

| KUNTIEN TAKAUSKESKUS | KOMMUNERNAS GARANTICENTRAL | MUNICIPAL GUARANTEE BOARD |



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The Municipal Guarantee Board (MGB) celebrates its 25th anniversary in 2021. The Municipal Guarantee Board was established to complement the credit institution activities serving municipalities. The task was soon expanded to include guarantees for funding of social housing construction.

The guarantee stock of MGB has increased annually by nearly EUR 1.5 billion to the current EUR 36 billion. The increase in the guarantee stock shows that there has been a need for MGB, established in 1996 as a new authority, in financing investments in the core functions of society, such as basic municipal infrastructure, schools, sports facilities, hospitals and social housing construction. The MGB's operational capacity has been based on the member municipalities' taxing rights as well as the zero-risk position in the EU financial regulation, as a result of which also the guarantee granted by MGB has a zero-risk position.

MGB is a public law body and acts as guarantor of the funding of a municipally controlled credit institution. In the capital markets, the operating party to the funding system is the main partner of MGB, Municipality Finance Plc (MuniFin). Its funding is guaranteed by MGB.

The guarantee provided by MGB reduces the funding cost of MuniFin. MuniFin passes on the cost benefit to its customers, to local authorities and social housing construction. In addition to providing low-cost financing, MuniFin has been able to increase its own funds in accordance with regulatory needs and the growth of lending by approximately EUR 50 million per year.

MANAGING DIRECTOR'S REVIEW

The joint municipal funding system formed by MGB and MuniFin has been discussed and approved by the European Commission in 2004. With this approval, the system has become part of the European Banking Union as well as the changes of the Banking Union. The latest change is the special status given to public development credit institutions within EU regulation, the constituent elements of which MuniFin as the only Finnish credit institution clearly fulfills.

The system has a recognized status both in EU regulation as well as international money and capital markets. The development of the system has been noticed among Finnish policymakers. The program of Finnish Prime Minister Sanna Marin's Government assigns tasks to the system in financing new rail companies and wellbeing services counties. The successful performance of these tasks also requires Finnish policymakers to take into account the framework conditions of EU regulation and European law, for example in the area of Internal Market Law, where member states have handed over their competences to the European Union.

MGB can consider that it has performed the task given by Parliament in the Act on the Municipal Guarantee Board in 1996: to safeguard and develop the joint funding of municipalities. The greatest thanks in this context go undoubtedly to people who, with genuine interest and expertise have contributed to the development of the system over the years, both as experts and as elected representatives.

HEIKKI NIEMELÄINEN
Managing Director



The Old Church Park next to the Municipal Guarantee Board was snowy in winter 2021.
Heikki Niemeläinen, Tuukka Salminen and Johanna Hietalahti, staff of the Guarantee Board, cross-country skiing through the park.

REPORT OF ACTIVES 2020

The purpose of the Municipal Guarantee Board (MGB) is to safeguard and develop the joint funding of municipalities. This also includes guarantees for funding which will be channeled for social housing construction. The year 2020 was busy due to changes in the domestic and international operating environment of MGB. The year was also exceptional because of the COVID-19 pandemic, suddenly changing modes of action and promoting e-services.

Municipality Finance and MGB have systematically developed their information systems, which ensured a smooth transition to remote working during the pandemic. Municipal fundraising has been secured without interruptions.

The most significant change in Finland was the social and health care reform project initiated by Prime Minister Sanna Marin's government in 2019. In the reform, joint municipal authorities will be replaced by new legal entities, wellbeing services counties.

The objective of MGB is that the financing and liquidity arrangements of wellbeing services counties will be safeguarded in a manner that is in line with the current level of joint municipal authorities. In its development work, MGB examined the taxation rights and tax laws on the basis of which the zero-risk classification of wellbeing services counties and their accession to European Union financial regulation could be organised. The review showed that the right of taxation can be arranged within the ordinary legislative procedure by applying municipal tax laws.

The right of taxation and the associated zero-risk feature create the opportunity for wellbeing services counties to become members of MGB and thus access to effective financial supply of the European System of Central Banks (ESCB).

This may be postponed due to the delayed introduction of the county tax. In preparation for a postponement, MGB continued its development work, examining how the financial supply of the wellbeing services counties could be secured in a manner similar to that of joint municipal authorities until they were given the right of taxation. The review showed that the zero-risk feature for the loans of wellbeing services counties can be organised by state guarantees, provided that these guarantees are effective in all jurisdictions concerning the implementation of the guarantees. To ensure this, EU State aid procedure by the European Commission is relevant.

The future direction of the development projects will be resolved when the work of the parliamentary county tax committee is completed in 2021 and the government decides on how to proceed with the social welfare and health care reform.

In Finland, the treatment of COVID-19 has been the responsibility of the municipalities. In addition, municipalities' finances have been under pressure due to increased expenditure and loss of income caused by the COVID-19 pandemic. As a result of these challenges, MGB released additional collateral provided by MuniFin to be used as collateral at the European Central Bank. In addition,

MuniFin's EMTN programme was increased to EUR 40 billion and the ECP programme to EUR 10 billion. MGB implemented a new practice in discussions with credit rating agencies by relying on the correspondence with the Minister of Local Government and Ownership Steering regarding the implementation of the Government Programme.

In line with the future financial activities of MGB, it organised a national seminar on rail investments in the city of Tampere. Moreover, in view of the parliamentary committee hearings, for example, MGB promoted the organisation of the financial management of future wellbeing services counties into a unified influence group.

MGB developed its own activities by revising its internal monitoring and reporting system to bring them more into line with the practices of government work of the European System of Central Banks.

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 2020, the focus of the development was on the accession of Finnish public bodies to the EU financing sector's regulation and the developing banking union. 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 in order to prevent a directly imminent MGB's payment obligation.

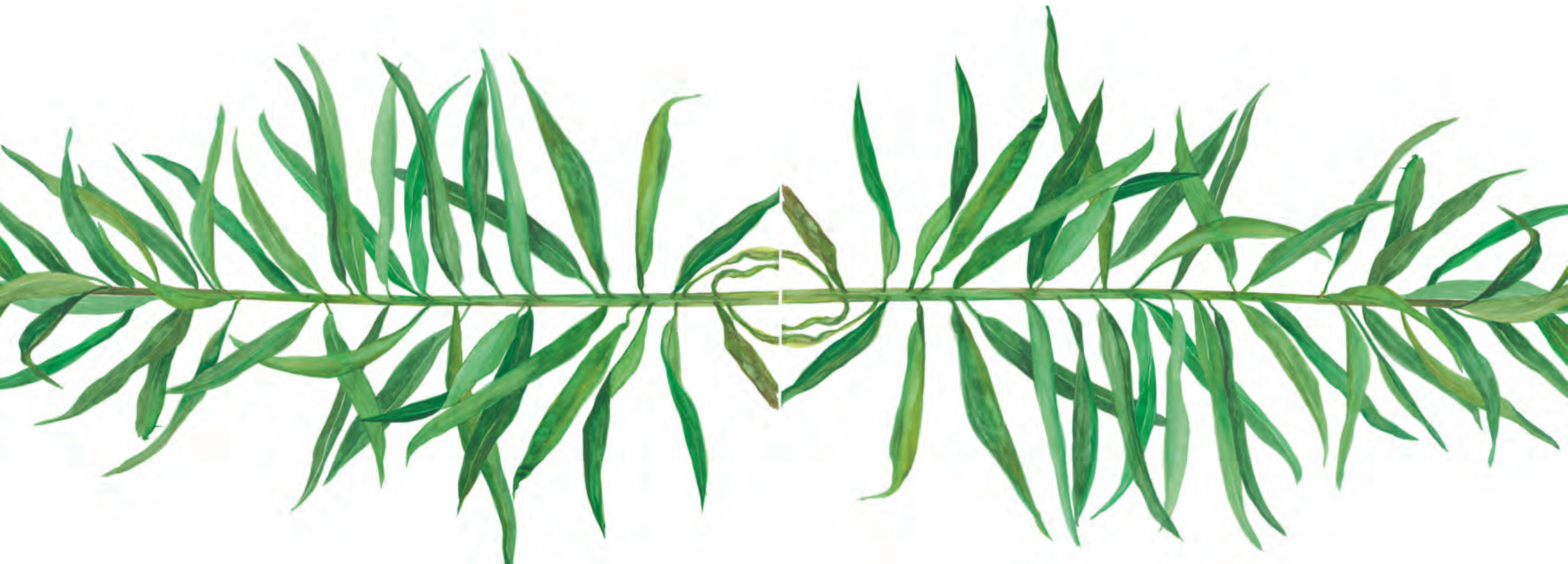
The auditing corporation appointed for the auditing of MGB's administration and accounts and the Guarantee Board Auditor responsible for MGB's supervision can be appointed for a term of between one and four years. The amendment to the Act also defines in more detail the right of a municipality, which 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 annually discharges 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. 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.

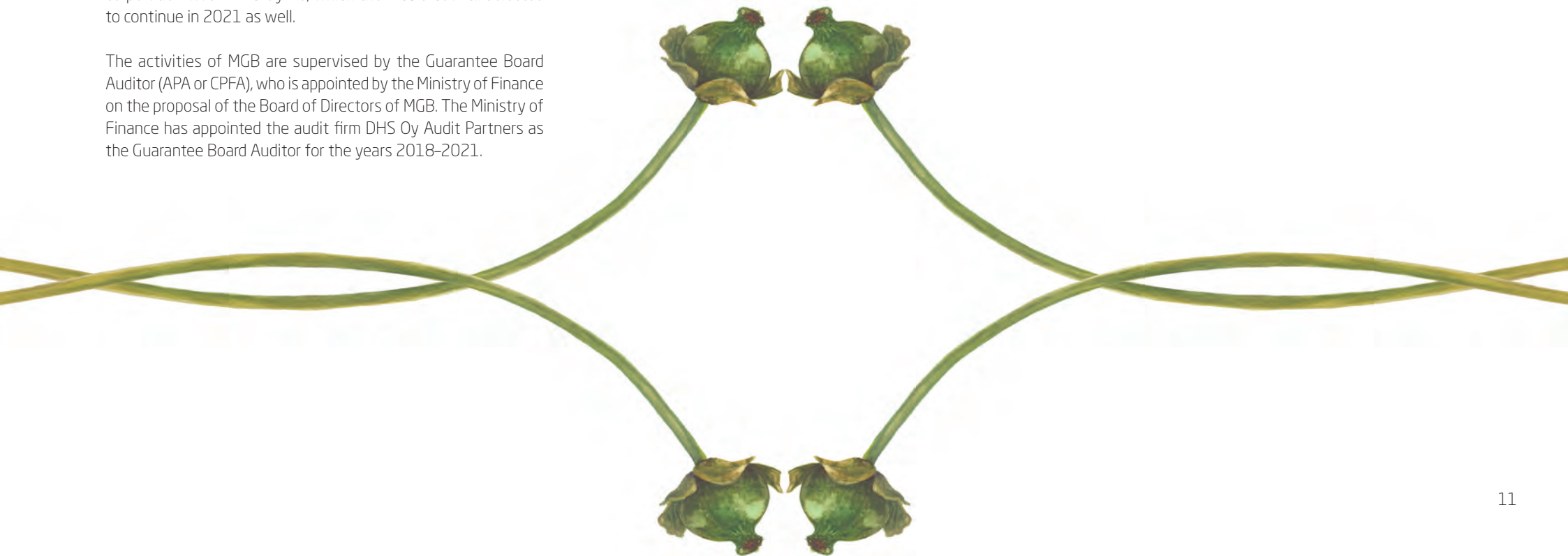




AUDITING AND SUPERVISION

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 2020, the authorised auditing corporation was KPMG Oy Ab, which the MGB's Council selected to continue in 2021 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. The Ministry of Finance has appointed the audit firm DHS Oy Audit Partners as the Guarantee Board Auditor 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, 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 36.657.771.232,82 was in use at the end of 2020.

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 2020 these guarantee liabilities totalled EUR 18.260.111,00, or 0,05 per cent of all guarantee liabilities. The guarantee liabilities of MGB totalled EUR 36.676.031.343,82.

Funding guaranteed by MGB on 31 December 2020 was divided amongst the following currencies: Euro 64%, US Dollar 17%, Japanese Yen 11%, Norwegian krone 4% and other currencies 4%. The currency risk is hedged as a result of MuniFin's 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 the Municipal Guarantee Board.

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 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 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 2.533.995,57, comprising of staff expenses of EUR 786.737,59, depreciation and impairments amounting to EUR 50.395,06 and other expenses of EUR 1.696.862,92. The single most significant changes in other expenses were related to rating costs, that depend partly on the amount of MuniFin's funding. The fundraising was significantly increased by the increased task of securing municipal funding due to the COVID-19 pandemic and the reluctance of other financing providers to provide customer financing due to capital market uncertainty. The result from MGB's ordinary operations was EUR 480.074,43.

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 income on recovery claims will be made in the future.

The investment income totalled EUR 199.317,31 and expenses totalled EUR 53.694,67. Prior to fair value changes, the result from investment activities was EUR 145.622,64.

MGB values its investments at fair value through profit or loss. The fair value change compared to the previous year was EUR 477.233,02. The fair value change resulted mostly from the rising prices of stock-based investment instruments over the year. The yield of invested capital was 3,15 %.

The pandemic caused exceptional uncertainty in the capital markets and the values of the investments varied widely throughout the year. Supported by massive monetary and fiscal measures by central banks and governments, valuation levels in capital markets returned and reached record levels. In the coming year, particular attention will be paid to the continuity of policy measures and the recovery of national economies.

Result before appropriations was EUR 1.102.930,09. Transfers into the fund and the fair value reserve are treated as appropriations. A sum of 625.697,07 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 2020 is EUR 20.021.375,69.

The transfer of EUR 477.233,02 into the fair value reserve corresponds with the fair value change of investments on the balance sheet. The fair value reserve is EUR 2.819.772,29 at the end of 2020. MGB's equity on 31 December 2020 totals EUR 22.841.147,98. 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 concerning the interfaces between Finnish national legislation and EU regulations. The development work was based on the new wellbeing services counties and infrastructure companies to be established in accordance with Prime Minister Sanna Marin's Government Programme and the linking of their financing to the financial and liquidity management of the euro area.

Finland's public sector financial management is accompanied by the deepening of the European Banking Union cooperation. The European Central Bank cannot directly finance EU Member States or actors belonging to the states as the EU Treaty prohibits direct financing of Member States by the Central Bank. In this respect, EU member States 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 in EU Member States are similar to those in any country. For these needs, EU Member States have developed a network of public development and special credit institutions, which have been given a special status in the European Union's Capital Requirements Regulation (CRR). In Finland, the only credit institution which has been granted this special status, is MuniFin, 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. It is justified to extend the system to serve Finland's public sector activities more broadly than the municipalities' field of activity. In addition to the wellbeing services counties and infrastructure projects, the needs for advanced financial management based on the European System of Central Banks

exist across the Finnish public sector, outside the municipalities' field of activity. Extending the scope of the public development credit institution to these activities will bring savings, efficiency and other benefits of advanced financial management to Finland's public finances, such as liquidity and a ready-made European cooperation network.

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

INCOME STATEMENT

EUR	1.1.-31.12.2020	1.1.-31.12.2019
ORDINARY OPERATIONS		
Income		
Guarantee premiums and other income	3 014 070,00	2 500 000,00
Expenses		
(1) Staff expenses	-786 737,59	-727 167,16
Depreciation and impairments	-50 395,06	-17 614,06
Other expenses	-1 696 862,92	-1 849 927,89
Result from ordinary operations	480 074,43	-94 709,11
INVESTMENT ACTIVITIES		
Income	199 317,31	157 394,38
Expenses	-53 694,67	-36 352,11
Result from investment activities prior to unrealised fair value changes	145 622,64	121 042,27
Unrealised fair value changes	477 233,02	1 599 414,48
Result from investment activities	622 855,66	1 720 456,75
Result before appropriations	1 102 930,09	1 625 747,64
APPRORIATIONS		
Transfer to fund	-625 697,07	-26 333,16
Transfer to the fair value reserve	-477 233,02	-1 599 414,48
Result for the financial year	0,00	0,00

BALANCE SHEET

EUR	31.12.2020	31.12.2019
ASSETS		
Non-current assets		
(2) Tangible and intangible assets	167 781,17	175 864,60
(3) Other shares and similar rights of ownership	2 783 830,91	2 255 184,05
Investments		
Other investments		
Shares and similar rights of ownership	8 533 452,72	9 654 179,63
Certificates of deposits and savings	794 330,29	1 077 679,42
Debt securities	9 141 640,00	7 043 200,00
Current assets		
Receivables		
Invoiced receivables	350,00	350,00
Other receivables	17 956,52	40 473,29
Accrued income	63 677,08	72 301,84
Cash and bank accounts	1 687 761,10	1 573 510,22
Total assets	23 190 779,79	21 892 743,05
EQUITY AND LIABILITIES		
(4) Equity		
Fund	20 021 375,69	19 395 678,62
Fair value reserve	2 819 772,29	2 342 539,27
Liabilities		
Current liabilities		
Trade creditors	46 802,18	41 495,94
Other liabilities	148,52	0.00
Accruals and deferred income	302 681,11	113 029,22
Total equity and liabilities	23 190 779,79	21 892 743,05



CASH FLOW STATEMENT

EUR	1.1.-31.12.2020	1.1.-31.12.2019
CASH FLOW FROM ORDINARY OPERATIONS		
Operating income	3 013 720,00	2 500 000,00
Operating expenses	-2 264 122,13	-2 616 553,17
Cash flow from ordinary operations	749 597,87	-116 553,17
Cash flow from non-current assets	-8 201,49	-16 402,55
Cash flow from investments	-627 145,5	7 968,31
Change in cash funds	114 250,88	-124 987,41
Cash funds at the beginning of financial period	1 573 510,22	1 698 497,63
Cash funds at the end of financial period	1 687 761,10	1 573 510,22



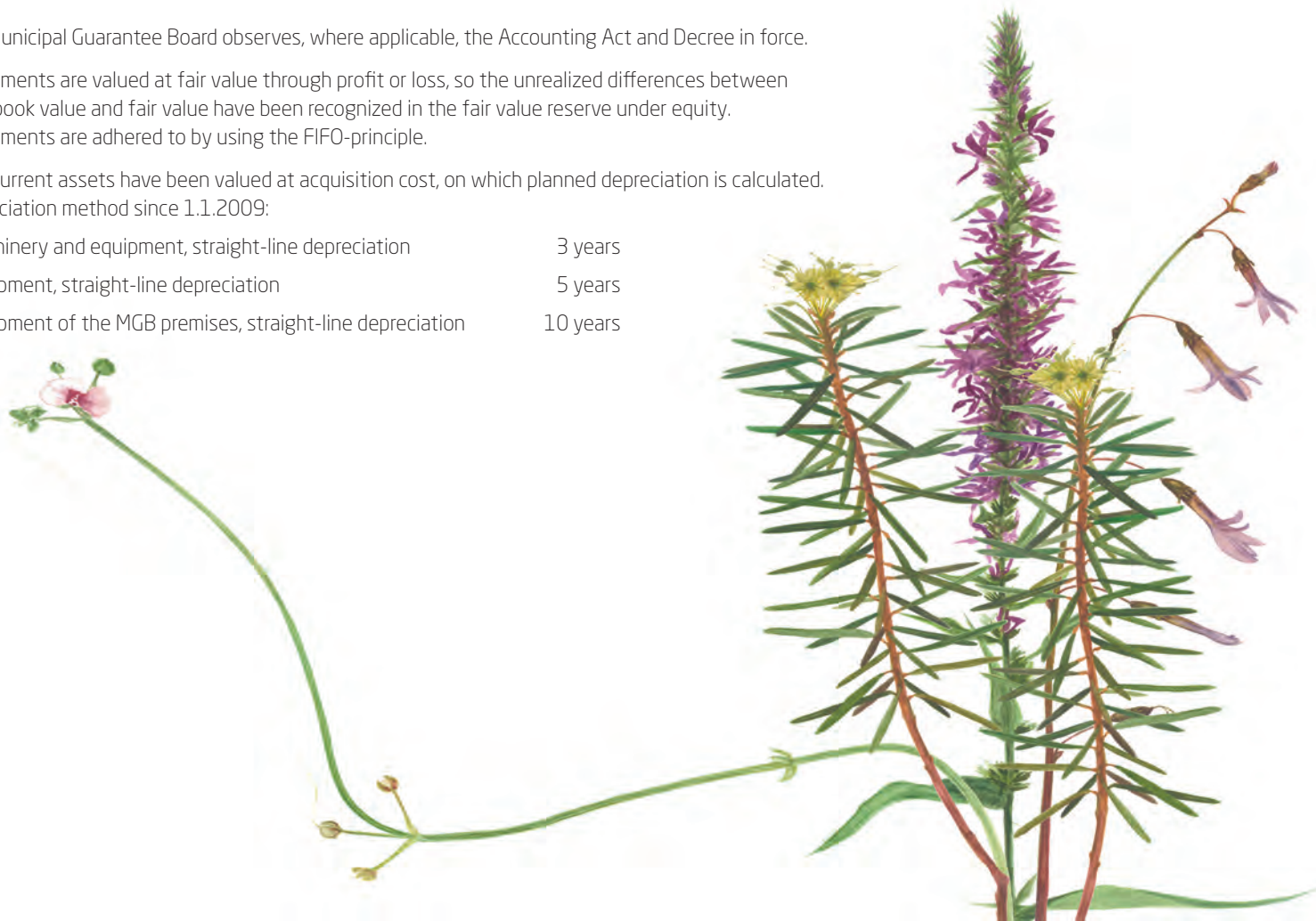
NOTES TO THE FINANCIAL STATEMENTS

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.-31.12.2020	Salaries and fees	Pension expenses	Other personnel-related expenses
Board of Directors	110 286,62	4 271,55	369,66
Managing Director and Deputy MD	368 998,22	63 148,29	9 316,13
Others	194 404,44	33 004,37	2 938,33
Total	673 689,28	100 424,21	12 624,12

NON-CURRENT ASSETS

2020

2019

(2) Tangible assets

Acquisition cost 1.1.	203 271,15	293 395,86
Disposals	-5 362,51	-106 527,25
Increase	2 311,63	16 402,54
Acquisition cost 31.12.	200 220,27	203 271,15
Accrued depreciation 1.1.	-27 406,56	-116 319,75
Accrued depreciation on disposals	5 362,51	106 527,25
Depreciation during the financial year	-10 395,06	-17 614,06
Accrued depreciation 31.12.	-32 439,11	-27 406,56
Book value 31.12.	167 781,16	175 864,59

(3) Other shares and similar rights of ownership

2020

2019

Golf shares	1,00	1,00
Koy Yrjönkatu 11	1 493 765,56	1 487 875,70
As Oy Helsingin Eino Leinon katu 7	45 720,00	45 720,00
Koy Tahko Twinhills 212/5	522 757,00	-
As Oy Topeliuksenkatu 15	721 587,35	721 587,35

Total	2 783 830,91	2 255 184,05
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NOTES

EUR	2020	2019
(4) CHANGES IN EQUITY		
Fund 1.1.	19 395 678,62	19 369 345,46
Fund transfer 31.12.	625 697,07	26 333,16
Fund 31.12.	20 021 375,69	19 395 678,62
Fair value reserve 1.1.	2 342 539,27	743 124,79
Change in financial year	477 233,02	1 599 414,48
Fair value reserve 31.12.	2 819 772,29	2 342 539,27
GUARANTEES AND COLLATERAL	31.12.2020	31.12.2019
Guarantee limits granted	58 558 178 158,03	50 550 390 747,11
Guarantees in use	36 657 771 232,82	33 040 159 347,85
Collateral received and items affecting collateral situation	39 414 857 675,35	34 379 229 395,93
Balance of collateral and guarantees	2 757 086 442,53	1 339 070 048,08
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net	18 260 111,00	800 294,00



SIGNATURES

Helsinki, 12th February 2021

MUNICIPAL GUARANTEE BOARD

Tapani Hellstén
Chair

Marita Toikka
Deputy Chair of the Board

Kai Järvikare
Member of the Board

Janne Pesonen
Member of the Board

Mervi Simoska
Member of the Board

Jaakko Stenhäll
Member of the Board

Päivi Yli-Kauhaluoma-Nurmi
Member of the Board

Heikki Niemeläinen
Managing Director

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 12th February 2021

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

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 the Municipal Guarantee Board (business identity code 1075583-7) for the year ended 31 December, 2020. 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.

— 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, 12 February 2021

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT



GUARANTEES

Million Euro

MUNICIPALITY FINANCE PLC	Guarantee limits	Guarantees in use 31.12.2020
EMTN Programme	40 000,0	28 887,3
AUD 2 billion Programme	1 258,2	667,3
Euro Commercial Paper Programme	10 000,0	3 896,4
Domestic Debt Issuance Programme	800,0	0,0
Other domestic and foreign funding	6 500,0	3 206,8
Total	58 558,2	36 657,8
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net.	Max. 4 %	18,3 0,050 %
Total		36 676,0



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

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 channeled 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 Nova Hospital in Central Finland. The objective of Nova designers was to bring nature close to people. The doors and patient rooms have wall prints designed by six artists and inspired by national parks in central Finland. Illustrations presented in this year's report are made by one of these artists, Anna Ruth.