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MANAGING DIRECTOR'S REVIEW

In 2022, a great focus for the Municipal Guarantee Board (MGB) was placed on the funding of the well-being services counties and municipal energy companies. The guarantee commission collected by MGB for the granted guarantees was also reviewed.

These operations relate to the new policies of the MGB Council wielding the highest decision-making power in MGB. The Council outlined these policies while changing the strategy of MGB and approving the budget.

The first policy concerned the allocation of the funding guaranteed by MGB. According to the MGB Act, the funding must be directed at loans which provide adequate securities for MGB. Until the strategic decision of 2022, MGB had stated in its strategy that all loan risks must be municipal or state risks. A municipal or state risk means that the loans are approved by municipal or state authorities as per EU State aid regulations. Also, these loans do not require equity from the credit institution whose funding MGB is guaranteeing.

However, over the years it has turned out that limiting the operation of MGB to municipal and state risk credits is no longer justified. The reason for this is the Finnish administrative court's interpretation of the right of appeal in the Local Government Act, which creates significant delays in the decision-making processes of municipal councils. This delay prevents municipalities from safeguarding the liquidity of their companies in the acute funding needs of municipal companies. In order for the joint funding system of the Municipal Guarantee Board and Municipality Finance (MuniFin) to safeguard the liquidity of municipal companies, such as municipal energy companies, even without guarantees from the municipalities, MGB removed the requirement concerning municipal or state risk from its strategy and replaced it with a requirement on loans following the EU State aid regulations.

Another change of strategy made by the MGB council concerned MGB's fund. Instead of building up its own fund, MGB has collected guarantee commissions in a way that has created a fund within MuniFin. Once the assets of MuniFin had reached sufficient amounts, MGB returned the basis of payment of the guarantee commission back to its original state. The purpose of this return is to increase the MGB's fund so that it can become the primary source of MGB's liquidity.

The third significant policy written by the MGB Council was a part of the budget: the Council limited the short-term funding granted to the well-being services counties to a maximum of 900 million Euro and funding for investments to a maximum of 400 million Euro. The funding given to municipalities and for social housing production used to be formed based on the demand for funding. Now, for the first time, there was a maximum for given funding. As a small organisation, the Municipal Guarantee Board tries to promote these development projects by rounding up and coordinating the work of different experts. MGB has been successful in its operation because different experts have been prepared to take on development challenges when asked by MGB. This trait highlights the maturity of Finnish experts and the Finnish civil society even in very challenging circumstances.

HEIKKI NIEMELÄINEN
Managing Director



REPORT OF ACTIVITIES 2022

The purpose of the Municipal Guarantee Board (MGB) is to safeguard and develop the joint funding of municipalities. This also covers the funding for social housing production. During the operating year, MGB took care of this basic task by granting guarantees and maintaining a guarantee stock, which was almost 42 billion Euro by the end of 2022.

Over the past few years, the development operations have been affected by the preparations of the founding of the well-being services counties. As a result, the parliament passed laws on the founding of and organisation of the operations of the well-being services counties in 2021. With these laws, social and healthcare services as well as rescue services, which used to be the responsibility of municipalities, became the responsibility of the well-being services counties from the beginning of 2023.

The well-being services counties are autonomous and funded by the government. MGB continued to promote the MGB membership of the well-being services counties. This did not happen, however. The amendments made to the MGB Act enable the funding of the well-being services counties, but the counties cannot become members of MGB. This has led to a situation where the responsibility for the guarantees in funding directed at the well-being services counties falls on the member municipalities. For this situation, MGB created a policy for the funding of the well-being services counties. Funding for the well-being services counties must be necessary and complementary in terms of other funding received by the well-being services counties.

The requirement of necessity is fulfilled in liquidity funding, where MGB and MuniFin have an advantage over state budget funding when it comes to quick availability. In addition, necessity may also be created by the acute investment needs of the well-being services counties, which are usually small compared to non-urgent, large-scale hospital investments. The funding granted to the well-being services counties is limited as municipal funding management has a priority status in the operation of MGB.

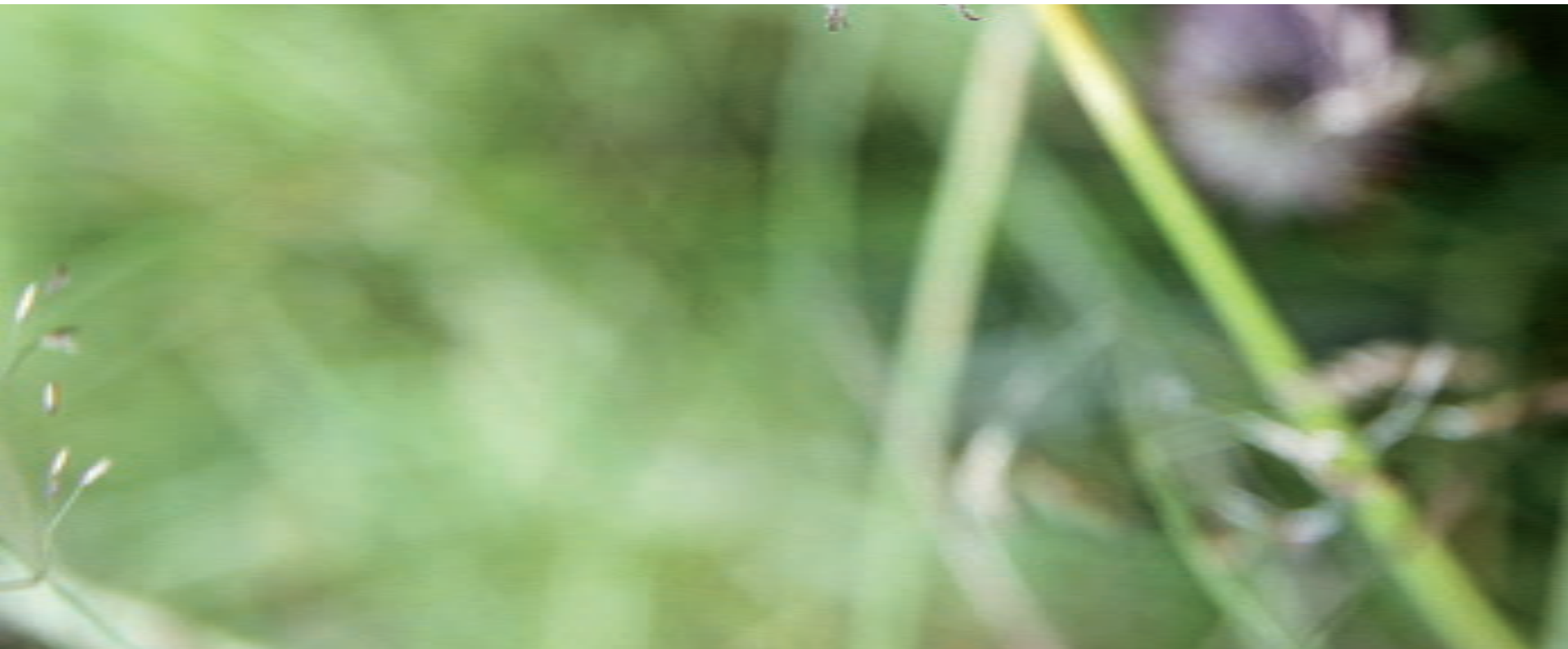
Another essential development activity concerned the guarantee commission MGB collects for all granted guarantees as stated in the MGB Act. In 2004, MGB took a significant reduction in its guarantee commission to accrue funds for MuniFin. By 2022 MuniFin's own funds were sufficient, and the aid from MGB was no longer justified. With a change to the strategy, the guarantee commission was returned close to the 2004 level. As a result, MGB's fund will be growing more quickly starting 2023, increasing its significance in safeguarding the liquidity of the MGB as time goes by.

When the guarantee commission was returned to its original level, a change was also made to its structure. The new structure takes into consideration the requirement of adequate securities stated in the MGB Act. The credit approved by MGB as security does not necessarily have to be a so-called zero-risk credit; instead, the risk weight of the credit, as determined in the prudential regulation, can be similar to a company risk.

Accepting company risk level credits as part of the funding system of MGB became topical in the autumn of 2022 as a result of the challenges of the energy markets. It turned out that sudden and large changes in the price of electricity can create significant needs for liquidity funding in municipal energy companies. The ownership of municipal energy companies is divided across multiple municipalities. Also, the funding or guarantee decisions of municipalities involve a time delay. For these reasons, MGB created the capacity to finance municipal energy companies even without municipal guarantees.

The development work for the end of year was focused on the liquidity management of the energy sector. Together with MuniFin and other bodies, the Municipal Guarantee Board founded a 5 billion Euro aid scheme to safeguard the liquidity of municipal energy companies. The European Commission approved the scheme first in October 2022 within the Temporary Crisis Framework (TCF) and again, as an extended version, in December 2022. During the operating year, only small amounts of customer funding were withdrawn as part of the scheme.

The success of MGB is largely based on the ability of experts and actors from different fields to develop and help MGB adapt its operation in ever-changing circumstances. In 2022, the energy field played a major role in developing new funding models. The Municipal Guarantee Board thanks all the experts that have participated in its operation and hopes that they continue to be interested in tackling the difficult yet fascinating challenges of the guarantee and funding world.



LEGISLATION ON THE MUNICIPAL GUARANTEE BOARD

The Municipal Guarantee Board (MGB) is a public law body established by the MGB Act (487/1996). Its purpose is to safeguard and develop the joint funding of municipalities.

In order to fulfil its purpose, MGB can grant guarantees for such funding of credit institutions owned or governed by municipalities which will be used for the purposes mentioned in the MGB Act, at preferential terms, in accordance with European Union State aid rules. There is only one credit institution which fulfils the requirements of the MGB Act, Municipality Finance Plc (MuniFin).

The European Commission was notified of the MGB Act in 2004. The notification stated the limits of MGB's operation and its adherence to the State aid rules. As per the decision of the Commission, the state aid given by MGB is allowed provided that the aid reaches the target and intended recipient stated in the MGB Act through a credit institution.

The Municipal Guarantee Board Act has been amended several times throughout its history. The amendment which became effective at the beginning of 2007 enabled the temporary use of the fund for arrangements preventing the creation of MGB's imminent liability to pay. At the same time, the relationship between guarantee operation and EU State aid rules was clarified, as was the receivables for which guarantees granted by MGB could be used as security (3.11.2006/944).

The guidelines signed by the Ministry of Finance were replaced by new Standing orders, and the regulations concerning the purpose of the funding included in the previous guidelines were transferred to the MGB Act as part of legislation.

The MGB Act provides that MGB follows sound and cautious business principles in its guarantee operations. Guarantees may be granted only against sufficient securities. The securities consist of loans pledged to MGB by a credit institution, with possible guarantees granted by municipalities and well-being services counties as credit protection.

In 2017, the MGB Act was amended so that a security given to a guarantee by MGB could also be given as a covenant without a separate counter-security (2.11.2017/722). This does not, however, change the basic principle that a security should be formed primarily of securities based on receivables. Covenants can be used to the extent it is justifiable for the purpose of the operations.

AMENDMENTS TO THE MGB ACT DURING THE OPERATING YEAR

When writing the laws concerning the well-being services counties, two amendments were made to the MGB Act involving the funding of the well-being services counties.

New Section 1 b was added to the MGB Act, which made it possible to keep the loans transferred from joint municipal authorities to the well-being services counties within a scope of the funding received through an MGB guarantee (29.6.2021/636).

During the operating year, the MGB Act was amended so that, as stated in Section 1 a, MGB may grant guarantees for funding used to finance well-being services counties and joint county authorities and the entities they control (29.4.2022/298).

Because the wellbeing services counties are not member organisations of MGB, the member municipalities of MGB will be responsible also for the funding carried out with the MGB guarantees directed at the well-being services counties. During a parliamentary hearing, the Constitutional Law Committee gave a statement saying that the amendment does not contradict the autonomy of municipalities based on the Constitution nor the EU State aid rules.

The amendment does not obligate MGB to direct funding to the well-being services counties, but only makes it possible. The government is responsible for the funding of the well-being services counties, while MGB only serves in a complementary capacity.

Within MGB, the MGB Council makes the decisions on the funding of the well-being services counties. The basic criteria are the need for and necessity of funding. In addition, the funding may not endanger the realisation of the core task of MGB: to safeguard and develop the joint funding of municipalities with cautious business practices, in the best interest of the municipalities.

For 2023, MGB has allocated 900 million Euro for the liquidity funding of the well-being services counties and 400 million Euro for investments. In terms of funding allocated to transferred loans, the guarantee responsibility is estimated at 3–4 billion Euro.



ADMINISTRATION AND PERSONNEL

MGB has a Council of 15 members, each of whom has a personal deputy. The Council of MGB, appointed by the Ministry of Finance, appoints the Board of Directors, determines the key objectives of the Guarantee Board's operations and finances, approves the annual accounts, and annually discharges the Board members and the Managing Director from liability for the financial year.

The incumbent Council began its four-year term on 1.1.2022. At its first meeting, the Council elected Ms **Terhi Peltokorpi** from Helsinki as Chair and Ms **Elin Härmälä** from Pedersöre and Mr **Jari Koskinen** from Hämeenlinna as Deputy Chair.

MGB has a Board of Directors of 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.

The Council elected Mr **Tapani Hellstén** from Helsinki, Mr **Antti Häkkänen** from Mäntyharju, Mr **Kai Järvikare** from Helsinki, 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 elected **Tapani Hellstén** as Chair and **Antti Häkkänen** 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 permanent 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 2022, the authorised auditing corporation was KPMG Oy Ab, which the MGB's Council has selected to continue in 2023 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 appointed Guarantee Board Auditor for the years 2022-2025 is the audit firm DHS Oy Audit Partners.

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 41.773.891.609,03 was in use at the end of 2022.

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 2022 these guarantee liabilities totalled EUR 0,00, thus the guarantee liabilities of MGB totalled EUR 41.773.891.609,03.

Funding guaranteed by MGB on 31 December 2022 was divided amongst the following currencies: Euro 51,0%, US Dollar 24,4%, UK pound sterling 9,1%, Norwegian krone 7,3%, and other currencies 8,2%. 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. Since 2003, MGB has priced its guarantee commissions in a way that allows the guaranteed credit

institution to accrue assets. Once MuniFin reached sufficient funds, the MGB council decided on a strategy change, increasing assets in the fund in order to use it as the primary source of MGB's liquidity. With this change, MGB changed its pricing of guarantee commissions so that, when money is transferred in connection to the financial statements, about 9 million Euro will be transferred instead of the current 0.5 million Euro.

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. MGB has begun preparations for the reformation of the instructions concerning the fund's operation, responsible operations and investment strategies.



FINANCES

Income from operations consisted of fees related to guarantees granted, which produced a total guarantee premium of EUR 3.500.000,00. Operating costs totalled EUR 2.777.551,61, comprising of staff expenses of EUR 838.393,06, depreciation of EUR 1.362,51 and other expenses of EUR 1.937.796,04. The single most significant cost in other expenses were related to credit rating costs, that depend partly on the amount of MuniFin's funding. Administrative costs grew the most due to the use of expert services exceeding estimates. The result from MGB's ordinary operations was EUR 730.623,39.

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 157.313,28 and expenses totalled EUR 42.554,04. Prior to fair value changes, the result from investment activities was EUR 114.759,24.

MGB values its investments at fair value through profit or loss. The fair value change compared to the previous year was EUR -2.177.765,41. The change in value was caused by the rapidly increasing inflation and, as a result, the monetary policy actions of the central bank, as well as the financial effects of the war between Russia and Ukraine. The market prices of share-based investment instruments decreased the most, but the values of interest investments decreased during the operating year as well. The yield of invested capital was -9,62 %.

Result before appropriations was EUR -1.332.382,78. Transfers into the fund and the fair value reserve are treated as appropriations. A sum of EUR 845.382,63 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 2022 is EUR 21.719.228,20.

The transfer of EUR 2.177.765,41 into the fair value reserve corresponds with the fair value change of investments on the balance sheet. The fair value reserve was EUR 2.437,928,13 at the end of 2022. MGB's equity on 31 December 2022 totals EUR 24.157.156,33. 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

During the past year, the development operations of MGB were focused on aspects related to the funding of the well-being services counties and municipal energy companies. In the future prospects of MGB the development of their funding will continue to play a key role.

Getting the well-being services counties full coverage of the funding services of MGB is still in progress. The well-being services counties are not members of MGB, and no alternative funding arrangements based on membership have been developed. Therefore, the operation of MGB only complements the funding of the well-being services counties. MGB has done its share of creating preconditions and procedures for including the funding of the well-being services counties in the funding system guaranteed by MGB. These procedures require an amendment in the MGB Act, which is ultimately decided by the Parliament.

In 2022, a new area of development was discovered in the operations of MGB. This involves the safeguarding of the liquidity management of municipal energy companies. It turned out that municipal councils cannot in all situations grant guarantees for the funding of municipally owned companies without time delays due to legislative reasons. According to the MGB Act, it is possible to fund services that are critical to citizens even when the services are corporate-form, and the funding does not involve a municipal guarantee. Safeguarding, developing and establishing the funding of such municipal vitality operations is rightly covered by the funding guaranteed by MGB.

The organisation of the Municipal Guarantee Board is small, and it relies on third party experts in its operations. The circle of experts has become established over the years. MGB is looking to develop a new generation of experts to help in the challenging matters of constitutional, administrative and European law, which are integral parts of MGB's operation. During the past year, it has become evident that MGB can attract new high-profile experts and actors to take part in its operations. Therefore, MGB can face future development challenges with confidence.

INCOME STATEMENT

EUR	1.1.-31.12.2022	1.1.-31.12.2021
ORDINARY OPERATIONS		
Income		
Guarantee premiums and other income	3 508 175,00	3 017 308,20
Expenses		
(1) Staff expenses	-838 393,06	-828 257,14
Depreciation and impairments	-1 362,51	-8 607,56
Other expenses	-1 937 796,04	-1 604 179,60
Result from ordinary operations	730 623,39	576 263,90
INVESTMENT ACTIVITIES		
Income	157 313,28	277 185,10
Expenses	-42 554,04	-979,12
Result from investment activities prior to unrealised fair value changes	114 759,24	276 205,98
Unrealised fair value changes	-2 177 765,41	1 795 921,25
Result from investment activities	-2 063 006,17	2 072 127,23
Result before appropriations	-1 332 382,78	2 648 391,13
APPRORIATIONS		
Transfer to fund	-845 382,63	-852 469,88
Transfer to the fair value reserve	2 177 765,41	-1 795 921,25
Result for the financial year	0,00	0,00

BALANCE SHEET

EUR	31.12.2022	31.12.2021
ASSETS		
Non-current assets		
(2) Tangible and intangible assets	157 811,10	159 173,61
(3) Other shares and similar rights of ownership	2 871 294,27	2 871 294,27
Investments		
Other investments		
Shares and similar rights of ownership	10 340 008,50	11 944 909,96
Certificates of deposits and savings	1 454 515,38	1 587 215,09
Debt securities	7 223 935,60	7 047 540,00
Current assets		
Receivables		
Invoiced receivables	875 005,50	700,00
Other receivables	51 210,24	44 433,33
Accrued income	26 368,47	30 111,73
Cash and bank accounts	1 313 196,73	1 960 964,50
Total assets	24 313 345,79	25 646 342,49
EQUITY AND LIABILITIES		
(4) Equity		
Fund	21 719 228,20	20 873 845,57
Fair value reserve	2 437 928,13	4 615 693,54
Total equity	24 157 156,33	25 489 539,11
Liabilities		
Current liabilities		
Trade creditors	59 160,61	64 564,51
Other liabilities	0,00	1 440,00
Accruals and deferred income	97 028,85	90 798,87
Total equity and liabilities	24 313 345,79	25 646 342,49



CASH FLOW STATEMENT

EUR	1.1.-31.12.2022	1.1.-31.12.2021
CASH FLOW FROM ORDINARY OPERATIONS		
Operating income	2 633 875,00	3 016 958,20
Operating costs	-2 780 015,09	-2 656 291,44
Cash flow from ordinary operations	-146 140,09	360 666,76
Cash flow from non-current assets	0,00	-87 463,36
Cash flow from investments	-501 627,68	0,00
Change in cash funds	-647 767,77	273 203,40
Cash funds at the beginning of financial period	1 960 964,50	1 687 761,10
Cash funds at the end of financial period	1 313 196,73	1 960 964,50

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

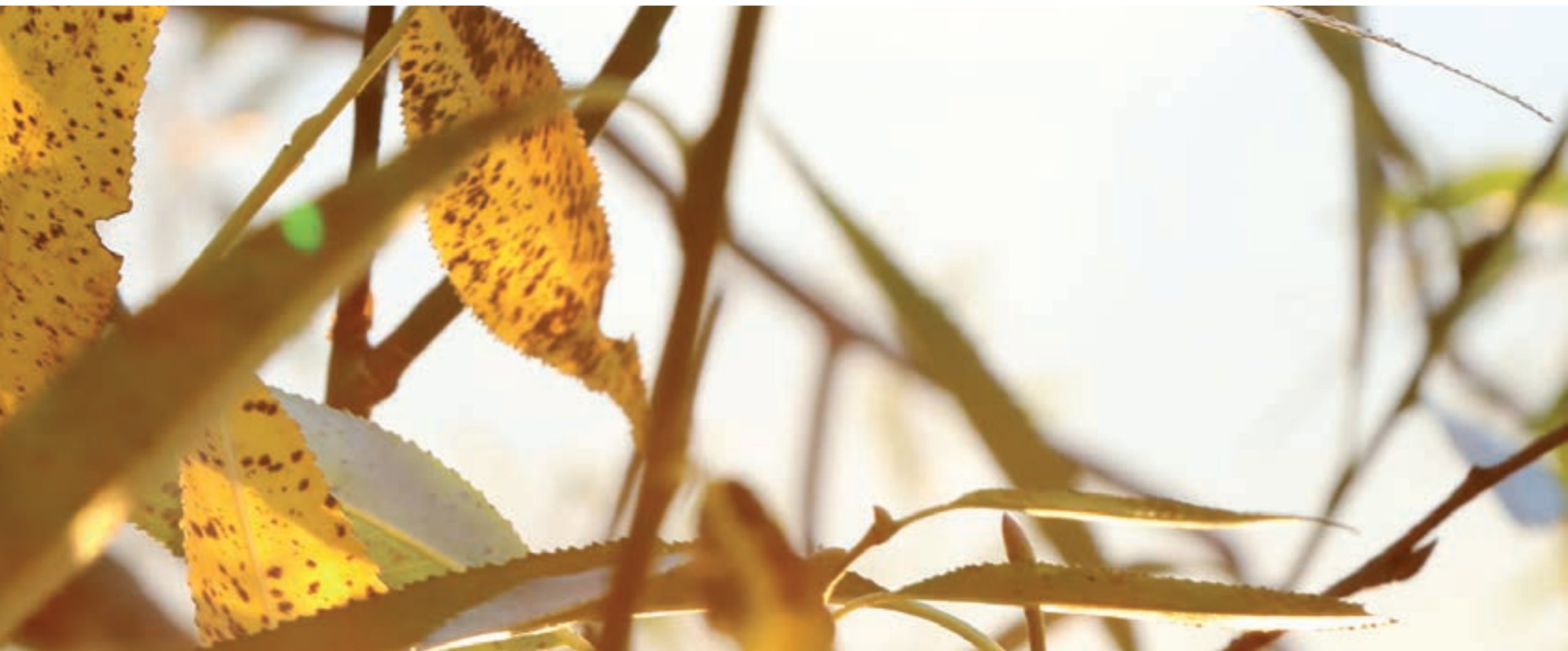
1.1.-31.12.2022	Salaries and fees	Pension expenses	Other personnel-related expenses
Board of Directors	126 082,83	6 529,88	541,80
Managing Director and Deputy MD	372 008,97	58 806,28	9 441,81
Others	223 230,63	37 593,57	4 157,29
Total	721 322,43	102 929,73	14 140,90

NON-CURRENT ASSETS

	2022	2021
(2) Tangible assets		
Acquisition cost 1.1.	166 042,73	200 220,27
Disposals	-8 231,63	-34 177,54
Increase	0,00	0,00
Acquisition cost 31.12.	157 811,10	166 042,73
Accrued depreciation 1.1.	-6 869,13	-32 439,11
Accrued depreciation on disposals	8 231,63	34 177,54
Depreciation during the financial year	-1 362,50	-8 607,56
Accrued depreciation 31.12.	0,00	-6 869,13
Book value 31.12.	157 811,10	159 173,60
(3) Other shares and similar rights of ownership	2022	2021
Golf shares	1,00	1,00
Koy Yrjönkatu 11	1 581 228,92	1 581 228,92
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	2 871 294,27

NOTES

EUR	2022	2021
(4) CHANGES IN EQUITY		
Fund 1.1.	20 873 845,57	20 021 375,69
Fund transfer 31.12.	845 382,63	852 469,88
Fund 31.12.	21 719 228,20	20 873 845,57
Fair value reserve 1.1.	4 615 693,54	2 819 772,29
Change in financial year	-2 177 765,41	1 795 921,25
Fair value reserve 31.12.	2 437 928,13	4 615 693,54
GUARANTEES AND COLLATERAL		
	31.12.2022	31.12.2021
Guarantee limits granted	62 774 453 578,03	57 780 819 724,62
Guarantees in use	41 773 891 609,03	38 912 111 855,40
Collateral received and items affecting collateral situation	43 675 221 444,64	40 075 217 212,49
Balance of collateral and guarantees	1 901 329 835,61	1 163 105 357,09
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net	0,00	5 665 037,00



SIGNATURES

Helsinki, 8 February 2023

MUNICIPAL GUARANTEE BOARD

Tapani Hellstén
Chair

Antti Häkkänen
Deputy Chair

Kai Järvikare
Member

Mervi Simoska
Member

Jaakko Stenhäll
Member

Marita Toikka
Member

Päivi Yli-Kauhahuoma-Nurmi
Member

Heikki Niemeläinen
Managing Director

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 8 February 2023
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, 2022. 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, 8 February 2023

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

GUARANTEES

Million Euro

MUNICIPALITY FINANCE PLC	Guarantee limits	Guarantees in use 31.12.2022
EMTN Programme	45 000,0	33 472,2
AUD 2 billion Programme	1 274,5	732,6
Euro Commercial Paper Programme	10 000,0	4 668,5
Other domestic and foreign funding	6 500,0	2 900,6
Total	62 774,5	41 773,9
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net.	Max. 4 %	0,0 0,000 %
Total		41 773,9



BOARD OF DIRECTORS AND COUNCIL

BOARD OF DIRECTORS 17.2.2022-31.12.2025

Tapani Hellstén, Chair

Antti Häkkänen, Deputy Chair

Kai Järvikare

Mervi Simoska

Jaakko Stenhäll

Marita Toikka

Päivi Yli-Kauhaluoma-Nurmi

COUNCIL 1.1.2022-31.12.2025

CHAIR

Terhi Peltokorpi

1.ST DEPUTY CHAIR

Elin Härmälä

2.ND DEPUTY CHAIR

Jari Koskinen

ALTERNATE

Arto Nykänen

Reijo Vuorento

Jari Andersson

MEMBERS

Mari Mikkola

Janne Sankelo

Maarit Vierunen

Eero Vainio

Ritva Suomalainen

Mikko Kärnä

Mira Nieminen

Urpo Myllymäki

Paula Himanen

Ville Härmäläinen

Johanna Jokinen

Fredrik Guseff

ALTERNATE

Kati-Erika Timperi

Niilo Heinonen

Tinja Tähtinen

Petra Määttänen

Markku Harju

Henna Takatalo

Merja Nevalainen

Ari Kaunisaho

Susanna Suoniemi

Sakari Kouti

Pekka Heikkinen

Maria Grundström

| KUNTIEN TAKAUSKESKUS | KOMMUNERNAS GARANTICENTRAL | MUNICIPAL GUARANTEE BOARD |

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