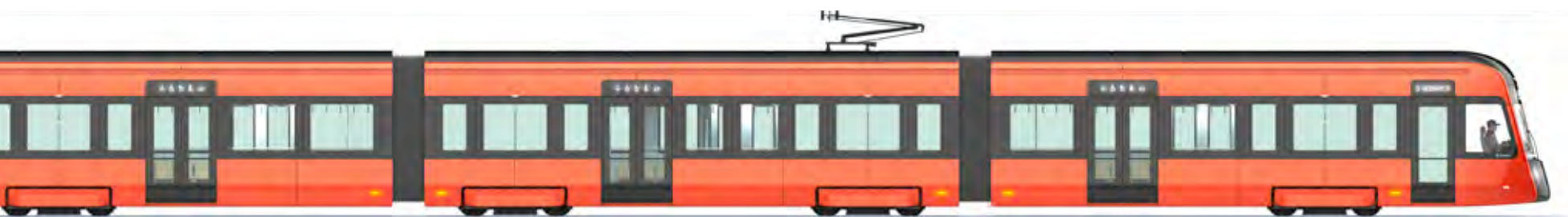


| KUNTIEN TAKAUSKESKUS | KOMMUNERNAS GARANTICENTRAL | MUNICIPAL GUARANTEE BOARD |



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MANAGING DIRECTOR'S REVIEW

The year 2021 will go down in the history of Finland as a significant year. The long-pending health and social services reform was implemented in Finland when the Parliament adopted a comprehensive legislative package on the matter in June.

The reform had already been under way during several previous governments. The need for the reform has been motivated by the fact that municipalities, of which there are nearly three hundred in Finland, have been responsible for organising social welfare and health care services. The majority of municipalities are small or medium-sized. Over the decades, their ability to provide social welfare and health care services has diminished. The decline has been exacerbated in rural areas, which have been and will continue to be extinguished by migration. The system based on municipalities' tax revenues and responsibility to provide services was considered to have come to an end. The municipal system was dismantled, and 21 new wellbeing services counties were established. They are funded by the State.

The health and social services reform has been accompanied by the restructuring of the financial services of the wellbeing services counties. At an early stage of the reform, it was thought that the State alone could arrange financial services of the wellbeing services counties. In this option, the services provided by the joint funding system of municipalities formed by the Municipal Guarantee Board (MGB) and Municipality Finance Plc (MuniFin) were not considered necessary. However, as the projects progressed, the need to integrate the financial services of the wellbeing services counties into the European System of Central Banks and the emerging European Banking Union became apparent.

Integration into the Banking Union and the European System of Central Banks required that the act concerning the funding of wellbeing services counties is drafted in a manner consistent with the zero-risk classification in the European Union's Capital Requirements Regulation (CRR). In addition, the joint municipal funding system had to be closely linked to the financial management of wellbeing services counties. Both objectives have been or are being achieved. At the same time, the joint municipal funding system has also strengthened its position at the heart of the Finnish welfare society.

The project is based on extensive development work. The development work has involved Finland's leading academic experts, operators in the political system and financial professionals, from regulators to credit rating agencies. All have a common interest in making funding for wellbeing services counties work in the best way possible between EU regulation and national legislation. MGB has had the great privilege of acting as the promoter of the development project.

The project is now completed. MGB would like to thank the various operators for their contribution to the development work that will secure the financial services of the wellbeing services counties at the heart of the European Banking Union.

HEIKKI NIEMELÄINEN
Managing Director



For the first time, the Council of the Municipal Guarantee Board touched upon the wellbeing services counties at its autumn meeting in 2021 and allocated them a funding of up to EUR 900 million guaranteed by MGB. Sirpa Paatero, Minister of Local Government, attended the autumn meeting.

REPORT OF ACTIVES 2021



The purpose of the Municipal Guarantee Board (MGB) is to safeguard and develop the joint funding of Finnish municipalities. This also includes guarantees for funding which will be channelled for social housing construction.

The year 2021 was exceptionally active for MGB. This was brought about by the Parliament adopting the legislative package on the establishment of wellbeing services counties in the summer of 2021. As part of the reform, the Act on the Municipal Guarantee Board was amended with regard to so-called transferable loans. In addition, Marin's Government initiated an amendment to the MGB Act concerning the general funding of wellbeing services counties.

The funding of wellbeing services counties also involved verification of the interpretation of the competent EU authority's approval of the amendment to the MGB Act. This approval was confirmed by a letter from the authority representing the Commission.

The MGB Board of Directors commented on the legislative proposal of Marin's Government in its statement (meeting 2/2021):

"The starting point of the Municipal Guarantee Board's statement is to organise the financial services of the wellbeing services counties in a way that ensures the continuity of the financial services of the hospital districts."

In line with its stance, MGB promoted the zero-risk position of wellbeing services counties as legal entities by, on the one hand, emphasising the introduction of taxing power and, on the other hand, promoting the formulation of the Act on funding of wellbeing services counties that would lead to a zero-risk interpretation of wellbeing services counties issued by the competent Financial Supervisory Authority (FIN-FSA).

The long-term development project promoted by MGB was carried out when the Financial Supervisory Authority confirmed the zero-risk position of the wellbeing services counties on 18 January 2022.

The Council of MGB decided in the budget for 2022 to authorise the MGB Board of Directors to grant guarantees up to a maximum of EUR 900 million for the funding channelled for wellbeing services counties.

Municipality Finance Plc's status as a public development credit institution was associated with two separate development projects identified and initiated by MGB. The first concerned the EU legal security of guarantees related to loans received as collateral by MGB in the changing state aid regulation, and the second concerned the suitable capital and dividend strategy of MuniFin as a public development credit institution. The implementation of both projects is postponed to 2022.

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 2021, the focus of the development was the integration of Finnish public bodies and especially wellbeing services counties with the EU financing sector's regulation. 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 funding 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 joint municipal authorities, 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 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 MGB member municipality to appeal for an amendment of the contribution to be paid by the municipality to cover MGB's guarantee liabilities.

Subsequent change 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 amendment to the MGB Act concerning the funding of wellbeing services counties was approved by the Parliament on 29 June 2021. The amendment will enter into force on 1 January 2023, and it concerns funding related to the establishment of wellbeing services counties.

The compliance of MuniFin with the MGB Act and the provisions adopted pursuant to it are governed by the framework agreement between MGB and MuniFin.



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 annually discharges the Board members and the Managing Director from liability for the financial year. The term of the MGB Council commenced on 1 January 2018 and continued 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 MGB Act, 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. Tapani Hellstén was Chair and Marita Toikka served as Deputy Chair of the Board.

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 2021, the authorised auditing corporation was KPMG Oy Ab, which the MGB's Council has selected to continue in 2022 as well.

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. For the years 2018–2021, the Ministry of Finance appointed the audit firm DHS Oy Audit Partners as an auditor for MGB, which will continue as the MGB auditor also in 2022–2025.



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 intended purpose of the MGB Act. The application of covenants has been agreed in the framework agreement between 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 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, the Deputy Managing Director or the Senior Analyst is authorized to grant guarantees for individual debt issues. Of the guarantees granted by MGB for MuniFin's funding, EUR 38.912.111.855,40 was in use at the end of 2021.

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 2021 these guarantee liabilities totalled EUR 5.655.037,00, or 0,02 per cent of all guarantee liabilities. The guarantee liabilities of MGB totalled EUR 38.917.766.892,40.

Funding guaranteed by MGB on 31 December 2021 was divided amongst the following currencies: Euro 44,5%, US Dollar 28,5%, Norwegian krone 6,7%, UK pound sterling 5,8%, Japanese Yen 5,6% and other currencies 8,9%. MuniFin manages the currency risk with its hedging operations. Collateral received by MGB from MuniFin was denominated in euros.

OPERATIONAL RISKS

MGB's operational 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. The Act on Information Management in Public Administration (TihL 906/2019) determines the management and secure processing of data and information. A description of the implementation of the public document has been published on the website of 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.

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 joint 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 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 3.000.000,00. Operating costs totalled EUR 2.441.044,30, comprising of staff expenses of EUR 828.257,14, depreciation and impairments amounting to EUR 8.607,56 and other expenses of EUR 1.604.179,60. The single most significant cost in other expenses were related to credit rating costs, that depend partly on the amount of MuniFin's funding. The result from MGB's ordinary operations was EUR 576.263,90.

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 it is unlikely that any claims on guarantees will be made, or that income on recovery claims will be made in the future.

The investment income totalled EUR 277.185,10 and expenses totalled EUR 979,12. Prior to fair value changes, the result from investment activities was EUR 276.205,98.

MGB values its investments at fair value through profit or loss. The fair value change compared to the previous year was EUR 1.795.921,25. The fair value change resulted mostly from the rising prices of stock-based investment instruments over the year. The yield of invested capital was 9,71 %.

Result before appropriations was EUR 2.648.391,13. Transfers into the fund and the fair value reserve are treated as appropriations. A sum of EUR 852.469,88 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 2021 is EUR 20.873.845,57.

The transfer of EUR 1.795.921,25 into the fair value reserve corresponds with the fair value change of investments on the balance sheet. The fair value reserve is EUR 4.615.693,54 at the end of 2021. MGB's equity on 31 December 2021 totals EUR 25.489.539,11. The result for the financial year after the transfer is zero.

MGB's liquidity comprises the fund and liquidity arrangements. MGB has an 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



The past year of the Municipal Guarantee Board was marked by development activities at the interfaces between Finnish national legislation and EU regulations, similarly as last year.

The development work was based on the zero-risk classification related to the financial management of wellbeing services counties to be established in accordance with Prime Minister Sanna Marin's Government Programme. With a zero-risk rating, the wellbeing services counties can become members of MGB. With this development, MGB will strengthen its position at the heart of Finland's public sector financial services.

Finland's public sector financial management is also accompanied by the deepening of the European Banking Union. The European Central Bank cannot directly finance a Member State of the European Union or actors belonging to the State as the

Treaty on the Functioning of the European Union prohibits direct financing of Member States by the Central Bank. In this respect, the Member States of the European Union differ from other countries, such as the United States, Japan or the United Kingdom, where there is no such prohibition in place.

The needs of financial management of the public bodies are similar in the EU Member States to those in other countries outside the EU, mentioned above. For their needs, the EU Member States have developed a network of public development and special credit institutions, which have been given a special role in the EU Capital Requirements Regulation. In Finland, only MuniFin has been given this role, whose fundraising is guaranteed by MGB. As a result of this development, the joint municipal funding system has become Finland's only public development credit system.

The development of a joint municipal funding system as a public development credit institution that serves the Finnish public sector extensively offers a natural prospect for MGB. The introduction of the benefits requires wide-ranging cooperation between politicians and financial experts. The joint municipal funding system is well placed for development work because of its skilled personnel and the network of experts at its disposal. MGB can face future challenges with confidence.

INCOME STATEMENT

EUR	1.1.-31.12.2021	1.1.-31.12.2020
ORDINARY OPERATIONS		
Income		
Guarantee premiums and other income	3 017 308,20	3 014 070,00
Expenses		
(1) Staff expenses	-828 257,14	-786 737,59
Depreciation and impairments	-8 607,56	-50 395,06
Other expenses	-1 604 179,60	-1 696 862,92
Result from ordinary operations	576 263,90	480 074,43
INVESTMENT ACTIVITIES		
Income	277 185,10	199 317,31
Expenses	-979,12	-53 694,67
Result from investment activities prior to unrealised fair value changes	276 205,98	145 622,64
Unrealised fair value changes	1 795 921,25	477 233,02
Result from investment activities	2 072 127,23	622 855,66
Result before appropriations	2 648 391,13	1 102 930,09
APPRORIATIONS		
Transfer to fund	-852 469,88	-625 697,07
Transfer to the fair value reserve	-1 795 921,25	-477 233,02
Result for the financial year	0,00	0,00

BALANCE SHEET

EUR	31.12.2021	31.12.2020
ASSETS		
Non-current assets		
(2) Tangible and intangible assets	159 173,61	167 781,17
(3) Other shares and similar rights of ownership	2 871 294,27	2 783 830,91
Investments		
Other investments		
Shares and similar rights of ownership	11 944 909,96	8 533 452,72
Certificates of deposits and savings	1 587 215,09	794 330,29
Debt securities	7 047 540,00	9 141 640,00
Current assets		
Receivables		
Invoiced receivables	700,00	350,00
Other receivables	44 433,33	17 956,52
Accrued income	30 111,73	63 677,08
Cash and bank accounts	1 960 964,50	1 687 761,10
Total assets	25 646 342,49	23 190 779,79
EQUITY AND LIABILITIES		
(4) Equity		
Fund	20 873 845,57	20 021 375,69
Fair value reserve	4 615 693,54	2 819 772,29
Liabilities		
Current liabilities		
Trade creditors	64 564,51	46 802,18
Other liabilities	1 440,00	148,52
Accruals and deferred income	90 798,87	302 681,11
Total equity and liabilities	25 646 342,49	23 190 779,79



CASH FLOW STATEMENT

EUR	1.1.-31.12.2021	1.1.-31.12.2020
CASH FLOW FROM ORDINARY OPERATIONS		
Operating income	3 016 958,20	3 013 720,00
Operating costs	-2 656 291,44	-2 264 122,13
Cash flow from ordinary operations	360 666,76	749 597,87
Cash flow from non-current assets	-87 463,36	-8 201,49
Cash flow from investments	0,00	-627 145,50
Change in cash funds	273 203,40	114 250,88
Cash funds at the beginning of financial period	1 687 761,10	1 573 510,22
Cash funds at the end of financial period	1 960 964,50	1 687 761,10



NOTES TO THE FINANCIAL STATEMENTS

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

Investments are valued at fair value through 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, straight-line depreciation | 3 years |
| - Equipment, straight-line depreciation | 5 years |
| - Equipment of the MGB premises, straight-line depreciation | 10 years |



NOTES

EUR

(1) STAFF EXPENSES

1.1.-31.12.2021	Salaries and fees	Pension expenses	Other personnel-related expenses
Board of Directors	128 491,26	4 979,10	468,80
Managing Director and Deputy MD	379 406,75	66 670,93	12 163,64
Others	199 288,88	32 204,72	4 583,06
Total	707 186,89	103 854,75	17 215,50

NON-CURRENT ASSETS

	2021	2020
(2) Tangible assets		
Acquisition cost 1.1.	200 220,27	203 271,15
Disposals	-34 177,54	-5 362,51
Increase	0,00	2 311,63
Acquisition cost 31.12.	166 042,73	200 220,27
Accrued depreciation 1.1.	-32 439,11	-27 406,56
Accrued depreciation on disposals	34 177,54	5 362,51
Depreciation during the financial year	-8 607,56	-10 395,06
Accrued depreciation 31.12.	-6 869,13	-32 439,11
Book value 31.12.	159 173,60	167 781,16
(3) Other shares and similar rights of ownership	2021	2020
Golf shares	1,00	1,00
Koy Yrjönkatu 11	1 581 228,92	1 493 765,56
As Oy Helsingin Eino Leinon katu 7	45 720,00	45 720,00
Koy Tahko Twinhills 212/5	522 757,00	522 757,00
As Oy Topeliuksenkatu 15	721 587,35	721 587,35
Total	2 871 294,27	2 783 830,91

NOTES

EUR	2021	2020
(4) CHANGES IN EQUITY		
Fund 1.1.	20 021 375,69	19 395 678,62
Fund transfer 31.12.	852 469,88	625 697,07
Fund 31.12.	20 873 845,57	20 021 375,69
Fair value reserve 1.1.	2 819 772,29	2 342 539,27
Change in financial year	1 795 921,25	477 233,02
Fair value reserve 31.12.	4 615 693,54	2 819 772,29
GUARANTEES AND COLLATERAL		
	31.12.2021	31.12.2020
Guarantee limits granted	57 780 819 724,62	58 558 178 158,03
Guarantees in use	38 912 111 855,40	36 657 771 232,82
Collateral received and items affecting collateral situation	40 075 217 212,49	39 414 857 675,35
Balance of collateral and guarantees	1 163 105 357,09	2 757 086 442,53
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net	5 665 037,00	18 260 111,00



SIGNATURES

Helsinki, 2 February 2022

MUNICIPAL GUARANTEE BOARD

Tapani Hellstén
Chair

Marita Toikka
Deputy Chair

Kai Järvikare
Member

Janne Pesonen
Member

Mervi Simoska
Member

Jaakko Stenhäll
Member

Päivi Yli-Kauhahuoma-Nurmi
Member

Heikki Niemeläinen
Managing Director

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 2 February 2022

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

To the Council of the Municipal Guarantee Board

AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Municipal Guarantee Board (business identity code 1075583-7) for the year ended 31 December, 2021. 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, 2 February 2022

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT



GUARANTEES

Million Euro

MUNICIPALITY FINANCE PLC	Guarantee limits	Guarantees in use 31.12.2021
EMTN Programme	40 000,0	31 494,4
AUD 2 billion Programme	1 280,8	732,6
Euro Commercial Paper Programme	10 000,0	3 820,7
Other domestic and foreign funding	6 500,0	2 864,3
Total	57 780,8	38 912,1
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net.	Max. 4 %	5,7 0,015 %
Total		38 917,8



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

Reijo Vuorento, 1. Deputy Chair

Kimmo Behm, 2. Deputy Chair

Tuomo Luoma

Satu Hatanpää

Maarita Mannelin

Jesse Jääskeläinen

Pia Hänninen

Lasse Hautala

Asta Tolonen

Sallamaari Muhonen

Leena Kuha

Lauri Heikkilä

Matti Semi

Fredrik Guseff

Personal Deputy

Martin Ylikännö

Ninni Taavitsainen

Mika Mäkinen

Joonas Grönlund

Venla Väli-Torala

Pia-Riitta Korvenheimo

Vuokko Puljujärvi

Markku Harju

Mirva Kittilä

Markku Forss

Marko Kivelä

Ville Hämäläinen

Anssi Joutsenlahti

Tiina Ahlfors

Minna Österholm



INFORMATION ABOUT THE ANNUAL REPORT

The Municipal Guarantee Board grants guarantees for Municipality Finance Plc's funding which will be channelled into the operations of municipalities, development of infrastructure as well as social housing construction in the forms of loans. The photos in MGB's annual reports are of various funding targets, this time of the Tampere Tram.

The Tramway traffic started in Tampere on August 9th, 2021.