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Layout: Leea Wasenius  
Illustration: Rauma Museum's watercolor copies of forest wallpapers from 1942,  
Finnish Heritage Agency



During the year, the Municipal Guarantee Board (MGB) decided on its stakeholder targets for 2023–2027. The aim is to promote the development needs of the legislation related to the MGB system and to clarify the interpretation of the regulations.

In interpreting the regulations, MGB put into practice in its collateral administration the development work that had been ongoing for years. The development work emphasises the improvement of compatibility between different regulatory sectors, at the levels of both regulation and implementation, as requested by MGB.

The development work is encouraged by the interpretations of the Court of Justice of the European Union, according to which guarantees granted by public authorities must comply with EU state aid regulations in order for credit protection to be legally enforceable in national courts. Enforceability, on the other hand, is a prerequisite for taking guarantees into account in the regulation of credit institutions.

In its opinions submitted to the EU Commission in 2021 and 2022, MGB has emphasised cooperation between the Commission and the supervisors of credit institutions and the specification of the Commission's Guarantee Notice in order to make the administration of public guarantees smooth and uniform. For its part, MGB contributed to this objective by defining in its collateral administration in 2023 a guarantee with credit protection that meets the requirements of state aid regulation, credit institution regulation and national legislation as sufficient.

## MANAGING DIRECTOR'S REVIEW

Over the years, several experts have participated in this development work. In the interaction between several jurisdictions, a concise definition of sufficient collateral was finally arrived at, which deserves to be mentioned in the annual report, even though the content relates to the opaque and less well-known collateral management of credit institutions:

"A guarantee granted by a municipality, a joint municipal authority, a wellbeing services county or a joint county authority that meets the requirements specified in Article 213 of the Capital Requirements Regulation (EU) No 575/2013 and is in accordance with the Guarantee Notice (EU 2008/C 155/02) or another decision on a guarantee issued by the EU Commission is sufficient as a collateral when connected to financing that meets the requirements set out in section 1 a of the Act on the Municipal Guarantee Board (487/1996)."

Another key theme during the year was the consideration of the EU's climate goals and the sustainable finance legislative package in the joint funding system of municipalities. The task of public authorities is to promote sustainable development by directing the aid they grant in a way that emphasises sustainable development goals. Such direction, in turn, necessitates the establishment of a measurement and monitoring system for the allocation and targeting of aid, indicating that there will indeed be challenges to tackle in the years ahead, too. Even though the legal basis for the measurement already exists at the level of European Union regulations, the achievement of the objectives requires cooperation where the importance of coordination between the different regulatory areas is further emphasised.

**HEIKKI NIEMELÄINEN**  
Managing Director







## REPORT OF ACTIVITIES 2023

The purpose of the Municipal Guarantee Board (MGB) is to safeguard and develop the joint funding of Finnish municipalities. To fulfil its purpose, MGB may grant guarantees in line with sound and cautious business principles, against sufficient security, under the terms and conditions stipulated in the Act on the Municipal Guarantee Board.

During the operating year, MGB carried out its basic task by granting guarantees and maintaining a guarantee stock, which amounted to almost 46 billion Euro by the end of 2023. The task also includes funding for social housing and wellbeing services counties.

The development activities were focused around developing and promoting legislation and regulations related to joint municipal funding system. Following the Finnish parliamentary election in 2023, a new government was formed, chaired by Prime Minister Petteri Orpo. The goals and tasks of the government are set in the government programme, and MGB outlined its own legislative goals to be taken into consideration in the government programme. The goals will be used in the stakeholder work of MGB in 2023–2027.

The first goal is an entry in the Act on the Municipal Guarantee Board, authorising MGB to supervise, monitor and recollect the amount and allocation of the aid it grants. MGB holds that the international IAS 20 Standard, defining the accounting treatment of public aid and the information to be presented in the financial statements, would be an appropriate tool.

Another goal would be to expand the MGB's abilities to grant guarantees to the funding of any credit institution. This would mean amending Section 1 of the MGB Act by removing the requirement of municipal ownership or authority. The prerequisite would be the realisation of the MGB's aforementioned right of supervision.

In the background is the idea of MGB being able to allocate guarantees for the purposeful credit institution(s) in different situations and each credit institution being able to focus on its activities in line with its strengths.

The next goal, passed down from previous years, is to amend the MGB Act in such a way that the wellbeing services counties would have the opportunity to become member organisations of MGB. The wellbeing services counties would also become obligated to assume the responsibility for the guarantees in accordance with their allocated amount of funding. At the moment, the member municipalities are solely responsible for the obligations of MGB.

At the beginning of 2023, the responsibility for organising social and health care services and rescue services was transferred from municipalities to wellbeing services counties. At the same time, the loan portfolio of about 4 billion Euro, financed with the funding guaranteed by MGB, was transferred from the hospital districts to the wellbeing services counties. MGB earmarked 900 million Euro for the liquidity needs of the wellbeing services counties and 400 million Euro for new investments in 2023. In the budget for the coming year, the figures remained unchanged.

In accordance with the MGB's policy, MGB will restrict the amount of funding allocated to the wellbeing services counties as they are not member organisations of MGB. This is due to the MGB's task of safeguarding and developing the joint funding of municipalities and the state's primary responsibility for the funding of the wellbeing services counties. A key principle is that any funding allocated to the wellbeing services counties is supplementary to state funding and fundamentally necessary.

Another goal passed down from previous years is amending the Act on the Municipal Guarantee Board in such a way that the funding guaranteed by MGB could also be used to finance potential infrastructure companies to be established.

MGB also found it necessary to take a stand in favour of drafting a law regarding Municipality Finance Plc. According to this view, a separate statute would clarify the credit institution's position as a public development credit institution in line with the Capital Requirements Regulation (EU 2019/876).

In 2023, MGB reviewed the implementation of Articles 107 and 108 TFEU as well as the EU State Aid and the Capital Requirements Regulation (EU) No 575/2013 in guarantees granted by member municipalities and their processing. MGB paid attention to the need to generate the interpretations concerning the aforementioned regulations in dialogue with a competent authority.



During the year under review, in addition to the stakeholder requirements, MGB assessed the development needs concerning legislation applicable to MGB arising from EU climate targets and the regulations regarding sustainable funding. According to the assessment, there are no essential needs to amend the MGB Act. Taking the changing regulations into consideration in the framework agreement that guides the use of funding guaranteed by MGB will suffice. During the year under review, an aid scheme to safeguard the liquidity of municipal energy companies, established by the Municipal Guarantee Board and approved by the European Commission within the Temporary Crisis Framework (TCF) in December 2022, came to an end. Only a small amount of funding was drawn.

MGB has excellent prerequisites for successfully ensuring the safeguarding of joint municipal funding in the future. Experts and actors from various industries have played a significant role, helping MGB to adjust its activities in the changing circumstances. MGB sends its thanks to the experts who have participated in the activities and hopes that they will continue to take interest in facing the complex but intriguing challenges of guarantee and funding activities.

## 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 operations 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 MGB 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 operations 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.

### RECENT AMENDMENTS TO THE ACT ON THE MUNICIPAL GUARANTEE BOARD

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).

In addition to this, 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. At the end of the financial year, the amount of funding guaranteed by MGB and available to the wellbeing services counties amounted to 3,209,345,741.71 Euro.



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## 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.



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## 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 2023, the authorised auditing corporation was KPMG Oy Ab, which the MGB's Council has selected to continue in 2024-2025 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 security during the year under review was sufficient. Guarantee activities are mostly arranged in such a way that the MGB's Board of Directors grants guarantees for funding programmes, the most important of which is the EMTN programme. Within the programmes, the MGB's Managing Director, Managing Director's substitute or Senior Analyst decides on guarantees for individual debt issues. In 2023, the Municipal Guarantee Board guaranteed 10.01 billion Euro of the new long-term funding of MuniFin. Of the guarantees granted by MGB to MuniFin's funding, EUR 45,905,892,044.59 was in use at the end of 2023.

Under the Act on the Municipal Guarantee Board, guarantees granted as security for the credit institution's receivables may, at the time of granting the guarantee, amount to a maximum of four per cent of the total amount of the MGB's guarantee liabilities. The total amount of these guarantee liabilities on 31 December 2023 was 7,939,759.00 Euro. Therefore, the total amount of the Municipal Guarantee Board's guarantee liabilities was 45,913,831,803.59 Euro.

On 31 December 2023, the guarantee liabilities were divided among the following currencies: euro 59.8%, US dollar 17.3%, pound sterling 10.0%, Norwegian krone 6.8% and other currencies total 6.2%. The currency position formed is closed by the MuniFin's hedging operations. Security items received by MGB were denominated in euros.

### OPERATIONAL RISKS

MGB's operational risks are dealt within the Standing Orders and in addition, within the Guarantee and Operations Policy approved by the MGB 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 preparing guidelines, outsourcing activities, developing information systems, and by nominating deputies.





## RISKS RELATED TO INVESTMENT OPERATIONS

MGB's liquidity is ensured through funds and sufficient standby credit facilities. According to the Act on the Municipal Guarantee Board, when investing, attention shall be paid to the safety, returns and liquidity of investments. Since 2003, MGB has promoted the accumulation of the guaranteed credit institution's funds in its guarantee commission pricing. After the own funds of MuniFin reached a sufficient level, the MGB Council decided on 18 November 2022 on a strategy amendment, according to which increasing the fund is based on its precedence as the MGB's liquidity tool. In connection with the strategy amendment, MGB changed its guarantee commission pricing in such a way that the amount of funds transfer carried out in connection with the financial statements was increased from about one million Euro to about ten million Euro.

The Board of Directors stipulates the investment of the assets in the fund's directive which includes procedures to implement sustainability and the investment strategy. No cash flow requirements are targeted at the fund or any profits thereof in the usual activities of MGB. As a result, MGB is, on one hand, a long-term investor but, on the other hand, there may arise needs to use the fund's assets to cover the expenses generated on the basis of guarantees in the short term. The Municipal Guarantee Board considers sustainability in all of its investment activities.

The long-term role of the fund supports striving for longer-term inflation hedging, even as this results in greater fluctuations in value in the short term. The size of value fluctuations is attempted to be restricted by means of diversification and by maintaining a modest allocation in equities. When the portfolio also holds investments other than risk-free investments, it is important to prepare for the value of the portfolio to occasionally decrease. In practice, the allocation on equities essentially determines the value fluctuation of the portfolio. MGB strives for returns exceeding inflation for the fund's investments in the long term.

In accordance with the strategy, MGB allocates 50% of its investments to fixed income investments and 50% to equity-linked investments. A maximum of 10% of the investment assets may be alternative investments. The range is +/- 10 percentage points. The assets are investments either in direct debt instruments and shares or by using equity or bond funds. Direct equity investments can only be made in shares of companies listed in the Nasdaq Helsinki. Direct fixed income investments are primarily made on benchmark bonds with good rating (investment grade, Moody's Baa3/S&P BBB, senior preferred). Investment funds can use derivatives within the framework of their rules.

## FINANCES

Income from operations consisted of fees related to guarantees granted, which produced a total guarantee premium of 13,418,054.49 Euro. Operating costs totalled 2,957,287.74 Euro, comprising of staff expenses of 911,004.01 Euro and other expenses of 2,046,283.73 Euro. In other expenses, the largest item of expenditure was the credit-rating costs. Their pricing principle is partly tied to the amount of fundraising by Municipality Finance Plc. Travel expenses saw the strongest growth in expenses as travel returned to normal after the pandemic. The result from ordinary activities was 10,469,547.55 Euro.

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 448,110,84 Euro and expenses totalled 136,977,12 Euro. Prior to fair value changes, the result from investment activities was 311,133,72 Euro.

MGB values its investments at fair value in terms of impact on profit. The change in value from the previous financial statements was 1,604,350.18 Euro. The investment environment was particularly affected by quick changes in inflation and, as a result, the monetary policy decisions of central banks. Equity-based investment instruments saw the largest increase in market prices, but the value of fixed income investments also increased at the end of the year under review after market rates of interests turned downwards. The yield of invested capital was 8.2%.

Result before appropriations was 12,385,031.45 Euro. Transfers into the fund and the fair value reserve are treated as appropriations. A sum of 10,780,681.27 Euro 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 31.12.2023 is 32,499,909.47 Euro.

The transfer of 1,604,350.18 Euro into the fair value reserve corresponds with the fair value change of investments on the balance sheet. The fair value reserve was 4,042,278.31 Euro at the end of 2023. MGB's equity on 31 December 2023 totals 36,542,187.78 Euro. 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.



## OUTLOOK

During the past year, the development activities of MGB were focused around analyses related to the regulations as well as development of legislation and the legislative basis of joint municipal funding. The interpretation of the EU regulations concerning solvency and state aid and their application to the MGB system has been one of the particular focal points.

Guarantees granted by municipalities for the loans of their companies have been a key factor in the analyses of the MGB. The implementation of the EU regulations concerning state aid has required special expertise from the municipalities as the decisions of municipal councils have been reconciled with the state aid regulations on a case-by-case basis.

MGB is currently discussing how to lighten this procedure moving forward. One option would be to switch to programme-based funding, in which case the municipality's grounds, from the perspective of state aid regulations, could simply be based on confirming and ensuring that the funding and guarantees granted by the municipality are in line with the programme notified to the Commission. The procedure was adopted in 2023 in connection with the energy programme notified by MGB.

In the analysis and development work, such decisions by municipal councils that can be used as goals and examples have played a key role. Moving forwards, the significance of close, interactive cooperation between municipal decision-makers and various experts will be emphasised. The goal is to help municipalities to carry out their duties even more successfully.

In its activities, the Municipal Guarantee Board often relies on external experts. Over the years, the sphere of experts has become fixed. However, the past year has also confirmed that new experts and actors from various fields will join the activities of MGB. Thereby MGB can look future challenges with confidence.

## INCOME STATEMENT

EUR	1.1.-31.12.2023	1.1.-31.12.2022
<b>ORDINARY OPERATIONS</b>		
Income		
Guarantee premiums and other income	13 426 835,29	3 508 175,00
Expenses		
(1) Staff expenses	-911 004,01	-838 393,06
Depreciation and impairments	0,00	-1 362,51
Other expenses	-2 046 283,73	-1 937 796,04
Result from ordinary operations	10 469 547,55	730 623,39
<b>INVESTMENT ACTIVITIES</b>		
Income	448 110,84	157 313,28
Expenses	-136 977,12	-42 554,04
Result from investment activities prior to unrealised fair value changes	311 133,72	114 759,24
Unrealised fair value changes	1 604 350,18	-2 177 765,41
Result from investment activities	1 915 483,90	-2 063 006,17
<b>Result before appropriations</b>	<b>12 385 031,45</b>	<b>-1 332 382,78</b>
<b>APPRORIATIONS</b>		
Transfer to fund	-10 780 681,27	-845 382,63
Transfer to the fair value reserve	-1 604 350,18	2 177 765,41
Result for the financial year	0,00	0,00



## BALANCE SHEET

EUR	31.12.2023	31.12.2022
<b>ASSETS</b>		
Non-current assets		
(2) Tangible and intangible assets	239 705,18	157 811,10
(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	15 164 465,88	10 340 008,50
Certificates of deposits and savings	534 731,65	1 454 515,38
Debt securities	13 924 010,00	7 223 935,60
Current assets		
Receivables		
Invoiced receivables	3 450 566,76	875 005,50
Other receivables	40 529,90	51 210,24
Accrued income	87 104,32	26 368,47
Cash and bank accounts	404 325,78	1 313 196,73
<b>Total assets</b>	<b>36 716 733,74</b>	<b>24 313 345,79</b>
<b>EQUITY AND LIABILITIES</b>		
(4) Equity		
Fund	32 499 909,47	21 719 228,20
Fair value reserve	4 042 278,31	2 437 928,13
Total equity	36 542 187,78	24 157 156,33
Liabilities		
Current liabilities		
Trade creditors	56 882,52	59 160,61
Other liabilities	38 008,72	0,00
Accruals and deferred income	79 654,72	97 028,85
<b>Total equity and liabilities</b>	<b>36 716 733,74</b>	<b>24 313 345,79</b>



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## CASH FLOW STATEMENT

EUR	1.1.-31.12.2023	1.1.-31.12.2022
<b>CASH FLOW FROM ORDINARY OPERATIONS</b>		
Operating income	10 851 268,53	2 633 875,00
Operating costs	-2 928 245,40	-2 780 015,09
Cash flow from ordinary operations	7 923 023,13	-146 140,09
Cash flow from non-current assets	-81 894,08	0,00
Cash flow from investments	-8 750 000,00	-501 627,68
<b>Change in cash funds</b>	<b>-908 870,95</b>	<b>-647 767,77</b>
Cash funds at the beginning of financial period	1 313 196,73	1 960 964,50
Cash funds at the end of financial period	404 325,78	1 313 196,73

## 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.-31.12.2023	Salaries and fees	Pension expenses	Other personnel-related expenses
Board of Directors	125 041,66	14 444,40	1 275,83
Managing Director and Deputy MD	371 939,46	65 375,22	6 970,27
Others	288 201,66	32 851,90	4 903,61
Total	785 182,78	112 671,52	13 149,44

## NON-CURRENT ASSETS

	2023	2022
(2) Tangible assets		
Acquisition cost 1.1.	157 811,10	166 042,73
Disposals	0,00	-8 231,63
Increase	81 894,09	0,00
Acquisition cost 31.12.	239 705,19	157 811,10
Accrued depreciation 1.1.	0,00	-6 869,13
Accrued depreciation on disposals	0,00	8 231,63
Depreciation during the financial year	0,00	-1 362,50
Accrued depreciation 31.12.	0,00	0,00
Book value 31.12.	239 705,19	157 811,10
(3) Other shares and similar rights of ownership	2023	2022
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	2023	2022
<b>(4) CHANGES IN EQUITY</b>		
Fund 1.1.	21 719 228,20	20 873 845,57
Fund transfer 31.12.	10 780 681,27	845 382,63
Fund 31.12.	32 499 909,47	21 719 228,20
Fair value reserve 1.1.	2 437 928,13	4 615 693,54
Change in financial year	1 604 350,18	-2 177 765,41
Fair value reserve 31.12.	4 042 278,31	2 437 928,13
<b>GUARANTEES AND COLLATERAL</b>		
	<b>31.12.2023</b>	<b>31.12.2022</b>
Guarantee limits granted	62 729 785 402,45	62 774 453 578,03
Guarantees in use	45 905 892 044,59	41 773 891 609,03
Collateral received and items affecting collateral situation	47 941 694 529,38	43 675 221 444,64
Balance of collateral and guarantees	2 035 802 484,79	1 901 329 835,61
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net	7 939 759,00	0,00



## NOTES

Euro	1.1.-31.12.2023	1.1.-31.12.2022
<b>ALLOCATION OF FUNDING GUARANTEED BY THE MUNICIPAL GUARANTEE BOARD ACCORDING TO SECTOR</b>		
Municipality Finance Plc		
Lending portfolio		
Municipalities	9 860 635 063,07	9 546 952 526,68
Local government regional authorities	647 090 064,00	2 987 124 419,15
Housing companies owned by municipalities	7 186 170 937,23	6 856 920 258,18
Non-profit housing communities	7 746 315 042,18	7 046 649 525,80
Municipal companies	3 241 128 121,92	2 885 759 881,53
- energy companies	1 000 000,00	-
Wellbeing services counties and joint county authorities for wellbeing services	2 809 772 406,41	-
Lending portfolio total	31 491 111 634,81	29 323 406 611,34
- interest subsidy loans	13 458 607 676,38	12 371 343 637,08
Leasing targets	1 453 966 653,69	1 331 930 260,40
Short-term customer financing	1 582 679 000,00	1 462 532 000,00
Assets related to maintaining liquidity	11 378 134 756,09	9 656 022 737,29
Guarantee stock total	45 905 892 044,59	41 773 891 609,03



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## SIGNATURES

Helsinki, 7 February 2024

### **MUNICIPAL GUARANTEE BOARD**

*Tapani Hellstén*  
Chair

*Antti Häkkänen*  
Deputy Chair

*Kai Järvikare*  
Member

*Mervi Simoska*  
Member

*Jaakko Stenhäll*  
Member

*Marita Toikka*  
Member

*Päivi Yli-Kauhaluoma-Nurmi*  
Member

*Heikki Niemeläinen*  
Managing Director

### **AUDITOR'S NOTE**

Our auditors' report has been issued today.

Helsinki, 7 February 2024  
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, 2023. 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.

## AUDITOR'S REPORT

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, 7 February 2024

KPMG OY AB

Marcus Tötterman  
*Authorised Public Accountant, KHT*



## GUARANTEES

Million Euro

<b>MUNICIPALITY FINANCE PLC</b>	<b>Guarantee limits</b>	<b>Guarantees in use 31.12.2023</b>
EMTN Programme	45 000,0	38 295 739 167,74
AUD 2 billion Programme	1 229,8	688 522 657,42
Euro Commercial Paper Programme	10 000,0	4 017 073 511,64
Other domestic and foreign funding	6 500,0	2 904 556 707,79
Total	62 729,8	45 905 892 044,59
Receivables of Municipality Finance Plc derivatives guaranteed by the Municipal Guarantee Board from counterparties, net.	Max. 4 %	7 939 759,0 0,017 %
Total		45 913 831 803,6



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## 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*

### MEMBERS

*Mari Mikkola*

*Janne Sankelo*

*Maarit Vierunen*

*Eero Vainio*

*Ritva Suomalainen*

*Mikko Kärnä*

*Mira Nieminen*

*Urpo Myllymäki*

*Paula Himanen*

*Ville Hämäläinen*

*Johanna Jokinen*

*Fredrik Guseff*

### ALTERNATE

*Arto Nykänen*

*Reijo Vuorento*

*Jari Andersson*

### 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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