



NORD/LB Issuer Guide 2023 – Nordic Agencies

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

NORD/LB

ISSUER GUIDE 2023

Nordic Agencies

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The Nordic agency market – an overview

Authors: Dr Norman Rudschuck, CIIA // Christian Ilchmann // Lukas-Finn Frese

Banks for local authorities dominate the Scandinavian agency market

With outstanding bonds totalling the equivalent of around EUR 209.1bn, split across a total of 1,441 bonds issued by the six agencies covered in this Issuer Guide, 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. Kommunalbanken (KBN) from Norway, Kommuninvest i Sverige from Sweden, Denmark's KommuneKredit and the Finnish organisation 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 that 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 covered in this Issuer Guide, the mandate of Svensk Exportkredit (SEK) is to manage Sweden's export financing scheme. In this case, too, specialised export financing 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 sized enterprises (SMEs) in Finland 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 then.

Varying risk weights in accordance with [CRR/Basel III](#)

Four Nordic agencies exhibit forms of an explicit guarantee, enabling a risk weight 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 it is only possible for a risk weight of 20% to be assigned. Since SEK does not have any kind of guarantee or liability mechanism, a risk weight of 20% is again only possible based on 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 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 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.

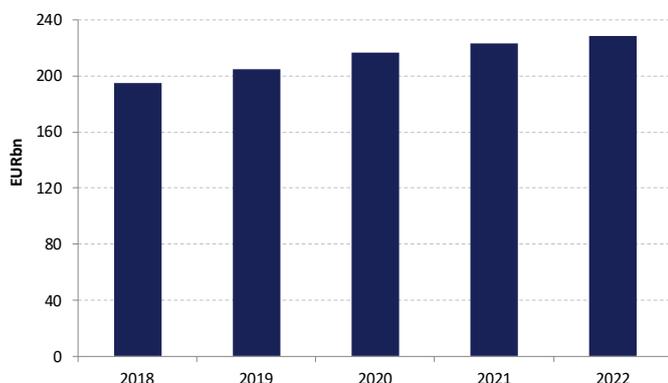
Nordic regional authorities: extremely high levels of creditworthiness

Most credit risks of Nordic agencies are accounted for by regional and local authorities (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 the majority of public sector expenditure. The need for funding is accordingly high. Nordic sub-sovereigns obtain a significant proportion of their revenues by levying income taxes.

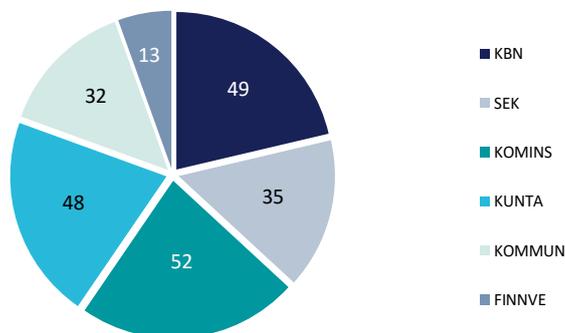
Strong state links and exclusion from insolvency law

Nevertheless, the links to central government are also very high. Municipal banks were established in the four Nordic countries to finance general budget expenditure or projects. The mission of these banks is to finance regional and local authorities and the 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 KBN in Norway, the liabilities of the municipal banks are guaranteed by municipalities, municipal associations, regions or administrative districts. Regional and local authorities are exempt from insolvency laws in all four Nordic states, while they are also authorised to collect income taxes. As a result, these institutions not only exhibit high levels of revenue, but are simultaneously protected by law from the effects of any solvency difficulties.

Balance sheet growth of Nordic agencies



Comparison of balance sheet totals 2022 (EURbn)

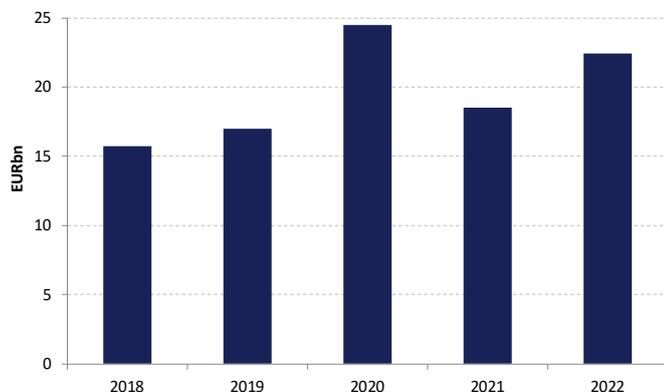


NB: Balance sheet data in foreign currencies in some instances. Converted at average exchange rates for the year.
 Source: Issuers, NORD/LB Floor Research

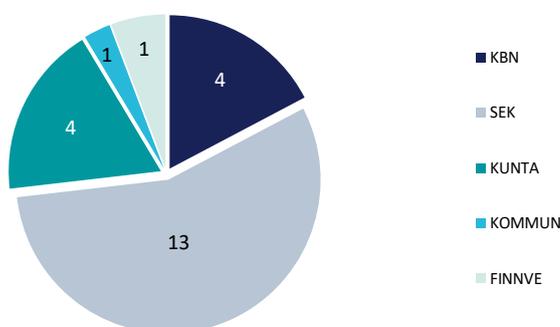
Further growth in balance sheet totals and new commitment volumes on the rise again

The aggregated balance sheet totals of the Nordic agencies included in this Issuer Guide have been characterised by steady growth since 2017. After the aggregated value last fell in 2017, assets have since increased substantially. After being converted into EUR, total assets rose by EUR +5.2bn in 2022 to EUR 228.3bn. The most significant growth was recorded by SEK and KBN. Converted into EUR, SEK registered the sharpest growth in absolute terms at EUR +2.4bn (+7.4% Y/Y), followed by the total of assets of KBN, which increased by EUR +2.2bn (+4.7% Y/Y). MuniFin from Finland recorded balance sheet growth of EUR +1.4bn (+3.0% Y/Y). Meanwhile, the Finnish export financier Finnvera posted balance sheet growth of EUR +0.4bn (+3.4% Y/Y), while the Danish municipal bank KommuneKredit recorded a decline in its total assets of EUR -1.6bn (-4.9% Y/Y). However, its Swedish counterpart, Kommuninvest i Sverige, registered balance sheet growth in the previous financial year, which amounted to EUR +0.4bn (+0.7% Y/Y). As was the case in 2021, Kommuninvest is the largest Nordic agency as measured by total assets. However, the gap to second-placed KBN has been reduced by EUR -1.8bn. The aggregated volume of new commitments was on the rise again in the 2022 financial year, having suffered a significant decline in the previous year, and now stands at EUR 22.4bn overall, which equates to growth of +3.9% year on year. Kommuninvest has not provided any data on the volume of its new commitments.

New commitments of Nordic agencies*

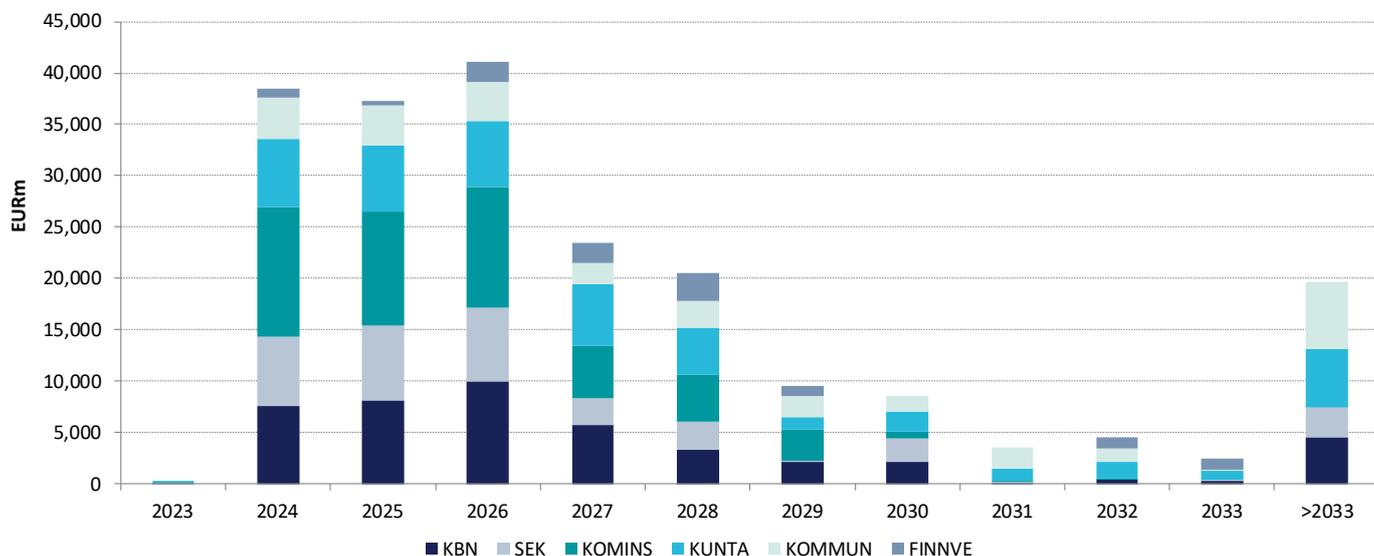


Comparison of new commitments 2022 (EURbn)*

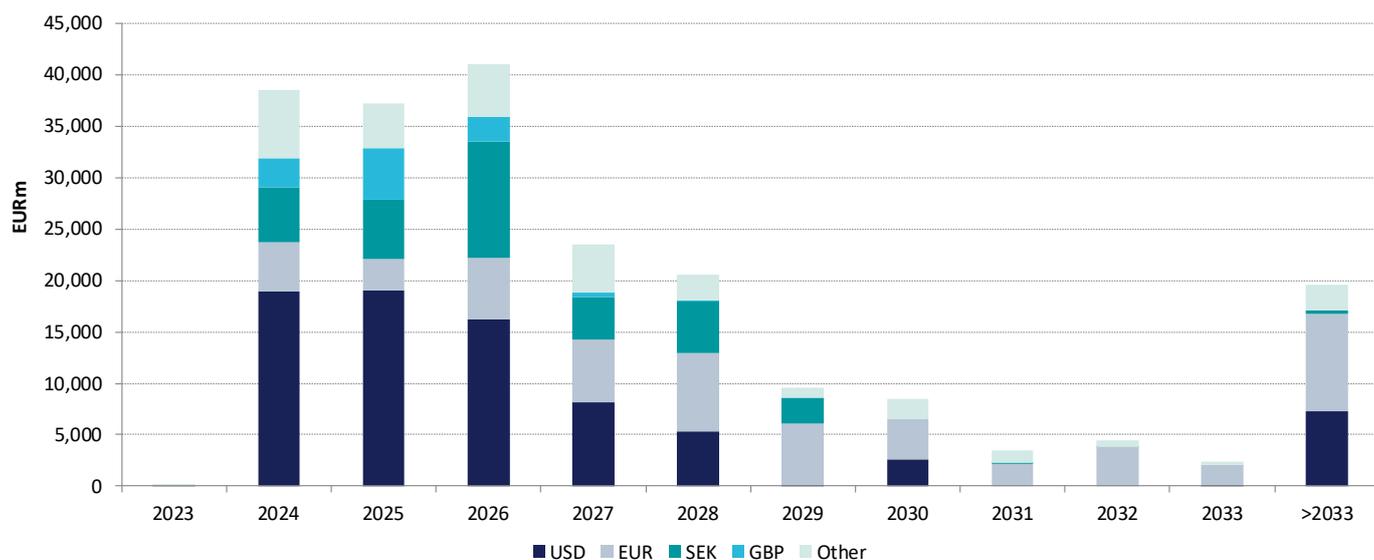


*Excluding Kommuninvest. NB: Balance sheet data in foreign currencies in some instances. Converted at average exchange rates for the year.
 Source: Issuers, NORD/LB Floor Research

Nordic agencies: outstanding bonds by issuer



Nordic agencies: outstanding bonds by currency



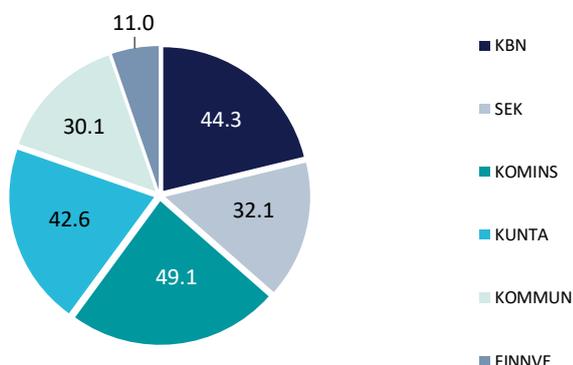
NB: Foreign currencies are converted into EUR at rates as at 18 December 2023.

Source: Bloomberg, NORD/LB Floor Research

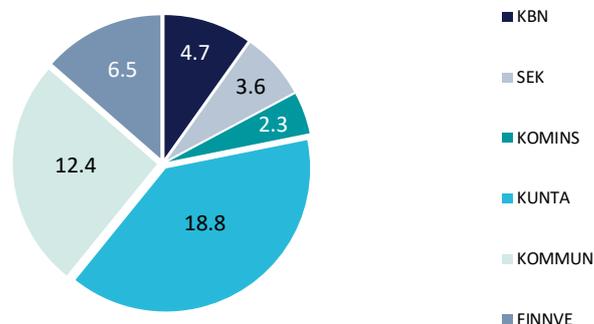
Very broad supply of FX bonds

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 Issuer Guide. The euro is relatively unimportant in this respect: 73.8% 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 18 December 2023.
Source: Bloomberg, NORD/LB Floor Research

Nordic agencies – an overview (EURbn/EUR equivalent)

Name	Ticker	Rating (Fitch/Moody's/S&P)	Outstanding Volume	EUR volume	Funding target 2023	Maturities 2023	Net Supply 2023	Number of ESG bonds	ESG volume
KBN	KBN	-/Aaa/AAA	44.3	5.2	7.4	7.5	-0.1	12	3.4
SEK	SEK	-/Aa1/AA+	32.1	4.8	12.5	10.1	2.4	10	2.3
Kommun-invest	KOMINS	-/Aaa/AAA	49.1	2.3	12.4	13.4	-1.0	11	7.3
MuniFin	KUNTA	-/Aa1/AA+	42.6	22.7	9.5	5.9	3.6	9	4.5
Kommune-Kredit	KOMMUN	-/Aaa/AAA	30.1	13.4	5.0	4.8	0.2	8	3.8
Finnvera	FINNVE	AA+/Aa1/-	11.0	6.5	1.5	0.9	0.6	0	0.0
Total			209.1	54.8	48.3	42.6	5.7	50	21.3

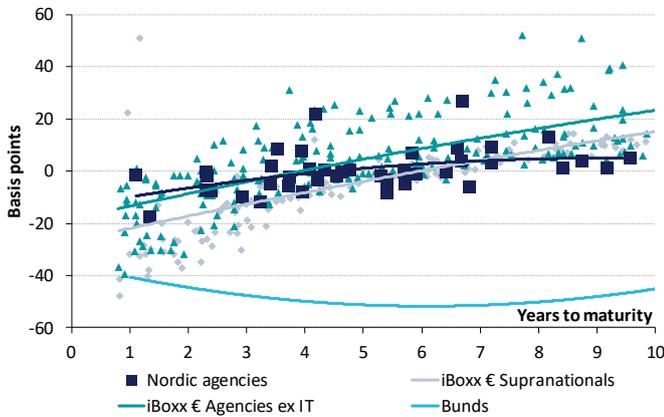
NB: Foreign currencies are converted into EUR at rates as at 18 December 2023.
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.
Source: Bloomberg, issuers, NORD/LB Floor Research

Comment

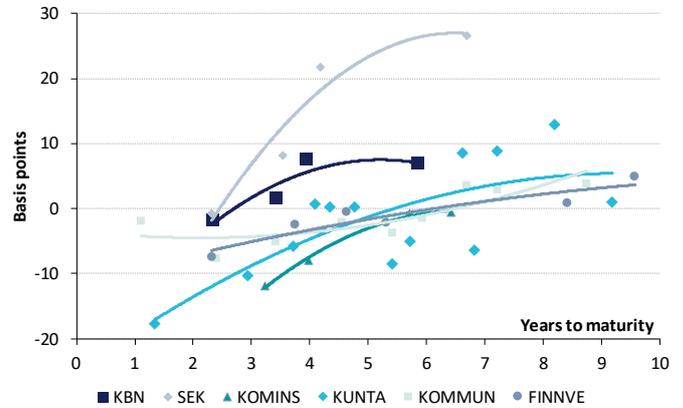
The Nordic agency market is a significant player when compared with other European markets, especially with regard to foreign currency bonds. New issues are also at a high level, producing a broad supply in a range of foreign currencies. However, the EUR supply is relatively constrained. We would expect state support to be forthcoming in the event that any of the institutes covered in this Issuer Guide 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 step in should this ever be required. 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



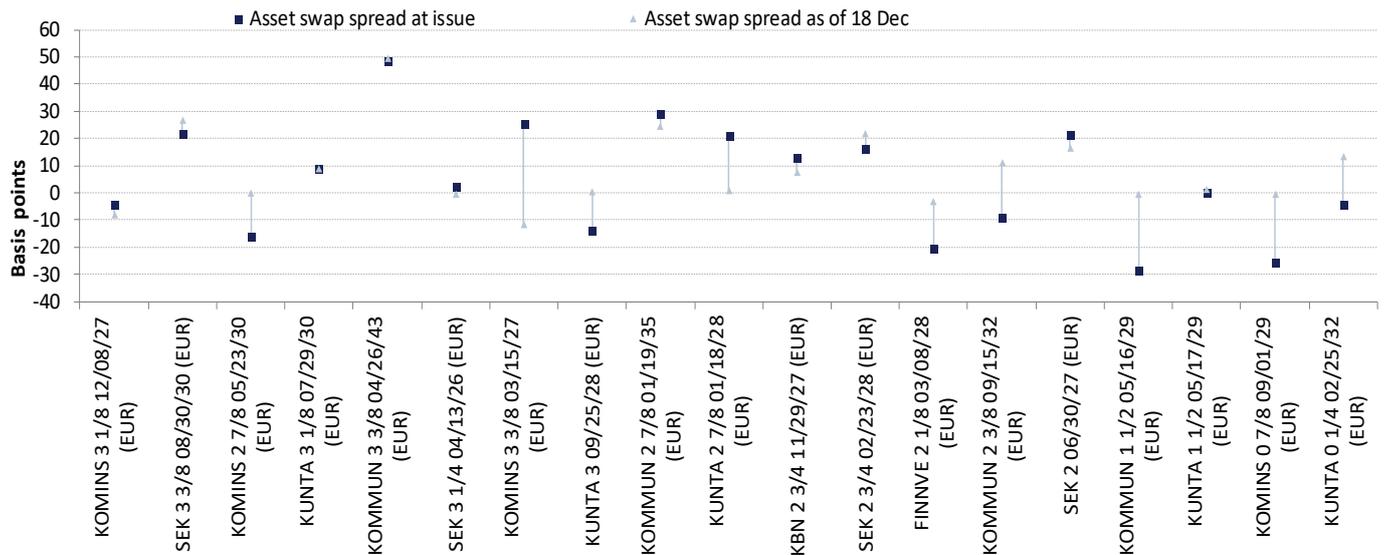
Nordic agencies – a comparison



Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, Markit, NORD/LB Floor Research

Nordics Primary market activities – an overview

Development of fixed income benchmark issues 2022/23



NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn or USD 1.0bn.
Source: Bloomberg, NORD/LB Floor Research



Kommunalbanken (KBN)

KBN was formed in 1999 from Norges Kommunalbank, which had been established in 1926. Its mission is to provide low-cost financing to regional and local authorities in Norway. As a result, KBN’s business activities are 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, Kommunalbanken is already the largest competitor in this market. The quality of KBN’s loan portfolio is extremely high: since 1927, the year in which operations commenced at its predecessor institution, each and every loan has been repaid. In other words, not a single credit default has been recorded up to now. KBN trades as an Aksjeselskap (AS), which is comparable to the German AG (Aktiengesellschaft) or a UK plc (public limited company). The bank’s future goals revolve in particular around further expanding its involvement in green investments and municipal sustainability projects. As part of this strategy, just under USD 4.2bn in green loans had been disbursed as at December 2023. Financing activities are conducted on the basis of green bonds in various currencies, among other aspects. KBN was one of the first European issuers to place a green bond in USD. The proceeds from the green bonds are being invested in the categories of buildings, renewable energy, transport, climate change adaptation, waste and the circular economy, water and wastewater management and land use. Although there is no state liability for KBN, the Norwegian government formulates its support for the municipal bank 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 that servicing of KBN’s liabilities can be guaranteed (Maintenance Obligation).

General information

[Homepage](#)

[Investor Relations](#)

Owner(s)

100% Norway

Guarantor(s)

Norway (implicit)

Liability mechanism

Maintenance obligation

Legal form

Aksjeselskap (AS)

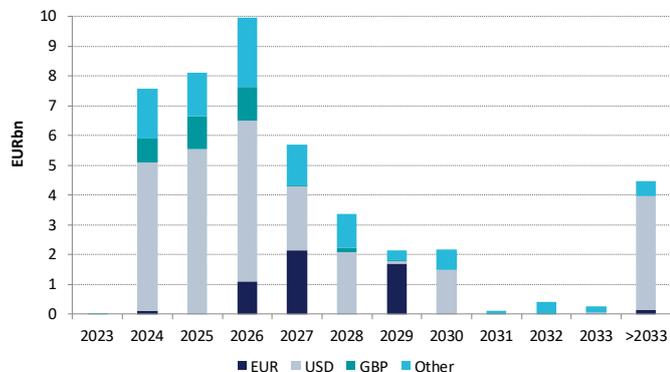
Bloomberg ticker

KBN

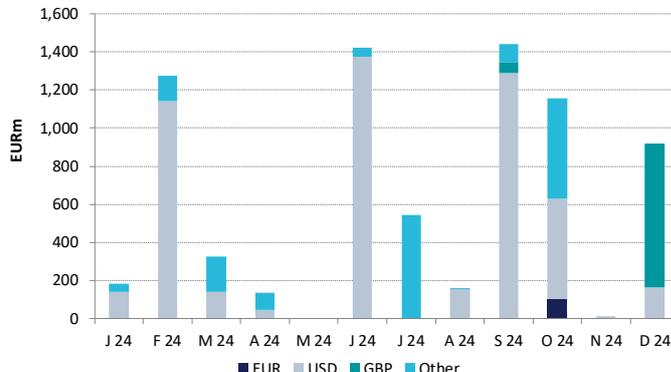
Ratings

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

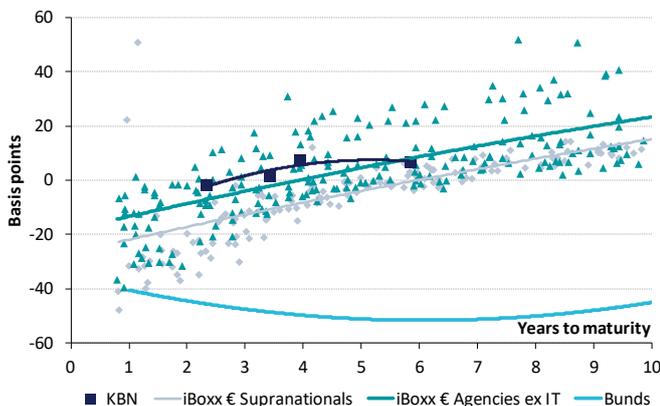
Bonds by currency



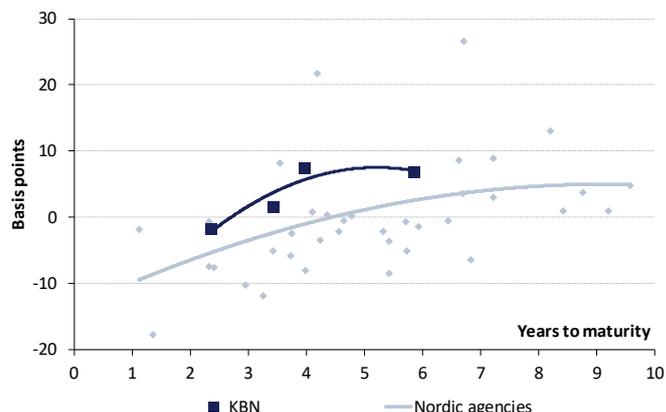
Bond amounts maturing in the next 12 months



KBN vs. iBoxx € Indices & Bunds



KBN vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 18 December 2023; Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB 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; in bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Public Banks
58	66	88	-2	4	7	0.2%	0.8%

Funding & ESG (EURbn/EUR equivalent)

Target 2023	Maturities 2023	Net Supply 2023	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
7.4	7.5	-0.1	Benchmarks, ESG bonds, other public bonds, PP, CP	-	12	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
44.3	5.2	4	25.6	16	13.5

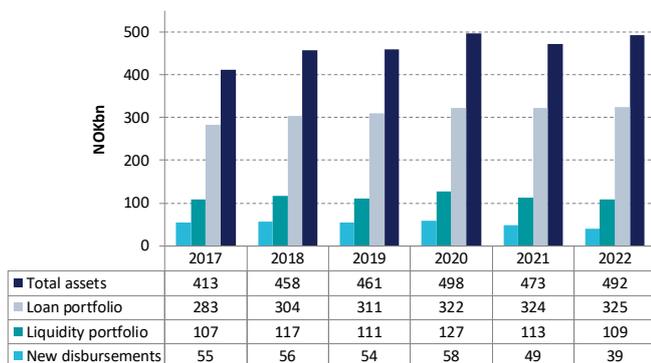
* Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 18 December 2023.

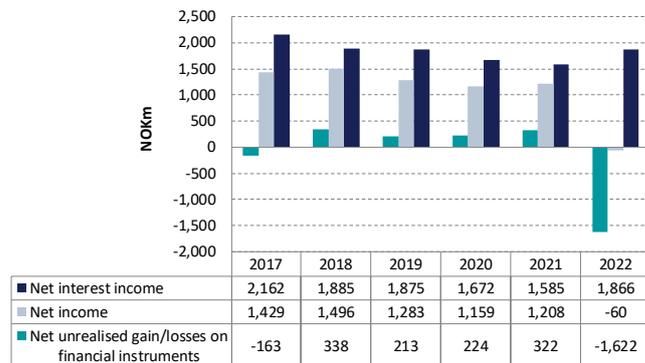
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

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

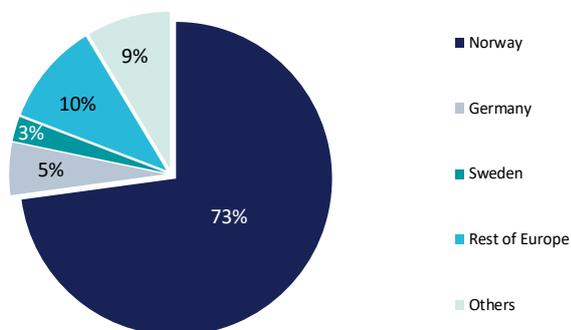
Balance sheet development



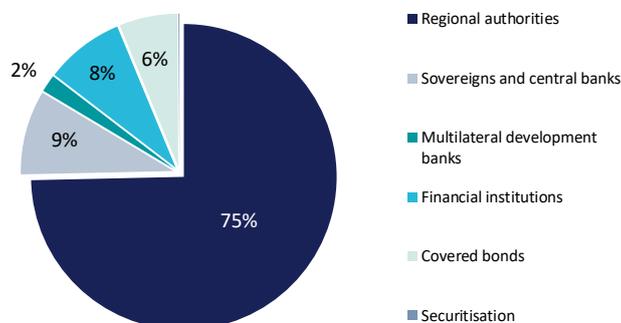
Earnings development



Exposure by country



Exposure by counterparty



Source: Issuer, NORD/LB Floor Research

Strengths/Chances

- + Letter of Support from the Norwegian state represents credible liability mechanism
- + Very high quality of the liquidity portfolio due to investments in low-risk asset classes with short terms
- + No credit defaults in more than 95 years

Weaknesses/Risks

- No explicit guarantee
- No central bank access
- Low leverage ratio in peer comparison

SEK Svensk Exportkredit (SEK)

Svensk Exportkredit AB (SEK) was formed in 1962 by the Swedish government and Swedish commercial banks in response to a sharp rise in demand for banking services, especially related to export financing. In order to boost its export promotion, Sweden implemented a state-backed loans system (SEK System) in 1978. Since that time, only SEK has been authorised to grant state-subsidised loans in a kind of monopoly position. In addition to managing the SEK System, SEK also offers export finance including, for example, trade and project financing, among other services. SEK’s lending activities are heavily based 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 elevated export ratio and its monopoly status in the granting of low-interest loans. In 2022, Sweden exported goods worth USD 198bn. The significance of SEK for Swedish export policy could also be seen at the end of 2008, when the government implemented a capital increase (approximately SEK 3bn, or EUR 311.5m) to further support export financing in the midst of the global financial crisis. The Swedish state holds 100% of the shares in SEK. The export financier is active in the area of sustainability, having issued ten bonds with an ESG character since 2020. This can be linked back to the role of the Swedish state and its climate policy. Due to SEK’s close links with the state, in particular through its monopoly position in the SEK System, combined with the immense importance of SEK for the export sector, we assume a high probability of support from the Swedish government in the (unlikely) event that the export financier were to encounter a payments crisis. SEK operates in the legal form of an Aktiebolag (AB), which is comparable to the German AG (Aktiengesellschaft) or a UK plc (public limited company).

General information

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Owner(s)
 100% Sweden

Guarantor(s)
 -

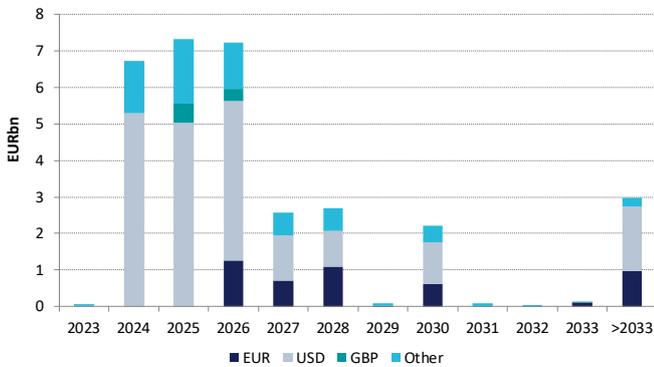
Liability mechanism
 -

Legal form
 Aktiebolag (AB)

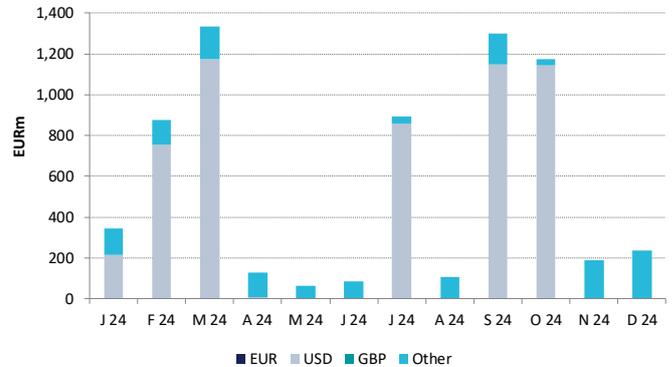
Bloomberg ticker
 SEK

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

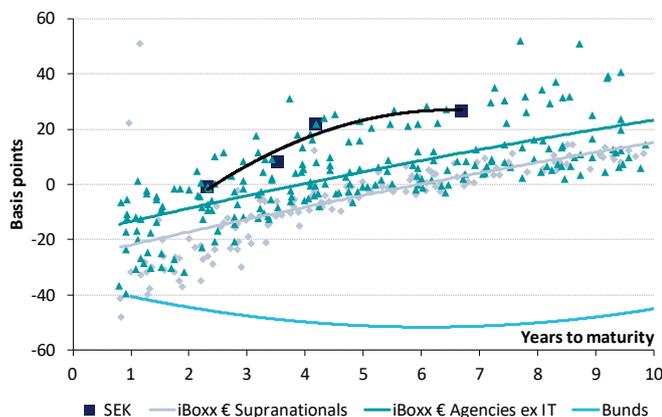
Bonds by currency



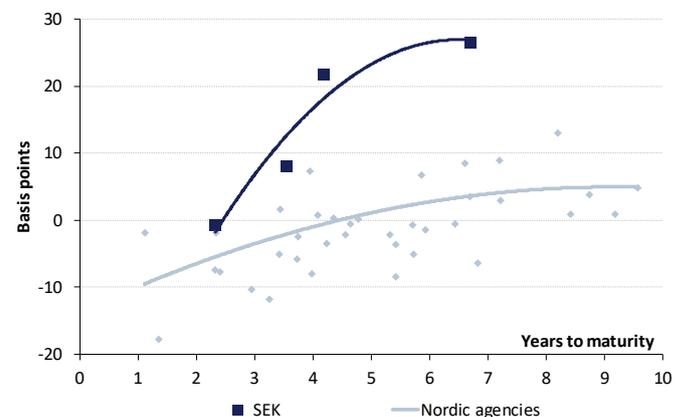
Bond amounts maturing in the next 12 months



SEK vs. iBoxx € Indices & Bunds



SEK vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 18 December 2023; Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB 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; in bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
0	19	27	70	78	91	0.1%	0.4%

Funding & ESG (EURbn/EUR equivalent)

Target 2023	Maturities 2023	Net Supply 2023	Funding instruments Benchmarks, ESG bonds, other public bonds, PP, CP	Central bank access -	No. of ESG bonds 10	ESG volume 2.3
12.5	10.1	2.4				

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
32.1	4.8	4	19.9	13	7.5

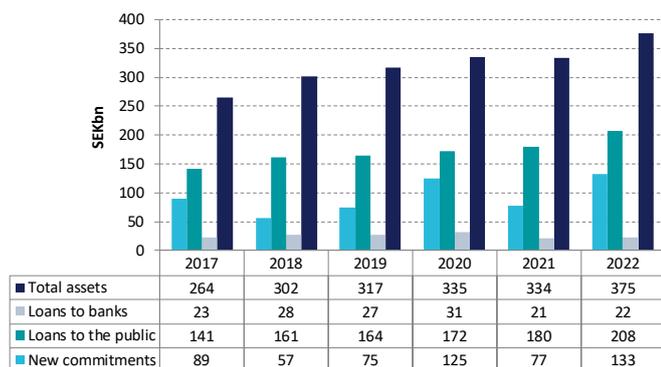
* Residual term to maturity >1 year and <10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 18 December 2023.

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 Floor Research

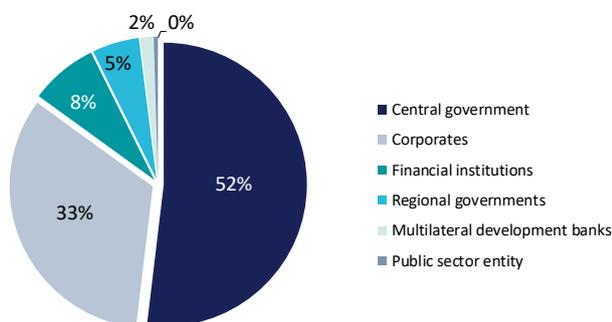
Balance sheet development



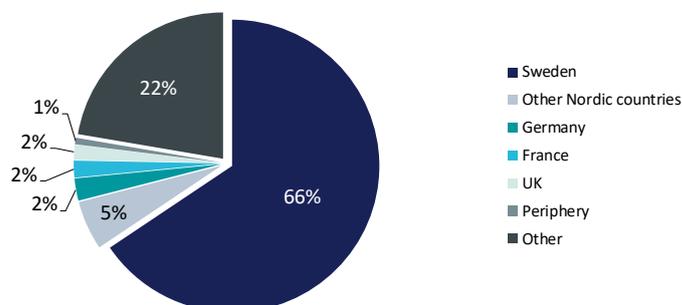
Earnings development



Net exposure by counterparties



Net exposure by country/region



Source: Issuer, NORD/LB Floor Research

Strengths/Chances

- + High quality of the loan portfolio, often supported by guarantees
- + Return on Equity (RoE) increasing since 2021

Weaknesses/Risks

- No explicit guarantee
- No central bank access



Kommuninvest i Sverige

Kommuninvest i Sverige AB was established in 1986 as a subsidiary of the Kommuninvest Cooperative Society (KCS). Its mission is to provide low-cost financing to KCS members, which are exclusively regional and local governments 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 these municipalities and administrative districts debt management services, which includes the provision of long-term financing and short-term liquidity. The quality of Kommuninvest’s loan portfolio is extremely high: Swedish regional and local governments are exempt from insolvency by law. A default on a loan has never occurred in this sector. From a constitutional viewpoint, the status of regional and local governments is comparable with that of the central government, since both are authorised to levy taxes. Additionally, the subordinate regional authorities are heavily regulated: by law, they are required to conduct solid financial management, with a balanced budget also being mandatory. For example, any deficits that are incurred must be settled within three years. If the central government transfers additional duties to regional or local governments, it must provide sufficient financial resources in order to neutralise the cost effect arising from the transfer of duties. There is also a financial equalisation system that seeks to balance out revenues and expenditure on an annual basis. Kommuninvest operates in the legal form of an Aktiebolag (AB). This is comparable with the German AG (Aktiengesellschaft) or a UK plc (public limited company). All KCS members guarantee the liabilities of Kommuninvest on a joint and several basis. Since 2017, Kommuninvest has also been a regular issuer of green bonds in benchmark format: as at December 2023, issuances of this kind accounted for a share of 15% of Kommuninvest’s funding portfolio, making the municipal bank the largest issuer of ESG bonds in Sweden.

General information

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- [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)

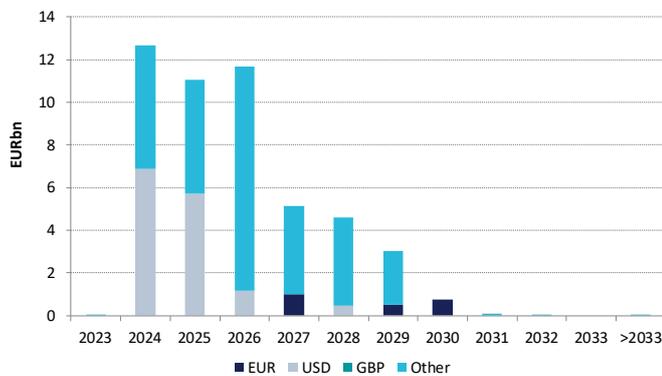
Bloomberg ticker

KOMINS

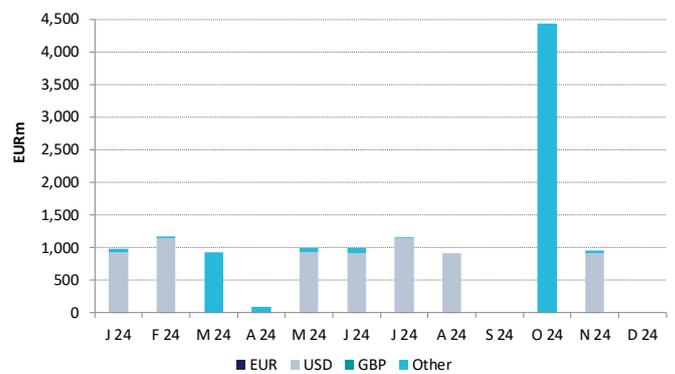
Ratings

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

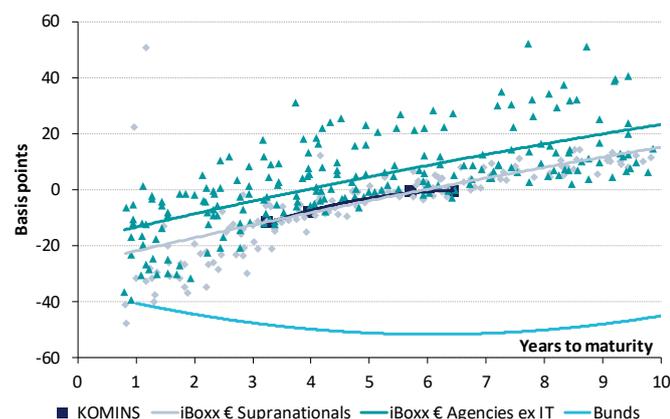
Bonds by currency



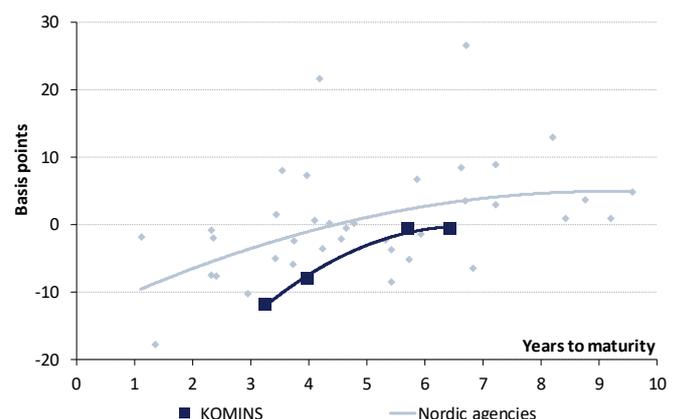
Bond amounts maturing in the next 12 months



KOMINS vs. iBoxx € Indices & Bunds



KOMINS vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 18 December 2023; Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB 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; in bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
-11	-4	1	47	48	58	0.0%	0.0%

Funding & ESG (EURbn/EUR equivalent)

Target 2023	Maturities 2023	Net Supply 2023	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
12.4	13.4	-1.0	Benchmarks, ESG bonds, other public bonds, PP, CP	Riksbank	11	7.3

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
49.1	2.3	4	14.3	14	32.6

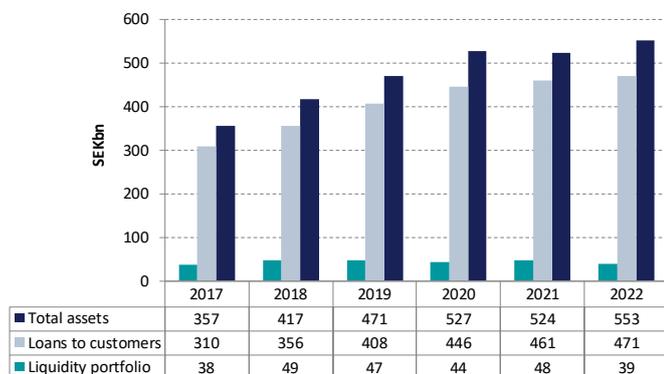
* Residual term to maturity >1 year and <10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 18 December 2023.

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 Floor Research

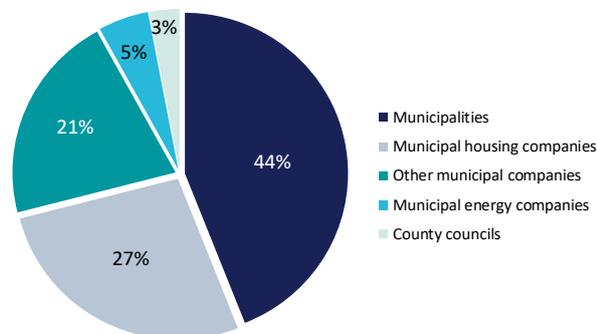
Balance sheet development



Earnings development



Lending business by sector

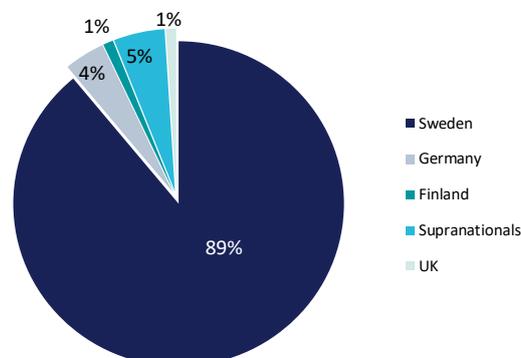


Source: Issuer, NORD/LB Floor Research

Strengths/Chances

- + Explicit guarantee through joint and several liability mechanism
- + Very high quality of the loan portfolio
- + Central bank access

Breakdown of liquidity portfolio by country



Weaknesses/Risks

- Not a recognised agency by the ECB
- Low diversification of the liquidity portfolio
- Net interest income declining since 2017

MuniFin

Municipality Finance (MuniFin)

Formed in 2001 from the merger of Municipality Finance and Municipality Housing Finance, the mandate of Municipality Finance (MuniFin; Kuntarahoitus Oyj) is to provide public sector financing in Finland. Specifically, MuniFin exclusively finances local authorities and public sector housing developers, with long-term municipal financing and loans for public housing projects and leasing services rounding off the portfolio. Loans are granted either directly to municipalities or companies for which, in turn, Finnish local or regional governments act as guarantors. There has never been a case where a Finnish local or regional government has been unable to repay a loan as required. In addition, Finnish sub-sovereigns are exempt 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. MuniFin trades in the legal form of a joint stock company (known as “Oyj” in Finnish, which is comparable to the German AG or a UK plc). According to its Articles of Association, only institutions from the public sector are eligible to hold shares in MuniFin. At present, municipalities, municipal associations and companies in municipal ownership (53%) and municipal pension associations (31%) hold the largest stakes in MuniFin. Moreover, in 2009, the Finnish state invested in MuniFin via a capital increase and holds a stake of 16% to this day. This underlines the high importance of the municipal bank for the public sector. The Municipal Guarantee Board (MGB), to which all Finnish municipalities belong aside from the autonomous province of Åland, guarantees MuniFin’s liabilities on a joint and several basis. Since 2023, the newly founded Wellbeing Service Counties have also been in operation. The most important changes to the Finnish public sector include transferring the responsibilities for overseeing social security, healthcare and emergency services from the municipalities to the 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)

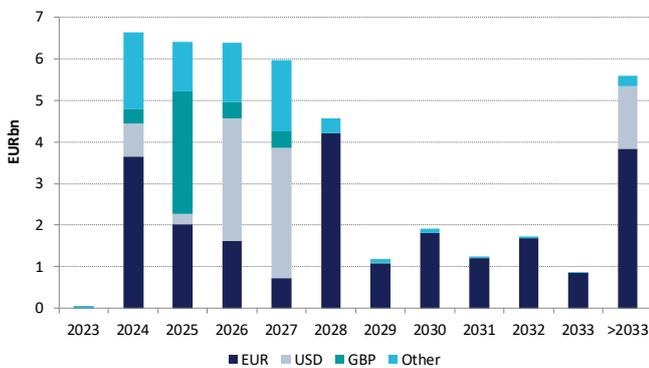
Bloomberg ticker

KUNTA

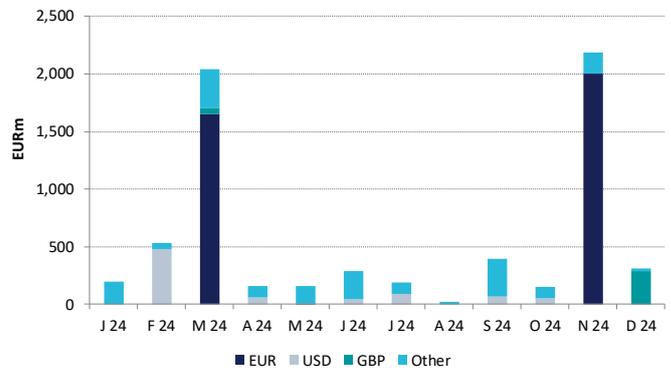
Ratings

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

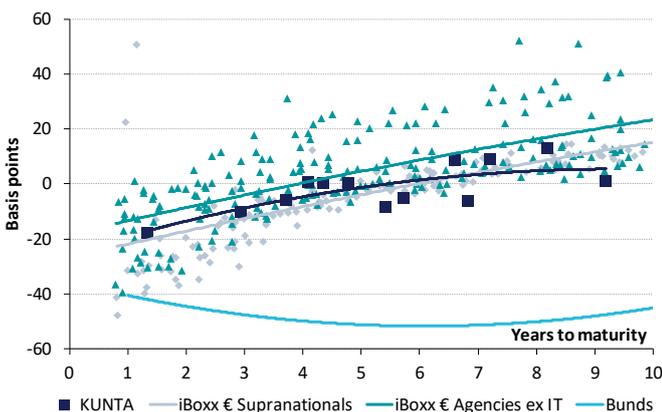
Bonds by currency



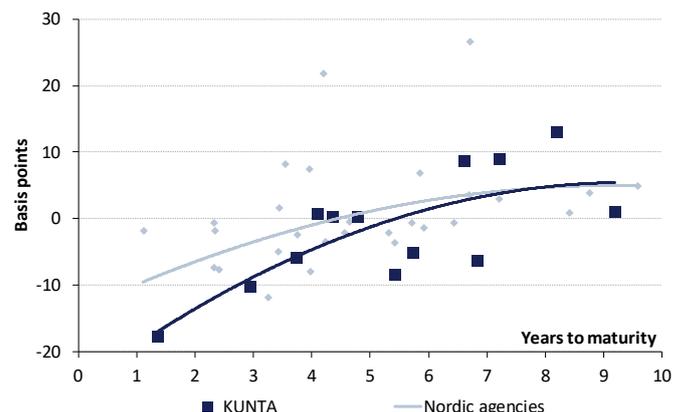
Bond amounts maturing in the next 12 months



KUNTA vs. iBoxx € Indices & Bunds



KUNTA vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 18 December 2023; Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB 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; in bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
48	55	112	-18	0	13	0.7%	2.5%

Funding & ESG (EURbn/EUR equivalent)

Target 2023	Maturities 2023	Net Supply 2023	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
9.5	5.9	3.6	Benchmarks, ESG bonds, other public bonds, PP, CP	ECB	9	4.5

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
42.6	22.7	16	8.7	5	11.2

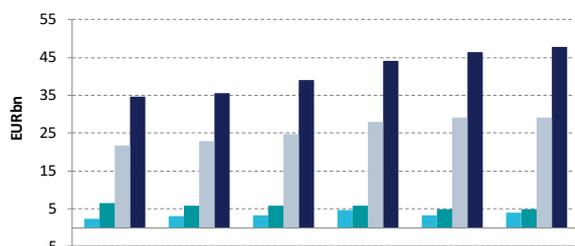
* Residual term to maturity >1 year and <10 years; outstanding volume of USD 1.0bn.

** Bonds with a minimum volume of EUR 0.5bn or USD 1.0bn. Foreign currencies converted into EUR at rates as at 18 December 2023.

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

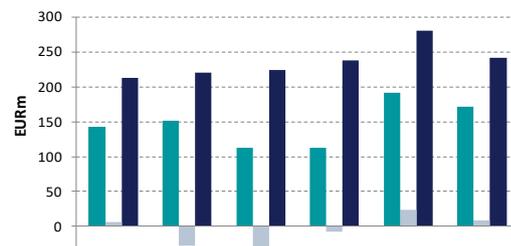
Source: Bloomberg, Issuer, NORD/LB Floor Research

Balance sheet development



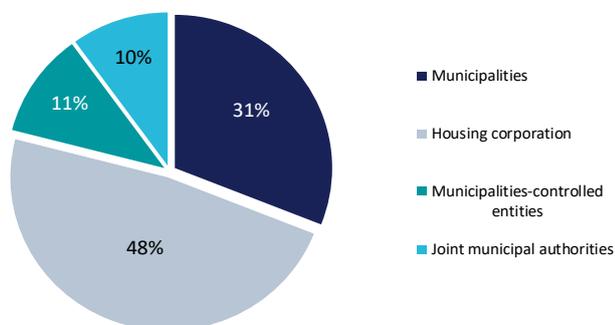
	2017	2018	2019	2020	2021	2022
Total assets	35	36	39	44	46	48
Loans to customers	22	23	25	28	29	29
Debt securities	6	6	6	6	5	5
New commitments	2	3	3	5	3	4

Earnings development

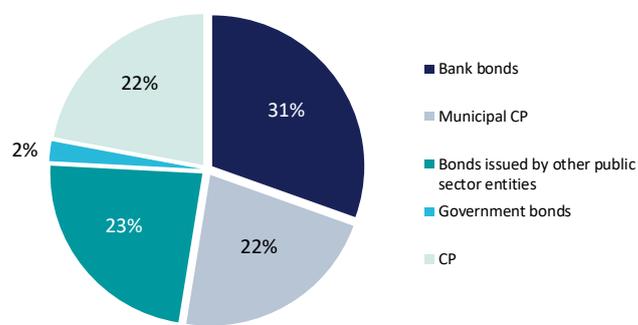


	2017	2018	2019	2020	2021	2022
Net interest income	212	220	224	238	280	241
Net income from securities and forex transactions	6	-28	-33	-8	24	8
Net income	142	152	113	112	192	172

Loan portfolio by sector



Overview of liquidity portfolio



Source: Issuer, NORD/LB Floor Research

Strengths/Chances

- + Explicit guarantee through joint and several liability mechanism
- + High quality of the loan portfolio
- + Central bank access

Weaknesses/Risks

- High concentration of borrowers
- Average maturity of liabilities is shorter than the maturities of assets



KommuneKredit

Established in 1899, KommuneKredit’s mandate is to provide low-cost financing to its customers. The Articles of Association stipulate that the 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, the product portfolio of KommuneKredit includes leasing and advisory services, as well as public private partnerships. Derivative products are offered too. KommuneKredit boasts a market share of around 98%, according to its own figures. The municipal bank operates as a non-profit organisation, with its customers characterised by extremely 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 authorised to levy taxes. Since KommuneKredit was formed, every loan has been repaid as required. As such, the municipal bank has not recorded a single credit default in its entire history. Furthermore, the insolvency of a regional or local authority in Denmark is precluded by law. The members of KommuneKredit, 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 (Lov om Kreditforeningen af kommuner og regioner i Danmark), are five regions and 98 municipalities, i.e. all the regional governments and local authorities across Denmark. Every member of KommuneKredit guarantees its liabilities on a joint and several basis. In 2017, the first of a total of eight green bonds was issued, with the aim of supporting the sustainable transformation of the 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

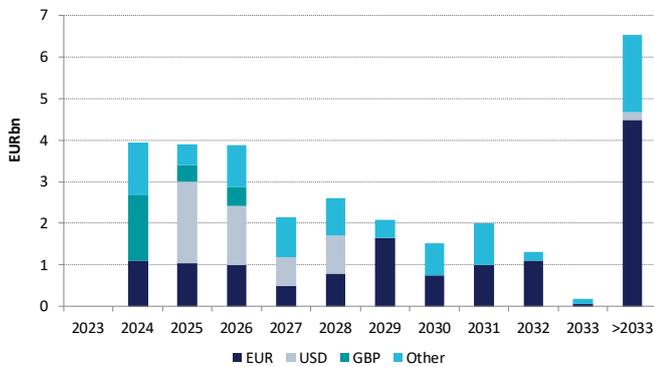
Bloomberg ticker

KOMMUN

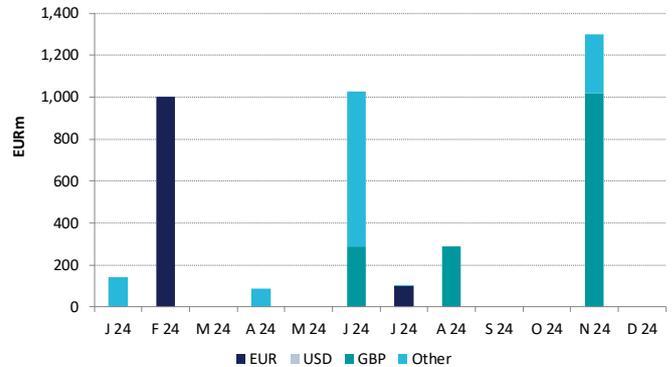
Ratings

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

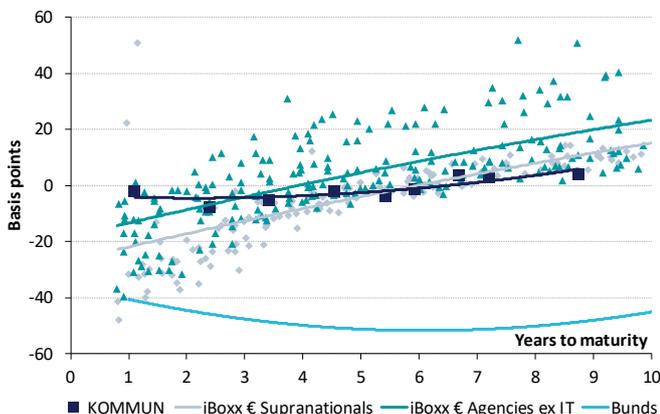
Bonds by currency



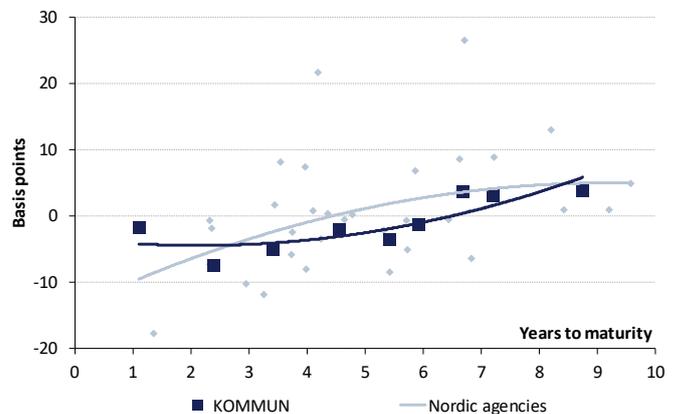
Bond amounts maturing in the next 12 months



KOMMUN vs. iBoxx € Indices & Bunds



KOMMUN vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 18 December 2023; Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB 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; in bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
49	54	125	-8	-2	4	0.3%	1.0%

Funding & ESG (EURbn/EUR equivalent)

Target 2023	Maturities 2023	Net Supply 2023	Funding instruments	Central bank access	No. of ESG bonds	ESG volume
5.0	4.8	0.2	Benchmarks, ESG bonds, other public bonds, PP, CP	-	8	3.8

Outstanding volume (EURbn/EUR equivalent)

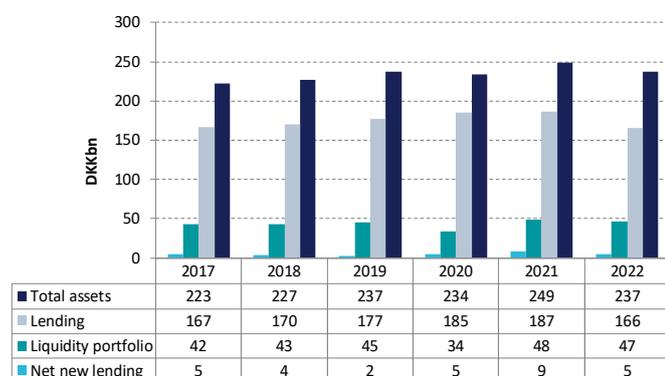
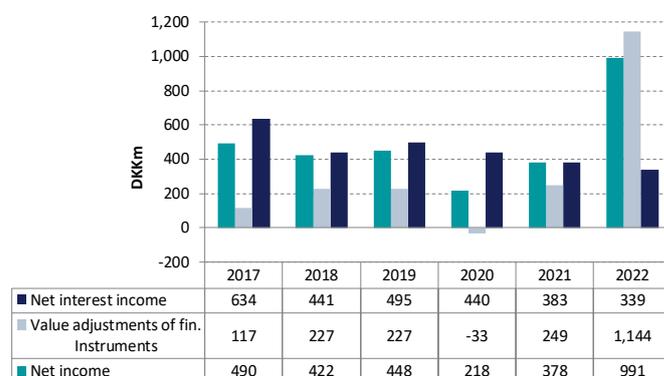
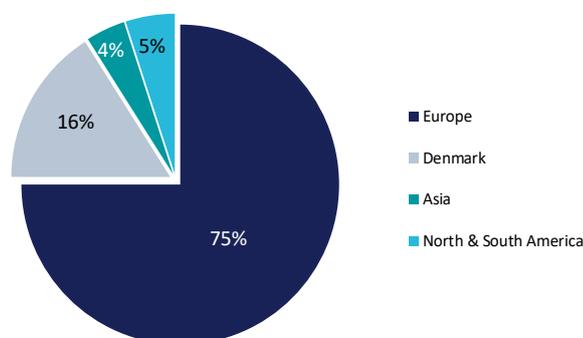
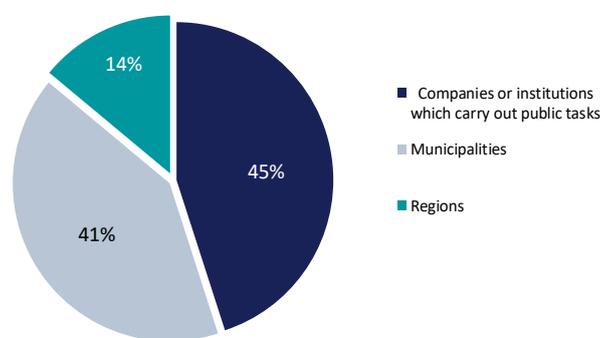
Total	of which in EUR	No. of EUR benchmarks**	of which in USD	No. of USD benchmarks**	of which in other currencies
30.1	13.4	16	5.2	3	11.5

* 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 18 December 2023.

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 Floor Research

Balance sheet development**Earnings development****Financing breakdown by market****Lending and leasing business by debtor**

Source: Issuer, NORD/LB Floor Research

Strengths/Chances

- + Explicit guarantee through joint and several liability mechanism
- + Loan portfolio of very high quality
- + Solid capitalisation

Weaknesses/Risks

- No central bank access
- Low degree of loan portfolio diversification – mitigated by high quality of proprietary assets



Finnvera

Established in 1998, Finnvera's mandate is to promote small and medium size enterprises (SMEs) in Finland. It maintains a specific focus on the export-orientation and internationalisation of companies, as well as on implementing the Finnish government's economic policy. Within this framework, Finnvera, which is the official export credit agency of Finland, grants export loans and guarantees, SME loans and guarantees as well as venture capital. In 2022, exports covered by export guarantees amounted to EUR 3.5bn. Within the Finnvera Group, exports are financed through Finnish Export Credit, which provides financing through the respective house banks. Losses from export financing are partially offset by the Finnish government. SME financing focuses particularly on start-ups and growth companies. In order to pursue a higher-risk business model than conventional credit institutions, the Finnish government compensates some of the losses resulting from domestic financing arrangements. In 2022, the bank worked with roughly 24,400 clients (2021: 25,800), of which 86% were microenterprises, 13% SMEs and 1% large corporates. Given that Finnvera's refinancing activities have been handled through the government since 2009, the promotional bank now pursues a model similar to that of the Swedish SEK or German KfW, and therefore seeks to make more intensive use of the capital markets. Finnvera trades in the legal form of a Julkinen Osakeyhtiö (Oyj); comparable to the German AG [Aktiengesellschaft] or a UK plc [public limited company]). The Finnish state is the sole owner of Finnvera, offering an explicit guarantee for the export financier's liabilities. These are incurred via issuances on the basis of the EMTN programme and total EUR 15bn overall, in addition to the ECP programme with a volume of EUR 3bn. According to Finnvera, increased demand in the area of export financing can be expected in the future.

General information

[Homepage](#)

[Investor Relations](#)

Owner(s)

100% Finland

Guarantor(s)

Finland

Liability mechanism

Explicit guarantee

Legal form

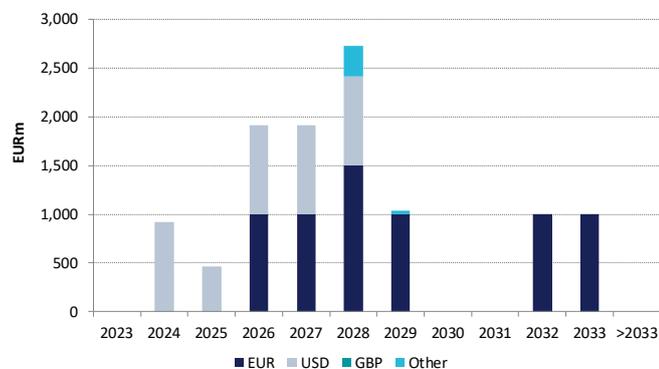
Julkinen Osakeyhtiö (Oyj)

Bloomberg ticker

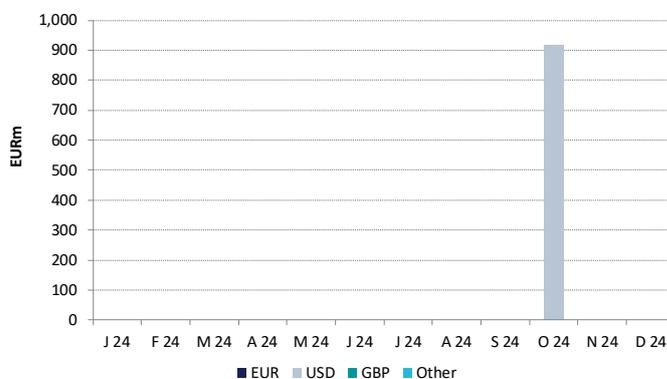
FINNVE

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

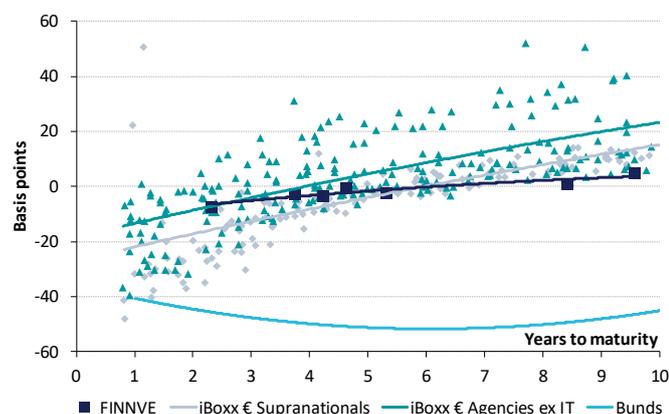
Bonds by currency



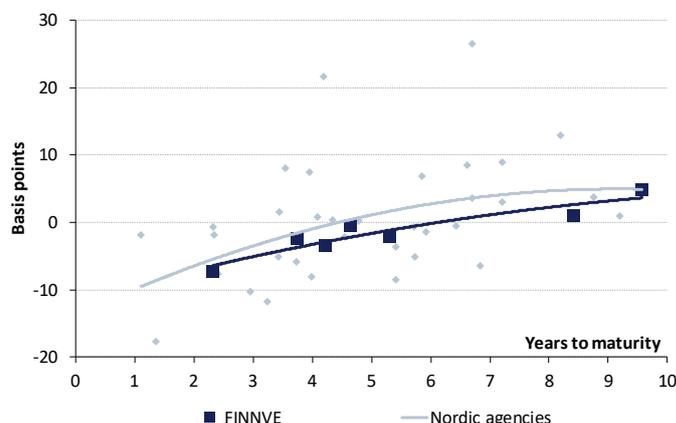
Bond amounts maturing in the next 12 months



FINNVE vs. iBoxx € Indices & Bunds



FINNVE vs. Nordic agencies



NB: Foreign currencies are converted into EUR at rates as at 18 December 2023; Residual term to maturity >1 year and <10 years; outstanding volume at least EUR 0.5bn. Source: Bloomberg, Markit, NORD/LB 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; in bp)*			Attractiveness vs. Mid-Swap (ASW-spread; in bp)*			Index weighting	
Minimum	Median	Maximum	Minimum	Median	Maximum	iBoxx € Sub-Sovereigns	iBoxx € Agencies
48	51	82	-8	-3	11	0.3%	1.0%

Funding & ESG (EURbn/EUR equivalent)

Target 2023 1.5	Maturities 2023 0.9	Net Supply 2023 0.6	Funding instruments Benchmarks, other public bonds, PP, CP	Central bank access -	No. of ESG bonds 0	ESG volume 0.0
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Outstanding volume (EURbn/EUR equivalent)

Total 11.0	of which in EUR 6.5	No. of EUR benchmarks** 7	of which in USD 4.1	No. of USD benchmarks** 4	of which in other currencies 0.3
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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 18 December 2023.

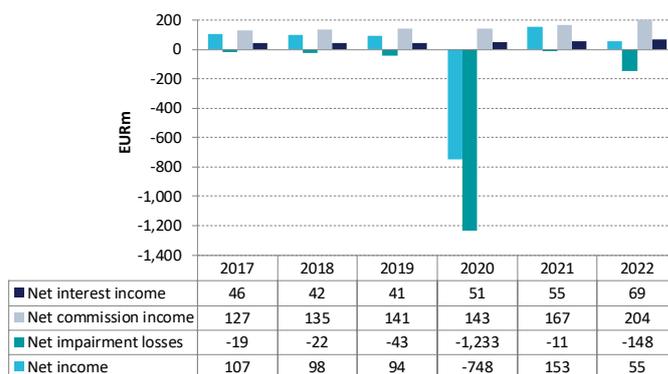
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.

Source: Bloomberg, Issuer, NORD/LB Floor Research

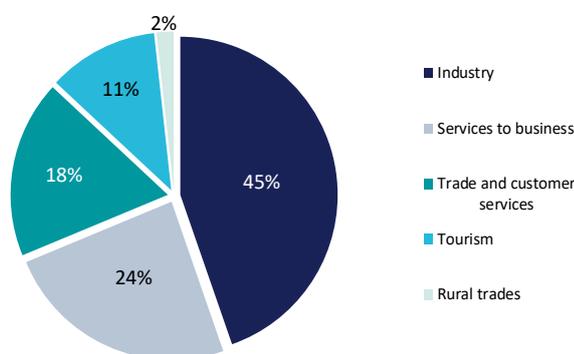
Balance sheet development



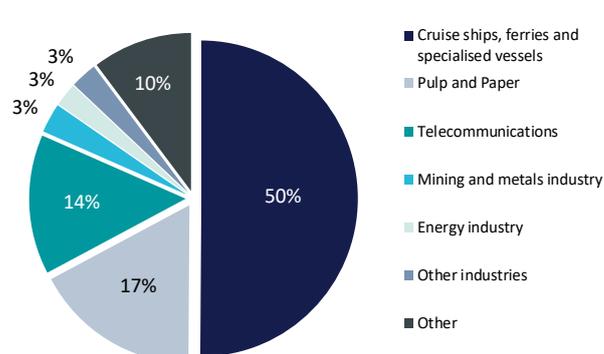
Earnings development



Credit and guarantee portfolios by sector



Exposure by sector



Source: Issuer, NORD/LB Floor Research

Strengths/Chances

- + Explicit guarantee from the Finnish state
- + Sustained positive trend in CET1 and leverage ratios
- + Constant growth in net interest income since 2020

Weaknesses/Risks

- No central bank access
- Higher risk business model compared with peers
- Increase in expected credit losses in 2022 due to Russia exposure

Appendix

Publication overview

Covered Bonds:

[Issuer Guide Covered Bonds 2023](#)

[Covered Bond Laws](#)

[Covered Bond Directive: Impact on risk weights and LCR levels](#)

[Risk weights and LCR levels of covered bonds](#) (updated semi-annually)

[Transparency requirements §28 PfandBG Q3/2023](#) (quarterly update)

[Covered bonds as eligible collateral for central banks](#)

SSA/Public Issuers:

[Issuer Guide – German Laender 2023](#)

[Issuer Guide – German Agencies 2023](#)

[Issuer Guide – European Supranationals 2023](#)

[Issuer Guide – French Agencies 2023](#)

[Issuer Guide – Dutch Agencies 2023](#)

[Beyond Bundeslaender: Belgium](#)

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

[Beyond Bundeslaender: Spanish regions](#)

Fixed Income Specials:

[ESG-Update 2023](#)

[ECB: Scarf, dry cough and with less liquidity unwell into 2024](#)

[ECB preview: A silent, but holy summit meeting?](#)

[ECB: Now is not the time for forward guidance!](#)

Appendix

Contacts at NORD/LB

Floor Research



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SSA/Public Issuers
+49 176 152 89759
lukas-finn.frese@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management 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

Relationship Management

Institutionelle Kunden	rm-vs@nordlb.de
Öffentliche Kunden	rm-oe@nordlb.de

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