REPUBLIC OF FINLAND

*EJR Sen Rating(Curr/Prj) AA/ AA

Rating Analysis - 8/18/23

In 2023, economic growth is projected to stall before picking up to 1.2% in 2024. The easing of energy prices is expected to contribute to a moderate recovery in private consumption, despite the drag from higher interest rates. However, residential investment may be affected by declining house prices. Modest increases in unemployment are anticipated. Lower energy prices and weak demand are likely to lead to a decline in headline inflation from 7.2% in 2022 to 5.7% in 2023 and further down to 3.0% in 2024. However, elevated wage growth and cost increases could potentially keep inflation at a relatively high level.

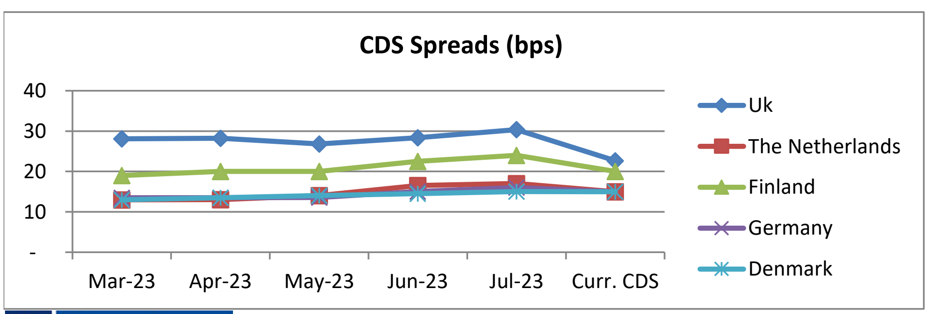
The current fiscal stance is projected to be expansionary, but it is expected to be revised once the new coalition agreement is reached. It is recommended to implement a moderate fiscal consolidation to combat inflation, stabilize the public debt ratio. Addressing labor shortages through measures such as immigration and improving female labor force participation, and enhancing skills, as well as diversifying energy sources, are crucial for promoting shared prosperity. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2020	2021	2022	P2023	P2024	P2025
Debt/ GDP (%)	87.2	82.3	74.2	68.6	62.0	54.4
Govt. Sur/Def to GDP (%)	-4.4	-2.3	-0.4	0.9	2.3	3.5
Adjusted Debt/GDP (%)	87.2	82.3	74.2	68.6	62.0	54.4
Interest Expense/ Taxes (%)	2.4	1.7	1.8	1.7	1.6	1.5
GDP Growth (%)	-0.8	5.3	6.4	2.5	3.6	3.6
Foreign Reserves/Debt (%)	3.3	3.5	3.6	3.8	4.1	4.5
Implied Sen. Rating	AA-	AA	AA	AA	AA+	AA+

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	100.0	115.0	130.0	145.0	170.0	200.0
Govt. Sur/Def to GDP (%)	2.5	0.5	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	95.0	110.0	125.0	140.0	160.0	190.0
Interest Expense/ Taxes (%)	9.0	12.0	15.0	22.0	26.0	35.0
GDP Growth (%)	3.5	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	3.0	2.5	2.0	1.5	1.0	0.5

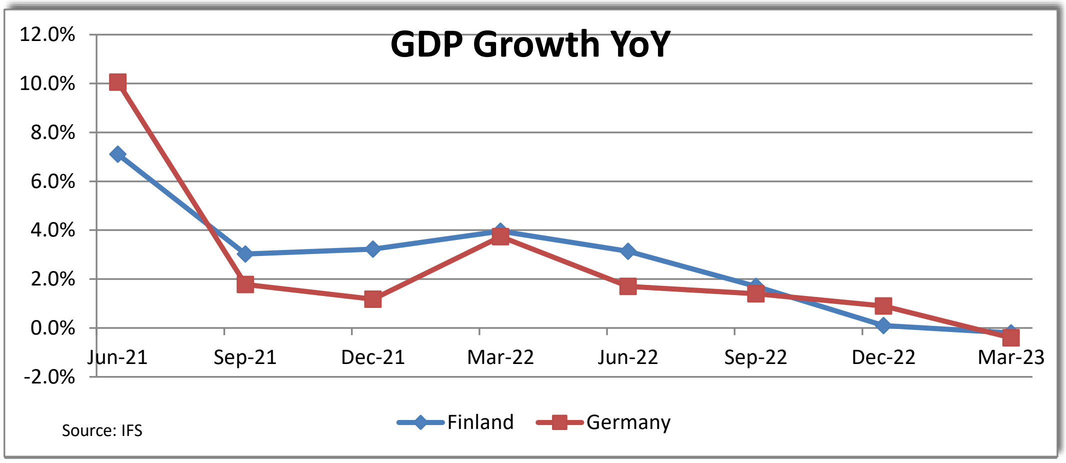
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	65.3	-2.6	65.3	2.7	7.4	AA+
Kingdom Of Denmark	AAA	50.3	4.3	50.3	1.2	7.8	A-
Kingdom Of Sweden	AAA	53.6	2.1	53.6	1.3	8.7	BBB
Kingdom Of The Netherlands	AA+	54.6	0.3	54.6	2.1	10.0	BB+
United Kingdom	AA	147.9	-5.5	147.9	15.0	9.7	BBB-



Country	EJR Rtg.	CDS
Uk	A+	23
The Netherlands	AA-	15
Finland	AA	20
Germany	AA	15
Denmark	AA	15

Economic Growth

After experiencing a decline in GDP during H2'22, economic activity is expected to remain weak in the first half of 2023. However, as the energy shock diminishes and foreign trade improves, consumption growth is projected to pick up. Unemployment is anticipated to increase modestly in 2023 but gradually decline to 7.1% by 2024. The combination of higher interest rates, GDP contraction, and rising unemployment is expected to alleviate inflationary pressures over the course of 2023 and 2024. The recent decrease in energy prices will also contribute to reducing inflation pressures. However, the expiration of value-added tax cuts at the end of April will delay the decline in retail prices. The pass-through effect of energy prices on overall prices and wages is projected to keep core inflation slightly higher for a longer period compared to headline inflation.



Fiscal Policy

The ongoing tightening of monetary policy by the European Central Bank is impacting the lending conditions for both households and businesses in Finland. This has resulted in a 4.6% decline in house prices between the second and fourth quarters of 2022. Given the significant proportion of variable or adjustable-rate mortgages, the increasing interest rates may make it more challenging for households to manage their debt and could exert additional pressure on house prices and overall consumption.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Finland	-0.45	74.17	20.00
Germany	-2.62	65.28	15.01
Denmark	4.05	0.00	15.01
Sweden	2.14	53.60	22.67
The Netherla	0.28	54.65	15.01
Uk	-5.52	147.88	15.01

Sources: Thomson Reuters and IFS

Unemployment

In May 2023, Finland experienced a rise in the unemployment rate to 9%, compared to 7.9% in the same month of the previous year. This increase represents the highest jobless rate observed since May 2021, with the number of unemployed individuals growing by 39K from the previous year to reach a total of 266K. Furthermore, the unemployment rate for individuals aged 15 to 24 climbed to 27.4% in May, up from 22.6% in the corresponding month of the previous year.

Unemployment (%)	2021	2022
Finland	7.68	6.77
Germany	3.58	3.07
Denmark	5.10	4.46
Sweden	8.80	7.47
The Netherla	4.23	3.54
Uk	0.00	0.00

Source: Intl. Finance Statistics

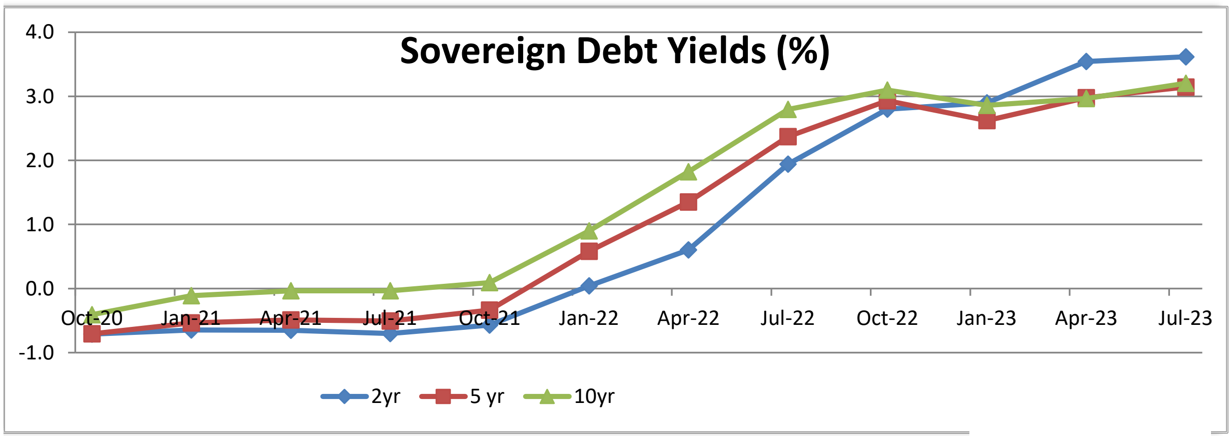
Banking Sector

A weakening economy and tightening financing conditions pose a challenge to financial stability. The Finnish banking sector is sound, and it has a solid foundation for maintaining the provision of credit and for facing the possible increase in risks caused by the weakening operating environment. The good solvency position of Finnish insurance companies as well as employee pension institutions will help them withstand a possible decrease

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
Aktia Bank	12.4	5.28
ALBAV FH Equity	5.9	7.86
Total	18.3	
EJR's est. of cap shortfall at 10% of assets less market cap		0.7
Finland's GDP		266.7

Funding Costs

The yield of the Finland 10Y Government Bond currently stands at 3.033%. The spread between the 10-year and 2-year bond yields is -55.4 basis points, indicating an inverted yield curve in long-term versus short-term maturities. The current quotation for the 5-year Credit Default Swap is 20.33, with an implied probability of default at 0.34%.



Source: Thomson Reuters

Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 20 (1 is best, 189 worst) is strong.

The World Bank's Doing Business Survey*	2021 Rank	2020 Rank	Change in Rank
Overall Country Rank:	**20**	**20**	**0**
Scores:			
Starting a Business	31	31	0
Construction Permits	42	42	0
Getting Electricity	24	24	0
Registering Property	34	34	0
Getting Credit	80	80	0
Protecting Investors	61	61	0
Paying Taxes	10	10	0
Trading Across Borders	37	37	0
Enforcing Contracts	45	45	0
Resolving Insolvency	1	1	0

* Based on a scale of 1 to 189 with 1 being the highest ranking.

Economic Freedom

As can be seen below, Finland is strong in its overall rank of 77.1 for Economic Freedom with 100 being best.

Heritage Foundation 2023 Index of Economic Freedom
World Rank 77.1*

	2023 Rank**	2022 Rank	Change in Rank	World Avg.
Property Rights	100.0	100.0	0.0	53.3
Government Integrity	97.6	96.4	1.2	44.4
Judical Effectiveness	97.2	97.8	-0.6	48.3
Tax Burden	68.7	68.4	0.3	78.1
Gov't Spending	8.5	10.7	-2.2	64.3
Fiscal Health	76.5	83.2	-6.7	54.5
Business Freedom	84.9	88.7	-3.8	59.8
Labor Freedom	65.5	65.1	0.4	55.5
Monetary Freedom	82.1	84.9	-2.8	72.1
Trade Freedom	78.6	79.2	-0.6	69.6

*Based on a scale of 1-100 with 100 being the highest ranking.
**The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
Source: The Heritage Foundation

Credit Quality Driver: Taxes Growth:
REPUBLIC OF FINLAND has grown its taxes of 6.7% per annum in the last fiscal year which is average. We expect tax revenues will grow approximately 6.7% per annum over the next couple of years and 6.0% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
REPUBLIC OF FINLAND's total revenue growth has been less than its peers and we assumed no growth in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions Yr 1&2	Yr 3,4,5
Taxes Growth%	7.9	6.7	**6.7**	**6.0**
Social Contributions Growth %	5.4	5.2	**5.0**	**5.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	2.2	**2.2**	**2.2**
Total Revenue Growth%	7.2	5.5	**5.5**	**5.0**
Compensation of Employees Growth%	4.2	2.8	**2.8**	**2.8**
Use of Goods & Services Growth%	4.3	5.9	**5.9**	**5.9**
Social Benefits Growth%	3.7	1.4	**1.4**	**1.4**
Subsidies Growth%	(25.8)	(24.8)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	0.7	**0.7**	
Currency and Deposits (asset) Growth%	(11.4)	0.0		
Securities other than Shares LT (asset) Growth%	(6.0)	0.0		
Loans (asset) Growth%	18.7	176.8	**6.7**	**6.7**
Shares and Other Equity (asset) Growth%	(16.7)	(826.5)	**2.0**	**2.0**
Insurance Technical Reserves (asset) Growth%	0.0	(17.5)	**2.0**	**2.0**
Financial Derivatives (asset) Growth%	(49.7)	109.2	**6.7**	**6.7**
Other Accounts Receivable LT Growth%	12.8	32.5	**6.7**	**6.7**
Monetary Gold and SDR's Growth %	0.0	0.0	**5.0**	**5.0**
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	9.3	25.2	**5.0**	**5.0**
Currency & Deposits (liability) Growth%	(1.2)	10.5	**6.7**	**6.7**
Securities Other than Shares (liability) Growth%	(19.8)	(9.3)	**(6.5)**	**(6.5)**
Loans (liability) Growth%	(5.4)	0.5	**0.5**	**0.5**
Insurance Technical Reserves (liability) Growth%	0.0	6.6	**6.6**	**6.6**
Financial Derivatives (liability) Growth%	0.0	149.1	**8.7**	**8.7**
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL INCOME STATEMENTS

Below are REPUBLIC OF FINLAND's annual income statements with the projected years based on the assumptions listed on page 5.

ANNUAL REVENUE AND EXPENSE STATEMENT (MILLIONS EUR)	2019	2020	2021	2022	P2023	P2024
Taxes	72,741	71,875	77,653	82,856	88,407	94,331
Social Contributions	28,541	27,561	30,447	32,037	33,639	35,321
Grant Revenue						
Other Revenue						
Other Operating Income	24,388	23,408	24,782	25,335	25,335	25,335
Total Revenue	125,670	122,844	132,882	140,228	147,381	154,986
Compensation of Employees	29,928	30,466	32,047	32,937	33,852	34,792
Use of Goods & Services	25,709	26,785	28,920	30,631	32,443	34,363
Social Benefits	50,752	53,850	54,830	55,573	56,326	57,089
Subsidies	2,606	4,369	3,954	2,973	2,973	2,974
Other Expenses				8,292	8,292	8,292
Grant Expense						
Depreciation	8,465	8,664	9,048	9,557	9,557	9,557
Total Expenses excluding interest	123,865	131,628	137,306	139,963	143,443	147,066
Operating Surplus/Shortfall	1,805	-8,784	-4,424	265	3,938	7,920
Interest Expense	2,073	1,690	1,304	1,462	1,473	1,484
Net Operating Balance	-268	-10,474	-5,728	-1,197	2,465	6,436

ANNUAL BALANCE SHEETS

Below are REPUBLIC OF FINLAND's balance sheets with the projected years based on the assumptions listed on page 5.

Base Case	ANNUAL BALANCE SHEETS (MILLIONS EUR)					
ASSETS	2019	2020	2021	2022	P2023	P2024
Currency and Deposits (asset)	16,007	28,537	23,216	23,287	23,287	23,287
Securities other than Shares LT (asset)	36,686	30,427	31,366	27,809	27,809	27,809
Loans (asset)	971	1,709	2,884	7,982	8,517	9,087
Shares and Other Equity (asset)	4,690	4,975	-264	1,918	1,956	1,995
Insurance Technical Reserves (asset)	308	321	303	250	255	260
Financial Derivatives (asset)	8,280	9,146	5,904	12,349	13,176	14,059
Other Accounts Receivable LT	9,823	12,567	11,110	14,719	15,705	16,757
Monetary Gold and SDR's						
Other Assets					288,514	288,514
Additional Assets	261,597	281,182	321,855	288,514		
Total Financial Assets	338,362	368,864	396,374	376,828	379,220	381,770

	2019	2020	2021	2022	P2023	P2024
LIABILITIES						
Other Accounts Payable	14,538	16,669	15,842	19,833	20,825	21,866
Currency & Deposits (liability)	901	791	908	1,003	1,003	1,003
Securities Other than Shares (liability)	117,973	139,722	138,757	125,834	117,630	109,962
Loans (liability)	46,812	50,204	50,684	50,945	48,480	42,044
Insurance Technical Reserves (liability)	137	151	166	177	189	201
Financial Derivatives (liability)	7,032	8,067	6,878	17,132	18,624	20,246
Other Liabilities	522	519	519	521	521	521
Liabilities	187,915	216,123	213,754	215,445	215,372	211,485
Net Financial Worth	150,447	152,741	182,620	161,383	163,848	170,284
Total Liabilities & Equity	338,362	368,864	396,374	376,828	379,220	381,770

Comments on the Difference between the Model and Assigned Rating

In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustments which are reflected in the results for the projected ratings. We have assigned a rating of "AA" whereas the ratio-implied rating for the most recent period is "AA"; the median rating for the peers is significantly higher than the issuer's rating.

Changes in Indicative Ratios

We have not made any adjustment in the indicative ratios at this time.

SEC Rule 17g-7(a) Disclosure

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:
For the issuer REPUBLIC OF FINLAND with the ticker of 1306Z FH we have assigned the senior unsecured rating of AA. There are three notches in our rating categories (e.g., A-, A, and A+) other than those deep into speculative grade; for CC, C, and D there are no notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:
We are using the methodology version #16 available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:
The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to page 3 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:
Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:
Our rating is dependant on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly-available 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the information is limited because of issues such as short operating histories, the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:
EJR does not utilize third-party due diligence services.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:
Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:
EJR uses 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, governmental filings and other similar sources for ratings on publicly-traded issuers. In the case of private issuers, EJR relies on information provided mainly by issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7: The information is generally high quality and readily avail.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:
This rating is unsolicited.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:
Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating, include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:
Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:
Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			**Resulting Ratio-Implied Rating**		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Taxes Growth%	6.7	10.7	2.7	AA+	AA+	AA
Social Contributions Growth %	5.0	8.0	2.0	AA+	AA+	AA+
Other Revenue Growth %		3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	5.5	7.5	3.5	AA+	AA+	AA+
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	AA+	AA+	AA+

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:
This credit rating is not assigned to an asset-backed security.

ATTESTATION FORM

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

1) No part of the credit rating was influenced by any other business activities,
2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Analyst Signature: **Today's Date**

August 18, 2023

……………………………………………………………… ………………………………………

Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

August 18, 2023

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Steve Zhang
Senior Rating Analyst

Sovereign Rating Methodology (Non-NRSRO)

Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that the its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings

For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.