

CREDIT OPINION

23 December 2025

Update

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RATINGS

Municipal Guarantee Board

Domicile	Finland
Long Term Rating	Aa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Municipal Guarantee Board (Finland)

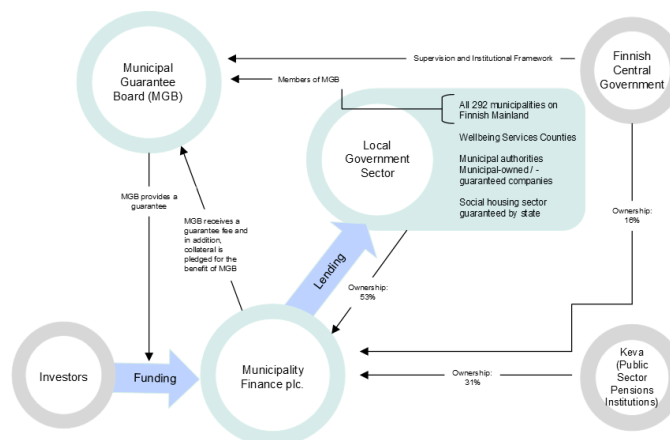
Update to credit analysis

Summary

The credit profile of the [Municipal Guarantee Board](#) (MGB, Aa1 stable) reflects its strong ties to the [Government of Finland](#) (Aa1 stable), stemming from MGB's structure and its member municipalities. The essential role of services provided by the local government sector underscores that, in the unlikely event of acute liquidity stress, the ultimate source of support would be the Government of Finland. MGB provides guarantees for funding raised by public sector credit institution, which is then used to finance municipalities, municipal entities, wellbeing services counties, and guaranteed social housing entities. [Municipality Finance Plc](#) (MuniFin, Aa1 stable) is the sole beneficiary of MGB's guarantees.

Exhibit 1

Very strong linkage between the local government sector (Government of Finland) and MGB



Source: MGB, Moody's Ratings

Credit strengths

- » Integrated governance and special public policy role underpinning system strength
- » Robust financial safeguards and collective support
- » System adaptability and diversification following the SOTE reform

Credit challenges

- » Modest cash buffers supported by broader sector resources
- » Guarantee mechanism remains untested in practice

Rating outlook

The stable outlook reflects the stability of the guarantee mechanism which will continue to operate without material deterioration under a clear public policy mandate. It also incorporates MGB's robust financial risk profile and the high credit quality of the municipal sector, including the recently established well-being services counties. It also mirrors the stable outlook of the Government of Finland.

Factors that could lead to an upgrade

An upgrade of Finland's sovereign rating could lead to an upgrade of MGB's rating.

Factors that could lead to a downgrade

A downgrade of the rating could be triggered by one or a combination of the following: a downgrade of Finland's sovereign rating, a weakening of the ties between the local government sector and the sovereign, a weakening of the MGB Act and the joint guarantee, or a weakening of MGB's public policy mandate and its importance for lower-tier governments.

Profile

The Municipal Guarantee Board is a Finnish public law body, established to safeguard and develop the joint funding of Finnish municipalities. MGB together with MuniFin, a Finnish public sector lending institution, comprise the joint funding system of municipalities in Finland. Their activities are linked to the Government of Finland, reflecting a strong connection in terms of governance and financial oversight.

Detailed credit considerations

The credit profile of MGB, as expressed in its Aa1 issuer rating, reflects the support from the central government. In our view, it is not significant to distinguish between MGB and the Government of Finland. MGB's credit strength is inextricably linked with that of the Government of Finland because of its status as a public policy entity and its mandate to safeguard and develop joint funding for Finnish municipalities.

Integrated governance and special public policy role underpinning system strength

MGB operates as a public-law institution established by statute, with a governance structure deeply anchored in central government oversight. The Ministry of Finance appoints MGB's 15-member Council, which, in turn, selects a seven-member Board of Directors (which then selects the Managing Director), while audits are conducted by both an independent firm and a Ministry-appointed auditor. This integrated framework ensures low risk acceptance, strong policy alignment between central and local government, and robust accountability.

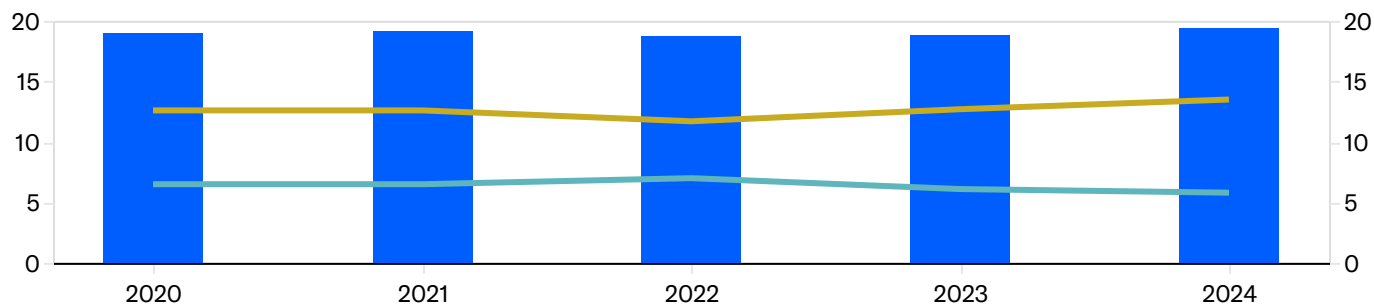
MGB serves a special public policy role as the safeguard and developer of joint funding for Finland's local government sector. The MGB Act empowers it to extend guarantees to credit institutions owned or controlled by municipalities and engaged in lending to municipalities, their associated entities, and government-guaranteed social housing companies. In practice, MGB exclusively guarantees the debt of MuniFin. The high credit quality of the Finnish local government sector is underpinned by a robust, decentralized municipal structure, stringent oversight from the Ministry of Finance, a legal mandate for balanced budgets, a history of effective intervention in cases of financial distress, a well-established equalization system, and reliable market access through MuniFin.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 2

Municipalities show stable borrowing with modest liquidity buffer

■ Loan stock ■ Cash ■ Net debt



In € billions

Source: MGB, Moody's Ratings

The creditworthiness of the Finnish local government sector remains robust, supported by a strong institutional framework and prudent fiscal management. As of year-end 2024, the sector's outstanding municipal loan stock reached €19.3 billion, with total debt, including joint municipal authorities, rising to €20.5 billion, representing approximately 80% of sector operating revenue. Despite a negative cash flow from operations and investments (−€0.4 billion), municipalities maintained solid cash reserves of €5.8 billion, or about 25% of operating revenue. However, negative pressures from the SOTE reform (see below), combined with the challenges of an aging population and migration toward larger urban centred, are expected to increase operating costs and investment needs, contributing to a steady rise in debt of municipalities and joint municipalities, which is projected to reach €26.5 billion by 2029. Balanced-budget rules, reliable market access, and ongoing central government oversight continue to help preserve the sector's overall credit strength.

Robust financial safeguards and collective support

MGB demonstrates a strong financial position, underpinned by a conservative risk appetite and effective safeguards, evidenced by its history of never having paid a guarantee compensation. As of year-end 2024, MGB's guarantees in use totaled €48.2 billion, backed by collateral exceeding guarantees by approximately €2 billion. At the same date, MGB maintained a €200 million committed line with the [Nordic Investment Bank](#) (Aaa, stable), while its immediate liquidity buffer was modest at €87,400, however this can be supplemented by system resources if needed. In addition, MGB held investments amounting to €44.6 million at year-end 2024, further reinforcing its financial resilience.

MGB's risk management is further strengthened by the joint guarantee provided by all 292 mainland municipalities, ensuring that nearly the entire Finnish population supports the system. Member municipalities cannot withdraw from MGB. In the event that MuniFin is unable to meet its obligations, guarantee calls are met primarily from MGB's own fund and credit facilities; if the liquidity is not sufficient, MGB may levy population-proportional contributions from member municipalities. The MGB Act also allows for proactive support to government-owned credit institutions, enabling MGB to act swiftly and efficiently in safeguarding the stability of the Finnish local government funding system.

System adaptability and diversification following the SOTE reform

MGB has shown flexibility and strategic breadth in response to Finland's SOTE reform, which transferred social and health care responsibilities from 292 municipalities to 21 well-being services counties (WSCs) as of January 2023. SOTE, the social and health care services reform, refers to this major restructuring of public service delivery and funding in Finland. Legislative amendments now enable MGB to provide guarantees and MuniFin to finance both existing and new loans for WSCs, totalling to €2,045 million allocated for county liquidity and €400 million for investments in the 2025 budget. By the end of 2024, approximately €3.92 billion of MGB-backed funding was available to the WSCs. Beyond the counties, MGB's guarantee portfolio spans municipalities, joint municipal authorities, social housing (including government-guaranteed entities), and municipal companies, reducing concentration risk and enhancing overall system resilience. This broadened mandate ensures that MGB remains flexible and responsive to evolving sector needs, supporting financial stability across a diverse range of public entities.

Modest cash buffers supported by broader sector liquidity

MGB's stand-alone liquidity remains modest compared to its outstanding guarantees amounted to €52 billion as of June 2025. At the end of 2024, MGB's cash balances stood at just €87.4 thousand at year-end, but MGB's position is supported by collateral exceeding guarantees by approximately €2.0 billion and, crucially, by the strong financial health of the Finnish municipal sector. As of December 2024, municipalities collectively held €5.8 billion in cash reserves (equivalent to 25% of operating revenue), which could be mobilized to support MGB if needed. To further strengthen system-wide liquidity, MGB has taken steps to increase the guarantee fee. This sizable sector liquidity, along with MuniFin's own reserves, continues to provide important reassurance from a credit perspective.

Guarantee mechanism remains untested in practice

Despite well-defined legal and practical procedures, including the authority to claim contributions from member municipalities without a court order, the MGB guarantee mechanism has never been triggered. In a distress scenario, MGB could call on its members for support, billing each municipality in proportion to its population share, and pre-emptive support could be provided by either MGB or its members. While the absence of historical calls is reassuring, it also means the operational execution of the guarantee under sector-wide stress has yet to be proven. The sector's overall financial strength and central government support remain key mitigating factors.

ESG considerations

Moody's takes account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and credit strength. In the case of MGB, the materiality of ESG to the credit profile is largely based on the ESG considerations for the Government of Finland or respectively its local government sector entities (i.e. MGB's members), along with specific considerations:

Environmental risks are not material for MGB's rating. MGB's members are exposed to environmental risks, including severe weather conditions or rising sea levels, which could have an impact. MGB participates as a stakeholder in sustainability reporting, in line with the Corporate Sustainability Reporting Directive and related national legislation, enabling it to monitor and influence environmental risk management.

Social risks are not material for MGB, reflecting the sector's exposure to demographic challenges such as an aging population and rising dependency ratios, which can gradually increase pressure on municipal finances. While the central government and the sector's robust institutional framework help mitigate these pressures, municipalities must continually adapt to maintain service provision and financial stability. Overall, MGB's social risk profile aligns with that of Finnish local governments, remaining manageable but requiring ongoing vigilance.

Governance risk is material for MGB, as its operations are strictly governed by statutory mandate and subject to indirect oversight, including the auditor appointed by the Ministry of Finance. The governance framework is closely intertwined with the local government, with strategic direction shaped by the MGB Council and regular audits ensuring accountability and compliance.

Further details are provided in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#).

Rating methodology and scorecard factors

The principal methodology used in the rating of this entity is the [Government-Related Issuers](#) rating methodology, published in May 2025.

Ratings

Exhibit 3

Category	Moody's Rating
MUNICIPAL GUARANTEE BOARD	
Outlook	Stable
Issuer Rating -Dom Curr	Aa1
MUNICIPALITY FINANCE PLC	
Outlook	Stable
Issuer Rating	Aa1
Bkd Senior Unsecured	Aa1
Bkd Commercial Paper -Dom Curr	P-1
Bkd Other Short Term -Dom Curr	(P)P-1

Source: Moody's Ratings

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