance, the mandate of Municipality Finance, more commonly referred to as MuniFin (Kuntarahoitus Oyj), is based on supplying public sector financing in Finland. Specifically, MuniFin only finances local authorities and public-sector housing construction companies, with long-term municipality financing and loans for public-sector housing projects and leasing activities also part of the services offered. Loans are granted either directly to municipalities or companies for which, in turn, Finnish regional governments and local authorities (RGLAs) act as guarantors. There has never been a case where a Finnish RGLA has been unable to repay a loan as required. In addition, Finnish sub-sovereigns are exempted from insolvency law. The Finnish central government accepts explicit liability for loans to public-sector housing construction companies. The quality of MuniFin’s loan portfolio is accordingly very high. Due to its legal form equivalent to the German Aktiengesellschaft (known as Julkinen Osakeyhtiö, or Oyj for short, in Finnish), only institutions from the public sector may be shareholders in MuniFin. At present, municipalities, municipal associations and companies in municipal ownership (53%) and municipal pension associations (31%) represent the largest shareholder groups. In 2009, the Finnish state also acquired a 16% stake following a capital increase. This underlines the major importance of the municipal bank for the public sector. The Municipal Guarantee Board (MGB), to which all Finnish municipalities belong apart from the autonomous province of Åland, guarantees MuniFin’s liabilities on a joint and several basis. According to MuniFin, a controversial reform of the social systems and healthcare sector, which has been in the works for quite some time, could affect its own borrowers. From 2023, among other aspects, there are plans to transfer responsibilities for the organisation of social security, healthcare and emergency services from the municipalities to the newly established Wellbeing Service Counties.

General information

- [Homepage](#)
- [Investor Relations](#)

Owner(s)

53% municipalities, municipal associations and companies in municipality ownership;
31% municipal pension institutions;
16% Finland

Guarantor(s)

Members of the MGB

Liability mechanism

Joint and several guarantee

Legal form

Julkinen Osakeyhtiö (Oyj)

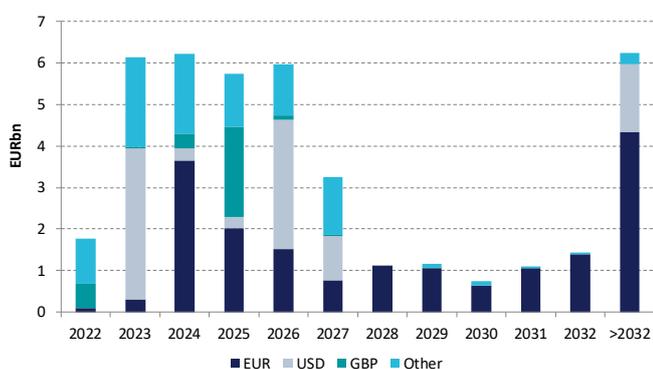
Bloomberg ticker

KUNTA

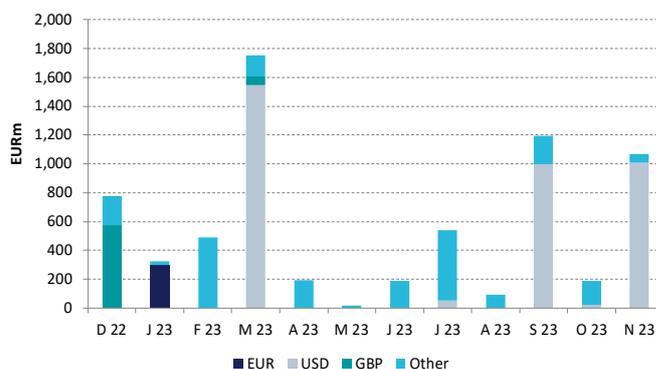
Ratings

	Long-term	Outlook
Fitch	-	-
Moody's	Aa1	stab
S&P	AA+	stab

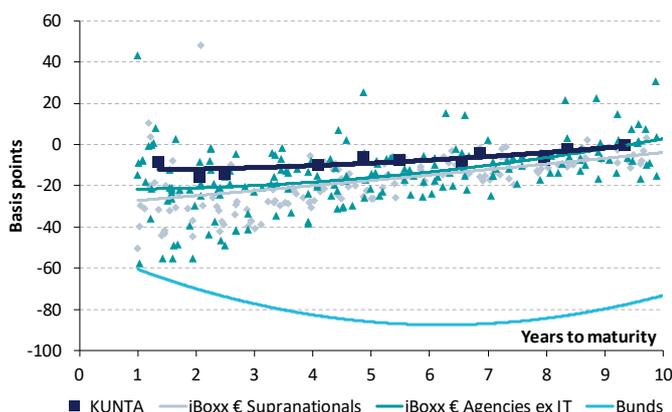
Bonds by currency



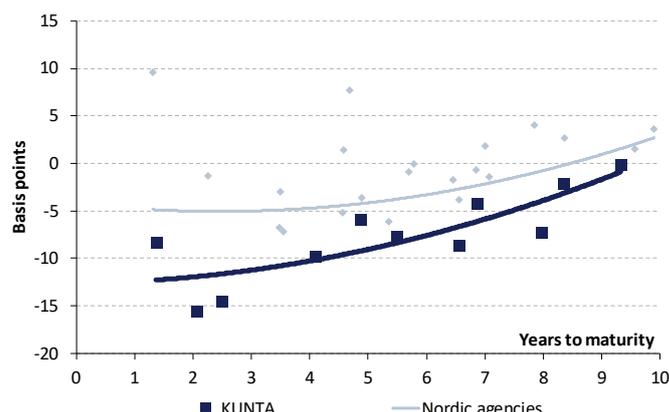
Bond amounts maturing in the next 12 months



KUNTA vs. iBoxx € Indices & Bunds



KUNTA vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 26 October 2022; Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Regulatory details

Risk weighting according to CRR/Basel III (standard approach)	Liquidity category according to Liquidity Coverage Ratio (LCR)	Haircut category according to ECB repo rules	Leverage ratio/BRRD
0%	Level 1	II	Relevant; in our opinion, explicit guarantee prevents use of a bail-in

Relative value

Attractiveness vs. Bunds (G-spread; bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
47	79	88	-16	-8	0	0.6%	1.9%

Funding & ESG (EURbn/EUR equivalent)

Target 2022	Maturities 2022	Net Supply 2022	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
9.5	6.9	2.6	Benchmarks, other public bonds, green bonds, private placements and T-Bill programme	ECB	7	3.4

Outstanding volume (EURbn/EUR equivalent)

Total	of which in EUR	No. of EUR benchmarks**	of which in USD	No. of USD benchmarks**	of which in other currencies
40.9	18.0	13	10.0	6	12.9

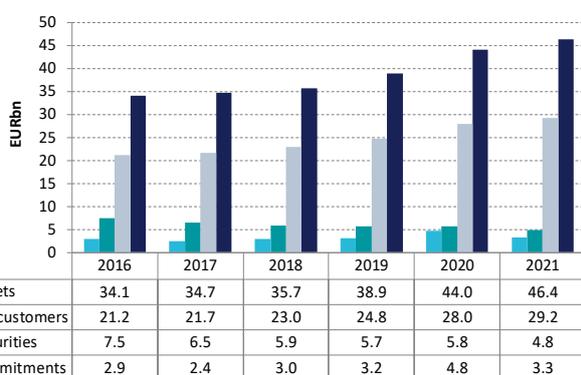
* Residual term to maturity > 1 year and < 10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 26 October 2022.

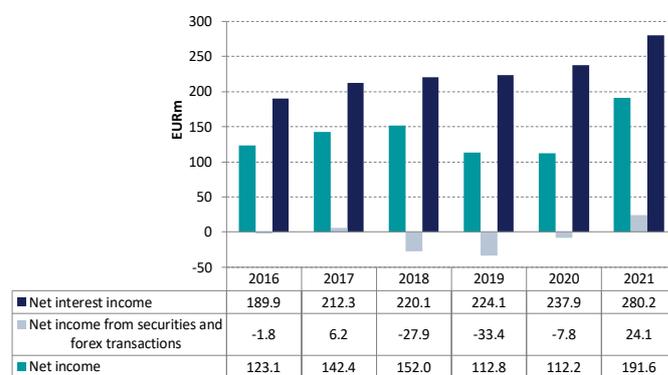
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

Source: Bloomberg, Issuer, NORD/LB Markets Strategy & Floor Research

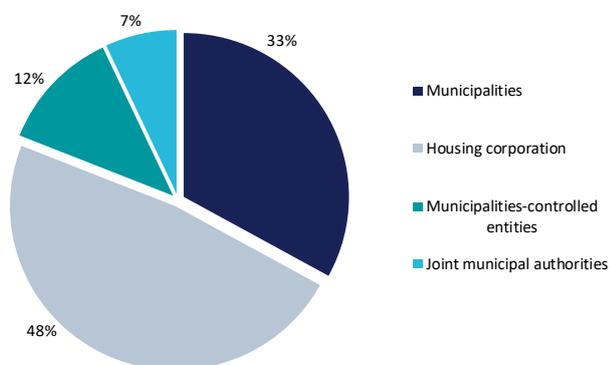
Balance sheet development



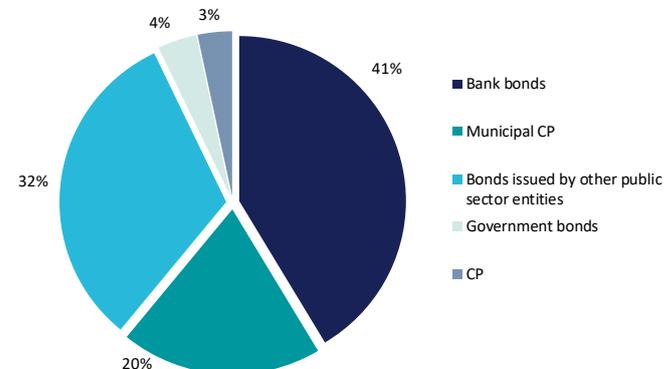
Earnings development



Loan portfolio by sector



Overview of liquidity portfolio



Source: Issuer, NORD/LB Markets Strategy & Floor Research

Strengths

- + Explicit guarantee
- + Significance for the public sector
- + High quality of the loan portfolio

Weaknesses

- Leverage ratio remains low
- High concentration of borrowers



KommuneKredit

Established in 1899, KommuneKredit’s mandate is to provide low-cost financing to its customers. The Articles of Association stipulate that its customer base is restricted to Danish municipalities and regions as well as other institutions that hold an explicit guarantee from a local authority. Loans may not be granted beyond the borders of Denmark. In addition to conventional lending activities, KommuneKredit’s product range includes leasing, consulting and public private partnerships, while derivative products are offered as well. According to information from KommuneKredit itself, its market share stands at around 98%. The municipal bank operates as a non-profit organisation. The customers of the municipal bank have a very high creditworthiness. Regional authorities are strictly regulated in Denmark. As a result, they are only authorised to borrow in order to finance capital expenditure, for example. At the same time, they are monitored by the state in an attempt to ensure balanced budgets and are entitled to levy taxes. Since KommuneKredit was formed, every loan has been repaid as required, with not a single credit default recorded in this time. Furthermore, Danish law precludes insolvency on the part of regional authorities in the country. Members of this municipal bank, which was established as a type of membership organisation (Forening med solidarisk hæftelse; association with joint and several liability) within the framework of the KommuneKredit Act (official Danish title: Lov om Kredittforeningen af kommuner og regioner i Danmark) are five regions and 98 municipalities, i.e. all the regional governments and local authorities in Denmark. Every member of KommuneKredit guarantees its liabilities on a joint and several basis. In 2017, the first of a total of five EUR-denominated green bonds was issued with the aim of supporting the sustainable transformation of Danish municipalities and regions.

General information

- [Homepage](#)
- [Investor Relations](#)

Owner(s)

100% all Danish municipalities and regions

Guarantor(s)

All Danish municipalities and regions

Liability mechanism

Joint and several guarantee

Legal form

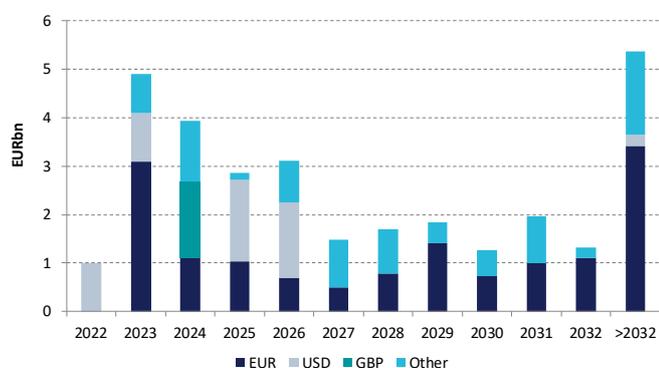
Forening med solidarisk hæftelse

Bloomberg ticker

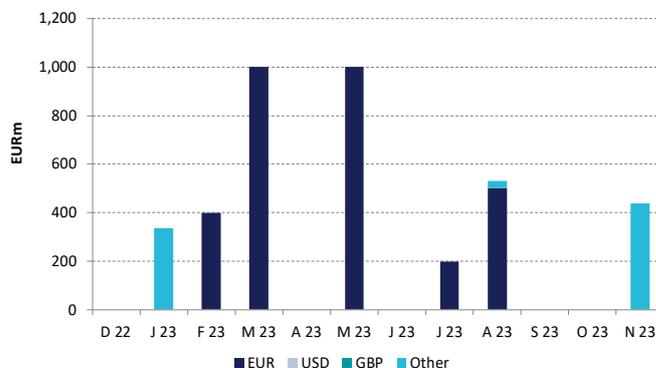
KOMMUN

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	AAA	stab

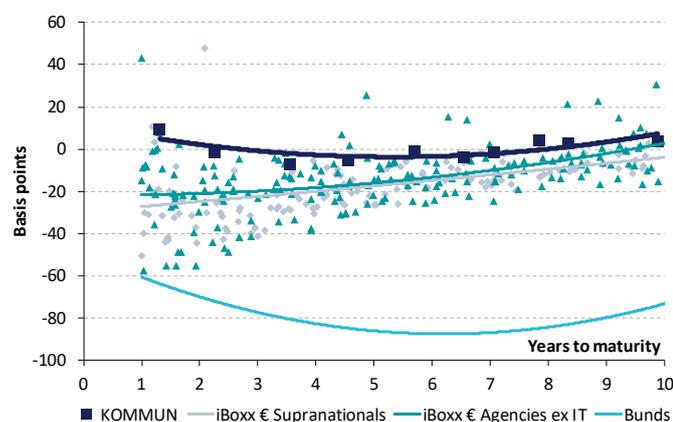
Bonds by currency



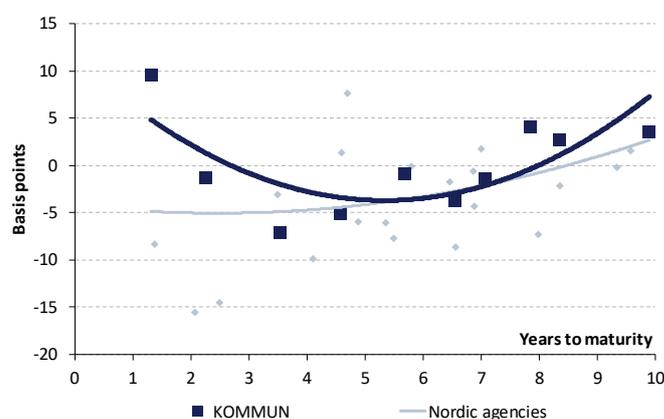
Bond amounts maturing in the next 12 months



KOMMUN vs. iBoxx € Indices & Bunds



KOMMUN vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 26 October 2022; Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Regulatory details

Risk weighting according to CRR/Basel III (standard approach)	Liquidity category according to Liquidity Coverage Ratio (LCR)	Haircut category according to ECB repo rules	Leverage ratio/BRRD
0%	Level 1	IV	Relevant; in our opinion, explicit guarantee prevents use of a bail-in

Relative value

Attractiveness vs. Bunds (G-spread; bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
54	84	93	-7	-1	10	0.2%	0.9%

Funding & ESG (EURbn/EUR equivalent)

Target 2022	Maturities 2022	Net Supply 2022	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
5.0	5.3	-0.3	Benchmarks, other public bonds, private placements and commercial paper	-	7	3.1

Outstanding volume (EURbn/EUR equivalent)

Total	of which in EUR	No. of EUR benchmarks**	of which in USD	No. of USD benchmarks**	of which in other currencies
30.7	14.9	17	5.5	4	10.4

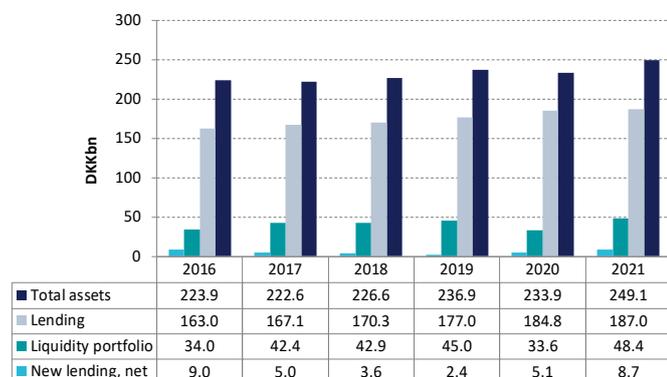
* Residual term to maturity > 1 year and < 10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 26 October 2022.

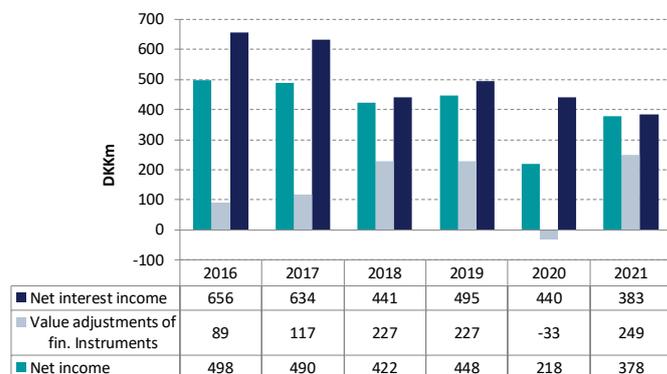
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

Source: Bloomberg, Issuer, NORD/LB Markets Strategy & Floor Research

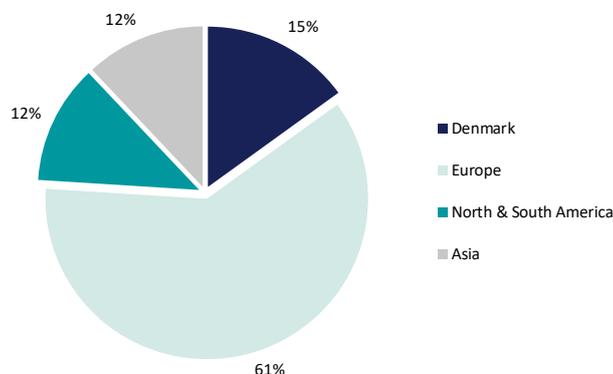
Balance sheet development



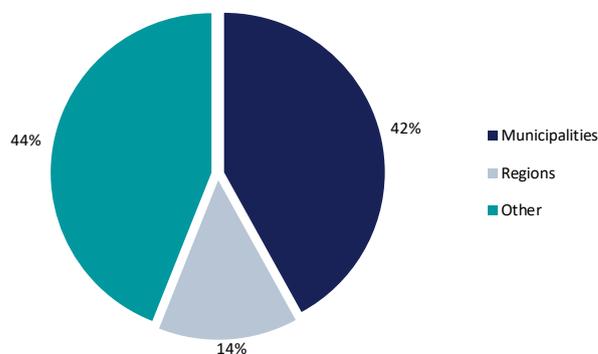
Earnings development



Financing breakdown by market



Lending and leasing business by debtor



Source: Issuer, NORD/LB Markets Strategy & Floor Research

Strengths

- + Explicit guarantee
- + Essential importance for Danish local authorities
- + Loan portfolio of very high quality

Weaknesses

- Lack of central bank access



Finnvera

Established in 1998, Finnvera’s mandate is to promote Finnish small and medium size enterprises (SMEs), while at the same time maintaining a specific focus on exports and the international expansion of companies. Moreover, Finnvera is tasked with implementing the Finnish government’s economic policy. Within this framework, Finnvera, Finland’s official export credit agency, grants export loans and guarantees, SME loans and guarantees as well as venture capital. In 2021, exports covered by export guarantees from Finnvera amounted to EUR 2.5bn. Within the Finnvera Group, exports are financed through Finnish Export Credit, which provides finance through the respective house banks. Losses from export financing are partially compensated for by the Finnish government. SME financing focuses particularly on start-ups and growth companies. In order that greater risks may be incurred than conventional banks would accept, the Finnish government compensates some of the losses resulting from domestic financing arrangements. In 2021, the bank worked with roughly 25,800 clients (2020: 26,500), of which 87% were micro-enterprises, 13% SMEs and 0.4% major corporates. Given that Finnvera’s funding has been arranged via the central government since 2009, the promotional bank now pursues a model similar to that of the Swedish SEK or German KfW in which it seeks to make greater use of the capital markets. Finnvera trades in the legal form of a Julkinen Osakeyhtiö (Oyj), which is comparable to the German AG (Aktiengesellschaft) or the UK’s plc (public limited company). The Finnish central government is the sole owner of Finnvera. It offers an explicit guarantee for the liabilities of Finnvera, which are issued via the EMTN programme with a total volume of EUR 15bn and the ECP programme with a volume of EUR 3bn. According to Finnvera, it anticipates greater demand for export financing in the future.

General information

- [Homepage](#)
- [Investor Relations](#)

Owner(s)
100% Finland

Guarantor(s)
Finland

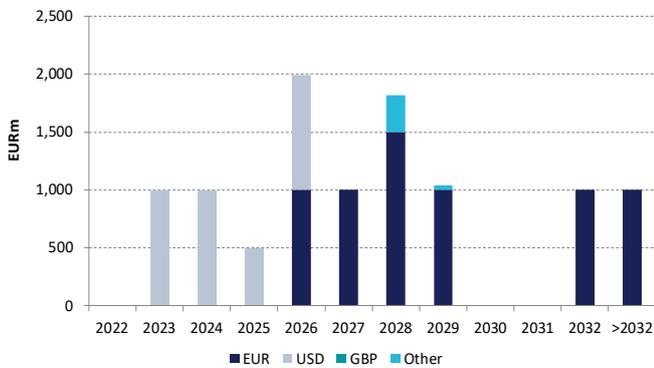
Liability mechanism
Explicit guarantee

Legal form
Julkinen Osakeyhtiö (Oyj)

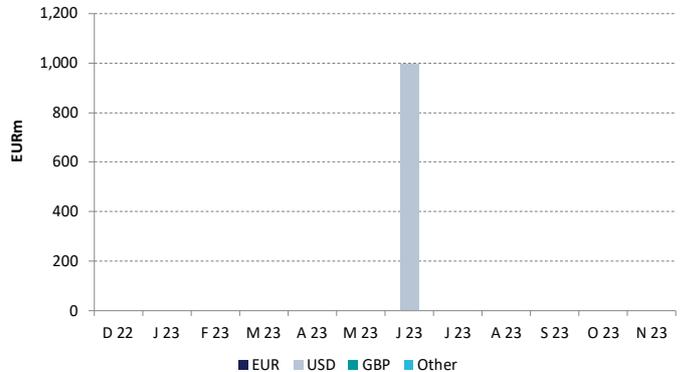
Bloomberg ticker
FINNVE

Ratings	Long-term	Outlook
Fitch	AA+	stab
Moody’s	Aa1	stab
S&P	-	-

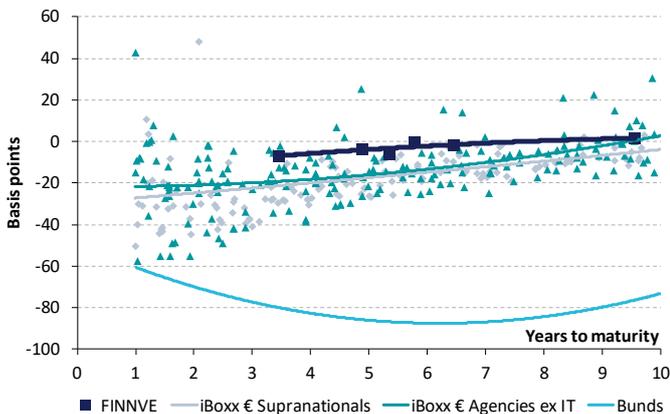
Bonds by currency



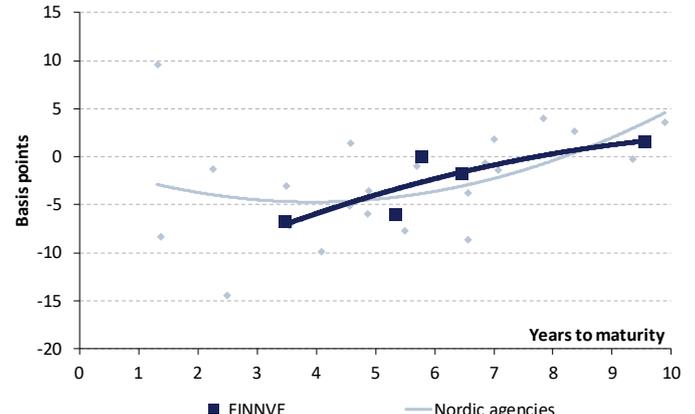
Bond amounts maturing in the next 12 months



FINNVE vs. iBoxx € Indices & Bunds



FINNVE vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 26 October 2022; Residual term to maturity > 1 year and < 10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB Markets Strategy & Floor Research

Regulatory details

Risk weighting according to CRR/Basel III (standard approach) 0%	Liquidity category according to Liquidity Coverage Ratio (LCR) Level 1	Haircut category according to ECB repo rules IV	Leverage ratio/BRRD Does not apply
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Relative value

Attractiveness vs. Bunds (G-spread; bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
82	86	89	-10	-6	1	0.3%	1.1%

Funding & ESG (EURbn/EUR equivalent)

Target 2022 1.0	Maturities 2022 1.0	Net Supply 2022 0.0	Funding instruments Benchmarks, other public bonds	Central bank access -	No. of ESG bonds 0	ESG volume 0.0
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Outstanding volume (EURbn/EUR equivalent)

Total 10.3	of which in EUR 6.5	No. of EUR benchmarks** 7	of which in USD 3.5	No. of USD benchmarks** 3	of which in other currencies 0.4
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* Residual term to maturity > 1 year and < 10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 26 October 2022.

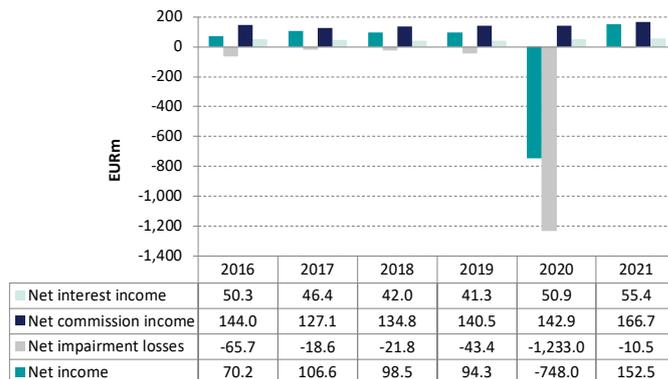
On account of the issuer’s individual funding mix, the values for “funding target” and “net supply” in particular may deviate from reality.

Source: Bloomberg, Issuer, NORD/LB Markets Strategy & Floor Research

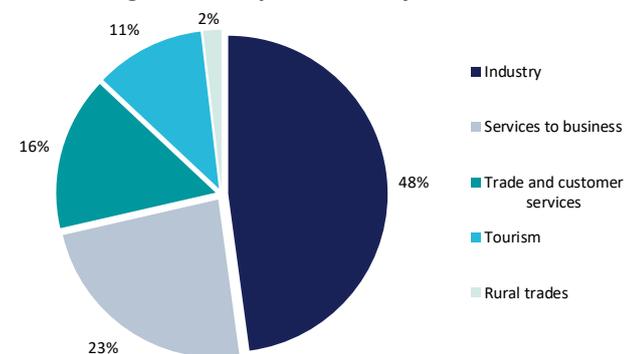
Balance sheet development



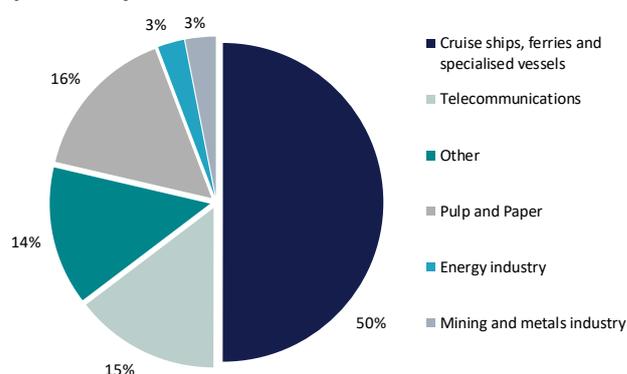
Earnings development



Credit and guarantee portfolios by sector



Exposure by sector



Source: Issuer, NORD/LB Markets Strategy & Floor Research

Strengths

- + Explicit guarantee
- + High strategic significance
- + High leverage ratio & strong capitalisation

Weaknesses

- Lack of central bank access
- At times illiquid due to “size”

Appendix

Publication overview

Issuer Guides:

[German Agencies 2022](#)

[Dutch Agencies 2022](#)

[Austrian Agencies 2022](#)

French Agencies 2022 (tba)

Suprationals 2022 (tba)

[Issuer Guide – German Laender 2022](#)

[Issuer Guide Covered Bonds 2022](#)

SSA/Public Issuers:

[Beyond Bundeslaender: Greater Paris \(IDF/VDP\)](#)

[Spotlight on Belgian regions](#)

[Spotlight on Spanish regions](#)

Fixed Income Specials:

[ESG-Update 2022](#)

[ECB interest rate decision: delivered as expected?](#)

[ECB acts as the ‘House of Hikes’ – or: Winter is coming!](#)

[ECB frontloads rate hike by +50bp and breaches pre-commitment](#)

[ECB ready for lift-off: Every journey starts with a first step](#)

[Face-saving ECB decision: Hawks have won – for now](#)

Appendix

Contacts at NORD/LB

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Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Sales Europe	+352 452211-515

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

Treasury

Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

Sales Wholesale Customers

Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

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