



ANNUAL REPORT 2019

| KUNTIEN TAKAUSKESKUS | KOMMUNERNAS GARANTICENTRAL | MUNICIPAL GUARANTEE BOARD |

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MANAGING DIRECTOR'S REVIEW

During the past year, Prime Minister Sanna Marin's government continued the regional government, health and social services reform started by the Prime Minister Antti Rinne's government. The reform project gave the MGB cause to review its operations with respect to Finnish legislation and EU regulations.

It would be justified that the current municipal social and health care operations and their loans would be transferred to such regional maintenance of finances and capital that has the capacity equivalent to the present situation. In that way, the transition would ensure the continuity of the financing agreements and redundancy costs could be avoided.

The preparations for the counties' right to levy taxes is a part of the reform project. The taxation right would ensure the counties zero risk in the prudential regulation and the highest collateral value to the counties' loans in the central bank regulation. Thus, the right to levy taxes creates the conditions for efficient maintenance of finances and capital in the county communities

and thereby the continuity of the current efficient maintenance of finances and capital in health and social services. The counties' right to levy taxes can be implemented within the municipal taxation rights with minor changes to the taxation procedures.

The development tasks relating to the regional government, health and social services reform have provided a challenging and interesting opportunity to bring together national regulation and EU law. New tasks are to be expected also. The European regulations have created a new legal meaning to the public development credit institution. This regulatory change has significant effects on the operations and industry of credit institutions. Municipality Finance Plc (Munifin) will clearly fulfill the constituent elements of a public development credit institution. In the Act on the Municipal Guarantee Board, the parliament decides to what extent and in which industries the formed public development credit institution will be employed.

HEIKKI NIEMELÄINEN
Managing Director

ANNUAL REPORT 2019

The purpose of the Municipal Guarantee Board (MGB) is to safeguard and develop the joint funding of Finnish municipalities. The task also includes safeguarding and developing of social housing funding. Just as it was in the previous year, 2019 was also busy due to changes in the domestic and international operating environment of MGB.

Domestically, the most significant changes were the reforms initiated by Prime Minister Antti Rinne, who took office following the parliamentary election, and the subsequent Prime Minister Sanna Marin. These initiatives propose tasks to the joint municipal funding system related to funding the special purpose vehicles to be founded for carrying out investments in rail traffic as well as the potential new counties and bodies under the ownership of counties.

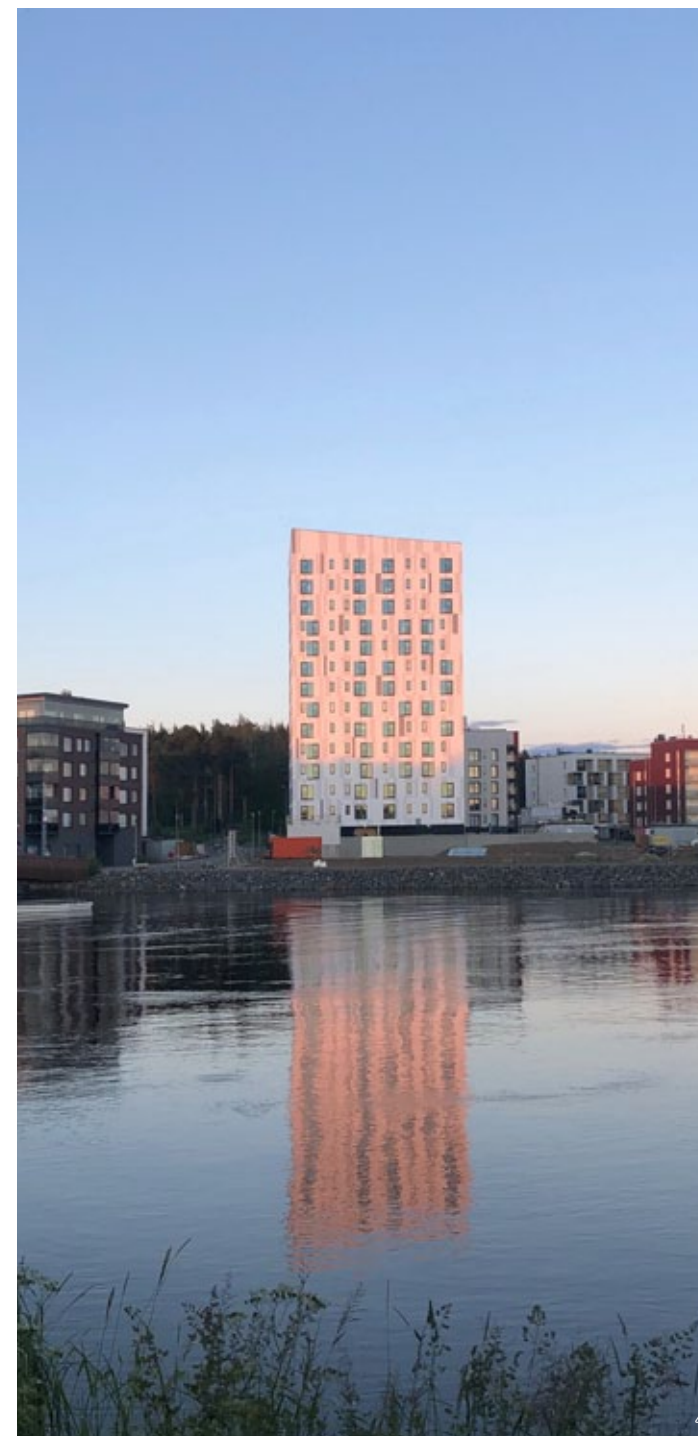
MGB investigated the aspects related to financing of public sector project companies and new kinds of counties with regard to the Finnish legislation and the operation of the joint municipal funding system. The investigation revealed that the legislative amendments related to the new tasks of the provision of financing could be prepared under the normal legislation.

The latest amendment to the Capital Requirements Regulation on credit institution operations, EU 876/2019, was released in May 2019. According to the amendment, where the institution is a public development credit institution, the exposures arising from assets that constitute claims on central governments, regional

governments, local authorities or the public sector or entities in relation to public sector investments and promotional loans may be omitted when calculating the leverage ratio requirement. Municipality Finance Plc meets the key criteria of public development credit institutions stated in the Act on the Municipal Guarantee Board. However, the investigation also revealed that it is necessary to clarify the decision-making of MGB under public law with respect to the allocation of the funds guaranteed by MGB.

This year, MGB signed a new liquidity agreement with the Nordic Investment Bank (NIB). The agreement transferred the liquidity supply of MGB to a public development credit institution with the highest possible credit rating and a capital supply guaranteed by the Nordic countries and the Baltic states. The agreement enhances MGB's readiness to successfully carry out its statutory safeguard function.

The success of MGB's activities is primarily based on the ability of the experts in various fields and the personnel of the municipalities' joint funding system to adapt the system's structures to changing circumstances. In 2019, development efforts focused on the constitutional evaluation of the Act on the Municipal Guarantee Board. MGB sends its thanks to the consulted experts and hopes they continue to take interest in facing the complex but intriguing challenges of guarantee and financing activities.



LEGISLATION ON THE MUNICIPAL GUARANTEE BOARD

The Act on the Municipal Guarantee Board (487/1996, “the Act”) was passed by the Finnish Parliament on 18 June 1996 and entered into force on 1 July 1996. The Act states that the purpose of MGB is to safeguard and develop the joint funding of Finnish municipalities. In order to fulfil this purpose, MGB can grant guarantees for such funding by credit institutions directly or indirectly owned or controlled by municipalities where this funding is used for lending to municipalities and municipal federations, and to corporations wholly owned by municipalities or under their control. Since the year 2001, there has been one credit institution, MuniFin, that has met the criteria set out in the Act.

The first amendment to the Act, passed by the Finnish Parliament on 25 April 1997, entered into force on 1 May 1997. As a result of the amendment, MGB has also been able to grant guarantees for funding by a credit institution that is used for lending to corporations designated by government authorities and engaged in renting or producing and maintaining housing on social grounds, or corporations controlled by them.

The Parliament made further considerable changes to the Act with another amendment to the Act passed on 18 October 2006, which was entered into force on 1 January 2007. The amendment specified the range of receivables for which a guarantee granted by MGB can be used as security. With the amendment, the former Regulations controlling the operations of MGB and approved by the Ministry of Finance were abandoned and parts of the legal

provisions included in the Regulations were transferred to the Act. These include the requirements for the granting of guarantees in accordance with European Community State Aid rules and their relationship with the said rules, the investment and use of assets transferred to MGB's fund and the powers of the Guarantee Board Auditor.

Since the adoption of the amendment, it has also been possible to use MGB's fund for interim arrangements in order to prevent a directly imminent MGB's payment obligation.

The auditing corporation appointed for the auditing of MGB's administration and accounts and the Guarantee Board Auditor responsible for MGB's supervision can be appointed for a term of between one and four years. The amendment to the Act also defines in more detail the right of a municipality, which is a member organisation of MGB, to appeal for an amendment of the contribution to be paid by the municipality to cover MGB's guarantee liabilities.

The most recent amendment to the MGB Act was made on 2 November 2017 when the Parliament decided on amending sections 5 and 8 of the Act. This amendment was the result of the changed date of the municipal elections, decreed in the Local Government Act and ratified in 2015. Section 5 of the Act was amended so that the term of the MGB Council would commence on 1 January of the year following the municipal elections.

At the same time, section 8 of the Act was amended so that a security granted for an MGB guarantee may also be granted as a covenant without a separate counter security. Covenants have been interpreted to be included in the definition of sufficient security required in section 8, but it was justified to provide for the issue in the legislation in order to avoid potential conflicts regarding interpretation. The significance of covenants has increased as the result of the financial crisis and the supervision of MuniFin having been transferred to the European System of Central Banks as a systemically important credit institution. The regulation emphasises credit institutions' liquid assets and securing liquidity.

Specifically mentioning covenants in the section would not, however, change the basic principle that sufficient security, from the perspective of healthy and cautious business principles and in the interest of the MGB members, would be justified to primarily consist of securities based on receivables, and covenants could be used to the extent that is justified for the purposes of the operations.

The compliance of MuniFin with the Act on the Municipal Guarantee Board and the provisions adopted pursuant to it are governed by the framework agreement between MGB and Municipality Finance Plc.



ADMINISTRATION AND PERSONNEL



Under the Act, MGB has a Council of 10–15 members, each of whom has a personal deputy. The Council of MGB, appointed by the Ministry of Finance, determines the key objectives of the Guarantee Board's operations and finances, appoints the Board of Directors, approves the annual accounts, and discharges annually the Board members and the Managing Director from liability for the financial year. The term of the new MGB Council commenced on 1 January 2018 and will continue until the end of 2021. The Council elected Ms **Terhi Peltokorpi** from Helsinki as Chair and Mr **Reijo Vuorento** from Helsinki and Mr **Kimmo Behm** from Nurmijärvi as Deputy Chair. The Council convened twice during the year under review.

Under the Act on the Municipal Guarantee Board, MGB has a Board of Directors of 5–7 members. The Board is responsible for MGB's administration, the granting of guarantees and the preparation and execution of the decisions of the Council. The Board of Directors represents MGB.

In its meeting on 16 March 2018, the Council elected Mr **Tapani Hellstén** from Helsinki, Mr **Kai Järvikare** from Helsinki, Mr **Janne Pesonen** from Espoo, Ms **Mervi Simoska** from Juva, Mr **Jaakko Stenhäll** from Tampere, Ms **Marita Toikka** from Kouvola and Ms **Päivi Yli-Kauhaluoma-Nurmi** from Pori as members of the Board of Directors. The Board of Directors elected Tapani Hellstén as Chair and Marita Toikka as Deputy Chair.

Mr **Heikki Niemeläinen** was MGB's Managing Director and Mr **Tuukka Salminen**, Executive Director, acted as the deputy to the Managing Director. The total number of employees during the year was three.

AUDITING AND SUPERVISION

The Council selects an audit firm to audit the annual accounts and administration for a period not exceeding its term of office. The primary auditor appointed by the audit firm shall be an authorised APA (Authorised Public Accountant) or a CPFA (Chartered Public Finance Auditor) auditor. In 2019, the authorised auditing corporation was KPMG Oy Ab, which was, after competitive tendering, reappointed by the MGB's Council as an authorised auditing corporation for the periods 2020 and 2021.

The activities of MGB are supervised by the Guarantee Board Auditor (APA or CPFA), who is appointed by the Ministry of Finance on the proposal of the Board of Directors of MGB. The Ministry of Finance has appointed the audit firm DHS Oy Audit Partners as an auditor for MGB for the years 2018–2021.



RISK MANAGEMENT

RISKS IN GUARANTEE OPERATIONS

Under the MGB Act, MGB may grant guarantees against sufficient collateral. In accordance with section 8 of the parliament's amendment to the MGB Act on 2 November 2017, a collateral may also be granted as a covenant without any separate counter-collateral. Grounds for the application of covenants are based on the realisation of the Act on the Municipal Guarantee Board's intended purpose. The application of covenants has been agreed in the framework agreement entered into by MuniFin and MGB.

The level of collateral during the year under review was sufficient. Guarantee activities are mostly arranged in such a way that MGB's Board of Directors grants guarantees for MuniFin's funding programmes, the most important of which is the EMTN programme. Within the programmes, MGB's Managing Director or the Deputy Managing Director is authorized to grant guarantees for individual debt issues. Of the guarantees granted by MGB to MuniFin's funding, EUR 33.040.159.347,85 was in use at the end of 2019.

Under the Act, guarantees granted as security for MuniFin's receivables may, at the time of granting the guarantee, amount to a maximum of four per cent of the total amount of MGB's guarantee liabilities. On 31 December 2019, these guarantee liabilities totalled EUR 800.294, or 0,002 per cent of all guarantee liabilities. The guarantee liabilities of MGB totalled EUR 33.040.959.641,85.

Funding guaranteed by MGB on 31 December 2019 was divided amongst the following currencies: Euro 37 %, US Dollar 33 %, Japanese Yen 10%, Norwegian krone 6 %, Swiss franc 4 %, Pound Sterling 3 %, Australian Dollar 3 % and other currencies 5 %. The currency risk is removed as a result of MuniFin's hedging operations. Collateral received by MGB from MuniFin was denominated in euros.

OPERATIVE RISKS

MGB's operative risks are dealt within the Standing Orders approved by the Council and in addition, within the Guarantee and Operations Policy approved by the Board of Directors, which stipulates the authorisations within MGB. MGB has a continuity plan, preparing for exceptional conditions so that MGB is able to continue its operations and prevent damages and losses in different disruptive circumstances. Operative risks have been mitigated by guidance, outsourcing activities, developing information systems, and by nominating deputies.

RISKS RELATED TO INVESTMENT OPERATIONS

MGB's liquidity is ensured through its fund and sufficient standby credit facilities. According to the strategy decided by the Council, increasing the fund must be based primarily on the evaluation of risks related to counterparty guarantees in hedging operations or the interest and administration fees of interim funding to a credit institution in accordance with the MGB Act's section 1.

The Board of Directors has decided on the investment of assets in its Guarantee and Operations Policy. According to the Policy, investments are allocated so that they support the operations of the municipal funding system. The aim of the investment activity is to obtain the best possible yield on the fund's assets while investing the assets safely; MGB invests only in liquid instruments that can be swiftly converted to cash based on MGB's liquidity needs. Derivative contracts have not been concluded in investment activities, but they can be used for hedging risks under special circumstances.

MGB allocates 50% of its investments to plain vanilla debt instruments issued by governments and banks (credit rating requirement S&P BBB / Moody's Baa3) and 50% to other capital protected debt instruments issued by banks and debt instruments issued by corporations, shares of companies listed on the Helsinki Stock Exchange, investment funds and housing and real estate companies. The range is +/- 10 percentage points. Any greater deviation must be specifically justified on a case by case basis.



FINANCES

Income from operations consisted of fees related to guarantees granted, which produced a total guarantee premium of EUR 2.500.000,00. Operating costs totalled EUR 2.594.709,11, comprising of staff expenses of EUR 727.167,16, depreciation amounting to EUR 17.614,06 and other expenses of EUR 1.849.927,89. The single most significant changes in other expenses were related to rating costs, that depends partly on the amount of MuniFin's funding and the new liquidity agreement of MGB. The result from MGB's ordinary operations was EUR -94 709,11.

Throughout its period of operation, MGB has not received any claims for the payment of guarantee fees. Taking into consideration the nature of the municipal funding system's and MGB's activities it is unlikely that any claims on guarantees will be made, or that recovery claims will be made in the future.

The investment income totalled EUR 157.394,38 and expenses totalled EUR 36.352,11. Prior to fair value changes, the result from investment activities was EUR 121.042,27.

MGB values its investments at fair value in profit or loss. The value change compared to the previous year was EUR 1.599.414,48.

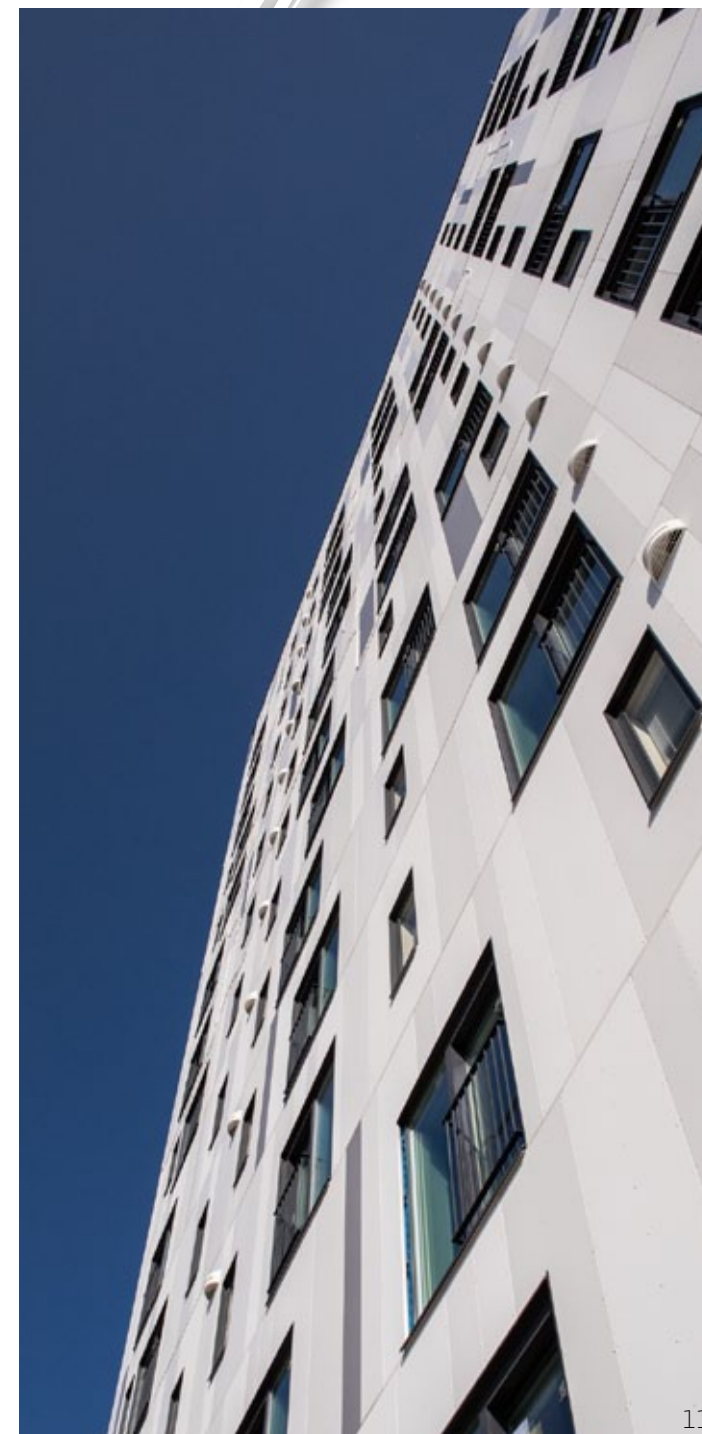
The value change resulted mostly from the rising prices of stock-based investment instruments over the year. The yield of invested capital was 9,28 %.¹

Result before appropriations was EUR 1.625.747,64. Transfers into the fund and the fair value reserve are treated as appropriations. A sum of EUR 26.333,16 is proposed for fund transfer, comprising the result from ordinary operations and the result from investment activities prior to unrealised fair value changes. Thus, the total value of the fund on 31 December 2019 is EUR 19.395.678,62.

The transfer of EUR 1.599.414,48 into the fair value reserve corresponds with the fair value change of investments on the balance sheet. The fair value reserve was on 31 December 2019 EUR 2.342.539,27. MGB's equity on 31 December 2019 totals EUR 21.738.217,89. The result for the financial year after the transfer is zero.

MGB's liquidity comprises the fund and liquidity arrangements. In 2019, MGB signed a new agreement with the Nordic Investment Bank (NIB) for safeguarding its cash position up to 200 million euros.

¹ Yield of invested capital = (Result from investment activities + Changes in the fair value reserve) / (Investments + Cash and bank accounts) average value for the beginning and end of the year * 100



OUTLOOK

MGB's year 2019 was characterised by busy and multidimensional development efforts within the scope of the domestic legislation and EU regulation applied to the joint municipal funding system. The development work was based on Prime Minister Sanna Marin's government programme that proposes new tasks for the joint municipal funding system.

In connection with this development work, a natural outlook emerged for MGB. A natural objective would be to develop the joint municipal funding system into a system operating in the line of business of a public development credit institution, so that its field of activities would be compatible with the various jurisdictions of both the Finnish legislation and EU regulation, and its services would also be used in various public sector projects within the legislative framework set out by the Parliament. Achieving this objective requires successful cooperation between various stakeholders.

MGB's new liquidity agreement with the Nordic Investment Bank (NIB) was a significant opening for MGB since the agreement transferred MGB's liquidity arrangement under a public development credit institution founded and maintained by the Nordic countries. This arrangement required coordination between various stakeholders on both domestic and Nordic level.

Thanks to the skilled personnel of the joint municipal funding system, the development work conducted, new functions already created in cooperation and the active contribution from external experts, the system can face the future with confidence.



INCOME STATEMENT

EUR	NOTES	1.1.-31.12.2019	1.1.-31.12.2018
ORDINARY OPERATIONS			
Income			
Guarantee premiums		2 500 000,00	2 500 000,00
Expenses			
Staff expenses	(1)	-727 167,16	-742 472,65
Depreciation	(2)	-17 614,06	-42 005,62
Other expenses		-1 849 927,89	-1 147 801,72
Result from ordinary operations		-94 709,11	567 720,01
INVESTMENT ACTIVITIES			
Income		157 394,38	316 992,66
Expenses and impairment		-36 352,11	-123 965,28
Result from investment activities prior to unrealised fair value changes		121 042,27	193 027,38
Unrealised fair value changes		1 599 414,48	-901 864,44
Result from investment activities		1 720 456,75	-708 837,06
RESULT BEFORE APPROPRIATIONS		1 625 747,64	-141 117,05
Appropriations			
Transfer to fund		-26 333,16	-760 747,39
Transfer to the fair value reserve		-1 599 414,48	901 864,44
RESULT FOR THE FINANCIAL YEAR		0,00	0,00

BALANCE SHEET

EUR	NOTES	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Tangible assets	(3)	175 864,60	177 076,11
Other shares and similar rights of ownership	(4)	2 255 184,05	2 255 184,05
Investments			
Other investments			
Shares and similar rights of ownership		9 654 179,63	8 084 432,89
Certificates of deposits and savings		1 077 679,42	987 784,69
Debt securities		7 043 200,00	6 969 550,00
Current assets			
Receivables			
Invoiced receivables		350,00	0,00
Other receivables		40 473,29	-
Accrued income		72 301,84	98 432,50
Cash and bank accounts		1 573 510,22	1 698 497,63
Total assets		21 892 743,05	20 270 957,87
EQUITY AND LIABILITIES			
Equity	(5)		
Fund		19 395 678,62	19 369 345,46
Fair value reserve		2 342 539,27	743 124,79
Liabilities			
Current liabilities			
Trade creditors		41 495,94	64 095,46
Accruals and deferred income		113 029,22	94 392,16
Total equity and liabilities		21 892 743,05	20 270 957,87



CASH FLOW STATEMENT

EUR	Financial statement 2019	Financial statement 2018
Cash flow from ordinary operations		
Operating income	2 500 000,00	2 500 000,00
Operating expenses	-2 616 553,17	-1 887 792,92
Cash flow from ordinary operations	-116 553,17	612 207,08
Cash flow from non-current assets	-16 402,55	-5 362,51
Cash flow from investments	7 968,31	32 729,15
Change in cash funds	-124 987,41	639 573,72
Cash funds at the beginning of financial period	1 698 497,63	1 058 923,91
Cash funds at the end of financial period	1 573 510,22	1 698 497,63

NOTES

The Municipal Guarantee Board observes, where applicable, the Accounting Act and Decree in force.

Investments are valued at fair value in profit or loss, so the unrealized differences between their book value and fair value have been recognized in the fair value reserve under equity. Investments are adhered to by using the FIFO-principle.

Non-current assets have been valued at acquisition cost, on which planned depreciation is calculated. Depreciation method since 1.1.2009:

- Machinery and equipment, equal depreciation	3 years
- Equipment, equal depreciation	5 years
- Equipment of the MGB premises, equal depreciation	10 years

NOTES

EUR

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STAFF EXPENSES

(1)

2019

	Salaries and fees	Pension expenses	Other personnel-related expenses
Board of Directors	105 100,00	4 647,36	424,51
Managing Director and Deputy MD	366 642,91	74 985,76	5 806,06
Others	150 608,48	17 592,48	1 359,60
Total	622 351,39	97 225,60	7 590,17

NON-CURRENT ASSETS**2019****2018**

Tangible assets (3)

Acquisition cost 1.1.	293 395,86	304 483,37
Disposals	-106 527,25	-16 450,02
Increase	16 402,54	5 362,51
Acquisition cost 31.12.	203 271,15	293 395,86
Accrued depreciation 1.1.	-116 319,75	-112 476,70
Accrued depreciation on disposals	106 527,25	16 450,02
Accounting period depreciation (2)	-17 614,06	-20 293,07
Accrued depreciation 31.12.	-27 406,56	-116 319,75
Book value 31.12.	175 864,59	177 076,11

Other shares and similar rights of ownership (4)

2019**2018**

Koy Yrjönkatu 11	1 487 875,70	1 487 875,70
Nurmijärven golfkeskus	1,00	1,00
As Oy Helsingin Eino Leinon katu 7	45 720,00	45 720,00
As Oy Topeliuksenkatu 15	721 587,35	721 587,35

Total	2 255 184,05	2 255 184,05
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NOTES

EUR	NOTES	2019	2018
CHANGES TO EQUITY			
	(5)		
Fund 1.1.		19 369 345,46	18 608 598,07
Fund transfer 31.12.		26 333,16	760 747,39
Fund 31.12.		19 395 678,62	19 369 345,46
Fair value reserve 1.1.		743 124,79	1 644 989,23
Change in financial year		1 599 414,48	-901 864,44
Fair value reserve 31.12.		2 342 539,27	743 124,79
GUARANTEES AND COLLATERAL		31.12.2019	31.12.2018
Guarantee limits granted		50 550 390 747,11	47 026 993 865,03
Guarantees in use		33 040 159 347,85	31 305 703 916,42
Collateral received and items affecting collateral situation		34 379 229 395,93	33 862 650 761,98
Balance of collateral and guarantees		1 339 070 048,08	2 556 946 845,56
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net		800 294,00	5 483 728,00



SIGNATURES

Helsinki, 5th February 2020

MUNICIPAL GUARANTEE BOARD

Tapani Hellstén
Chair

Kai Järvikare
Member of the Board

Mervi Simoska
Member of the Board

Päivi Yli-Kauhaluoma-Nurmi
Member of the Board

Marita Toikka
Deputy Chair of the Board

Janne Pesonen
Member of the Board

Jaakko Stenhäll
Member of the Board

Heikki Niemeläinen
Managing Director

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 5th February 2020

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant

To the Council of the Kuntien takauskeskus

AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Kuntien takauskeskus (business identity code 1075583-7) for the year ended 31 December, 2019. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the Guarantee Board's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Guarantee Board in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Guarantee Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Guarantee Board or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Guarantee Board's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Guarantee Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 5 February 2020

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

GUARANTEES

Million Euro

MUNICIPALITY FINANCE PLC

Guarantee limits

Guarantees in use 31.12.2019

EMTN Programme	35 000,0	26 436,8
AUD 2 billion Programme (Kangaroo)	1 250,4	631,1
Euro Commercial Paper Programme	7 000,0	2 735,6
Domestic Debt Issuance Programme	800,0	0,0
Other domestic and foreign funding	6 500,0	3 236,7
Total	50 550,4	33 040,2
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net.	Max. 4 %	0,8 0,002 %
Total		33 041,0

BOARD OF DIRECTORS AND COUNCIL



Kai Järvikare, Mervi Simoska, Päivi Yli-Kauhaluoma-Nurmi, Janne Pesonen, Tapani Hellstén, Jaakko Stenhäll and Marita Toikka.

BOARD OF DIRECTORS 16.3.2018-31.12.2021

Tapani Hellstén, Chair

Marita Toikka, Deputy Chair

Kai Järvikare

Janne Pesonen

Mervi Simoska

Jaakko Stenhäll

Päivi Yli-Kauhaluoma-Nurmi



Reijo Vuorento, Terhi Peltokorpi and Kimmo Behm.

COUNCIL 1.1.2018-31.12.2021

Members of the council

Terhi Peltokorpi, Chair

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INFORMATION ABOUT THE ANNUAL REPORT

The Municipal Guarantee Board grants guarantees for Municipality Finance Plc's funding which will be channeled into the development of the operations and infrastructure of municipalities as well as social housing construction in the form of loans. The photographs in this annual report have been taken at the student residence "Lighthouse" in Joensuu.

The house is the highest wood-built apartment building in Finland and there are 117 student apartments in it.

The Municipal Guarantee Board has guaranteed funding allocated to the construction of the Lighthouse.