

In 2023, Finland experienced a 1% contraction in real GDP. This was primarily attributed to rising prices and interest rates, which dampened both consumption and investment activities amidst a backdrop of decreasing confidence. The decline in investment was predominantly driven by challenges in the construction sector, as slowing housing demand and increased input costs continued to impact its performance. On a positive note, government spending on social and healthcare sectors, as well as increased wages, bolstered domestic demand.

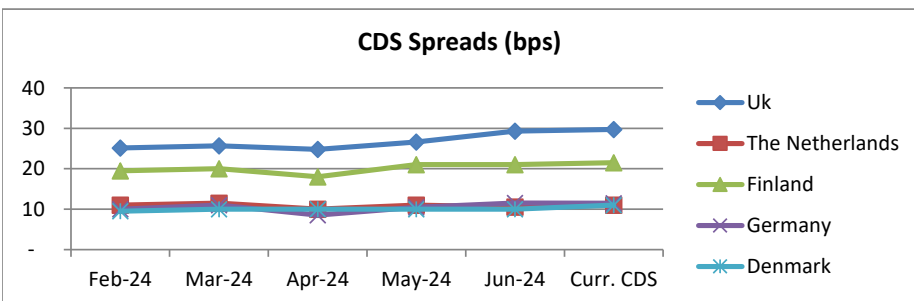
Looking ahead, there are expectations of a gradual recovery in both domestic and external demand, leading to nearly 0% growth in real GDP for 2024 and a projected increase of 1.4% in 2025. Investments and exports faced challenges earlier in the year due to temporary closures of ports and factories amidst widespread strikes. Nevertheless, both sectors are expected to gradually recover, supported by easing financial conditions, brighter demand prospects for Finnish enterprises, and an improving global economic landscape. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2021	2022	2023	P2024	P2025	P2026
Debt/ GDP (%)	82.3	74.5	79.0	86.7	97.5	110.9
Govt. Sur/Def to GDP (%)	-2.3	0.1	-2.2	-5.1	-8.1	-10.8
Adjusted Debt/GDP (%)	82.3	74.5	79.0	86.7	97.5	110.9
Interest Expense/ Taxes (%)	1.7	1.8	3.8	3.9	3.9	4.0
GDP Growth (%)	5.3	6.8	3.7	2.5	3.6	3.6
Foreign Reserves/Debt (%)	3.5	3.6	3.3	2.9	2.5	2.2
Implied Sen. Rating	AA	AA+	AA	AA-	AA-	A

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

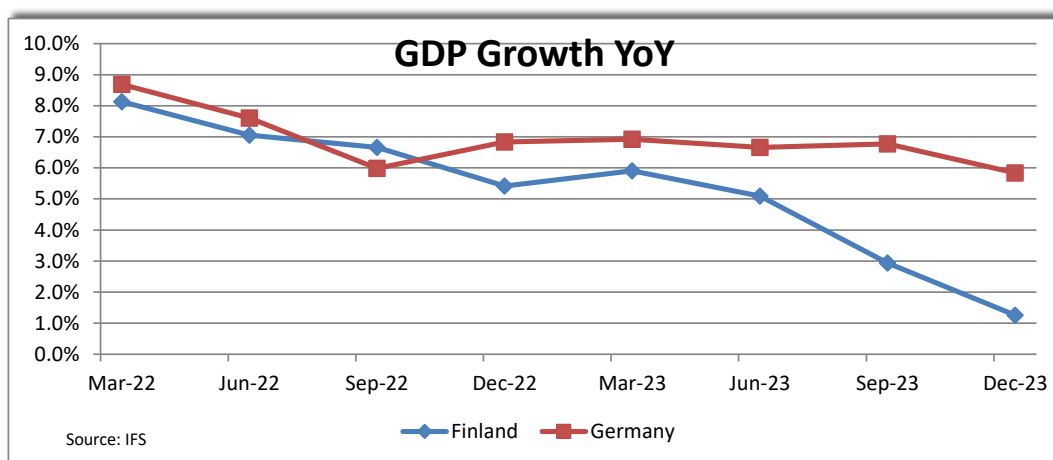
PEER RATIOS	Other Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio- Implied Rating*
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	AA
Kingdom Of Denmark	AAA	33.9	4.0	33.9	1.3	-1.7	A-
Kingdom Of Sweden	AAA	50.6	0.8	50.6	1.9	5.8	BBB
Kingdom Of The Netherlands	AA+	51.3	-0.3	51.3	2.4	7.9	BB+
United Kingdom	AA	143.8	-6.2	143.8	10.5	7.2	BBB-



Country	EJR Rtq.	CDS
Uk	A+	30
The Netherlands	AA-	11
Finland	AA	22
Germany	AA	12
Denmark	AA	11

Economic Growth

The most recent economic data release indicated that the economy has emerged from a brief recession in Q1, although the sequential GDP growth was revised down to 0.2% (compared to the preliminary estimate of 0.5%), with private spending showing improvement while public spending, exports, and fixed investment experienced challenges. In a positive development, Finland has recently updated its Climate Act to include tax incentives for green energy projects, which is expected to benefit future investments. In terms of specific sectoral performance, the primary sector (encompassing agriculture, hunting, forestry, and fishing) experienced a significant decline in April, while the secondary sector shifted into contraction. The services sector, on the other hand, exhibited slower growth. On an annual basis, economic activity in April dropped by 2.3%, a more severe decline than March's 2.1% decrease, marking the lowest result since August 2020.



Fiscal Policy

In 2023, the general government deficit expanded to 2.7% of GDP, driven by a shrinking economy that led to lower tax revenues. Concurrently, government expenditure surged by 8%, fueled by increases in public wages, interest payments, and social spending, particularly related to the establishment of wellbeing services counties. Budgetary costs aimed at alleviating the impact of soaring energy prices accounted for approximately 0.2% of GDP in 2023, fully phased out within the same year.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Finland	-2.22	78.96	21.50
Germany	-2.55	64.01	11.51
Denmark	4.03	33.89	11.01
Sweden	0.81	50.59	29.72
The Netherlands	-0.26	51.34	11.01
Uk	-6.24	143.77	15.01

Sources: Thomson Reuters and IFS

Unemployment

In 2023, as the economy contracted, employment declined, leading to a rise in the unemployment rate to 7.2%. Despite broad-based labor shortages due to a shrinking working-age population, the worsening labor market impact was relatively contained. Job growth is expected to stagnate this year but is projected to pick up in 2025, coinciding with accelerating economic activity. The unemployment rate is

anticipated to average 7.2% in 2025.

	Unemployment (%)	
	2022	2023
Finland	6.77	7.22
Germany	3.07	3.03
Denmark	4.48	5.12
Sweden	7.48	7.67
The Netherlands	3.54	3.54
Uk	3.90	3.80

Source: Intl. Finance Statistics

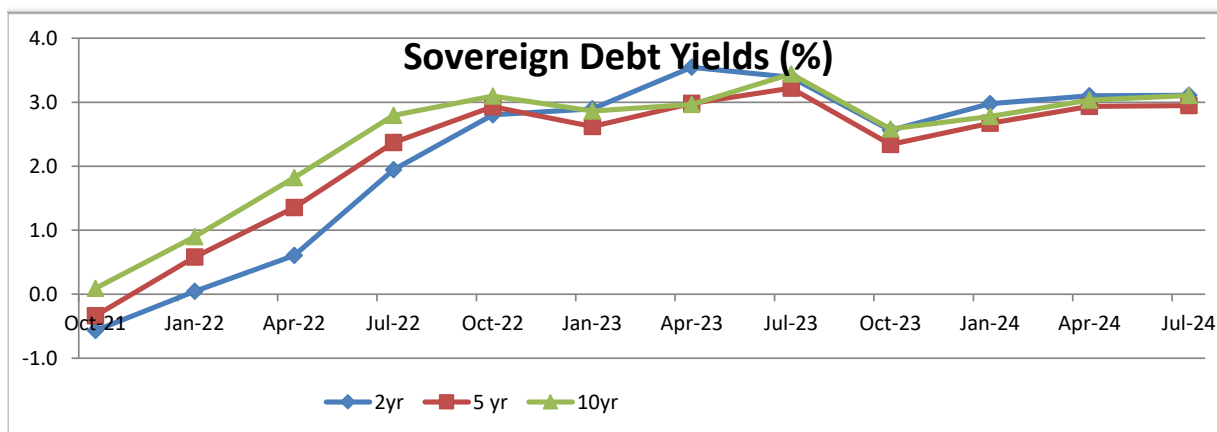
Banking Sector

Despite the economic recession, Finnish banks have improved their capital positions, largely due to growth in net interest income. The financial standing of these banks is expected to further strengthen in the coming years. However, the banking sector faces threats from potential economic downturns and geopolitical tensions. Stress tests indicate that Finnish banks could endure a longer and deeper recession than currently forecast, though their capital adequacy would weaken significantly.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
Aktia Bank	12.0	5.45
ALBAV FH Equity	5.3	8.68
Total	17.4	
EJR's est. of cap shortfall at 10% of assets less market cap		0.7
Finland's GDP		277.6

Funding Costs

The Finnish economy is recovering from the recession. Rising prices and interest rates have eroded household purchasing power and reduced companies' willingness to invest in machinery and equipment needed for business expansion. However, by 2025, the recession will be over, and the economy is projected to grow by over 1%, with even higher growth expected in 2026.



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	2020	Change in
	Rank	Rank	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 76.3 for Economic Freedom with 100 being best.

Heritage Foundation 2024 Index of Economic Freedom				
World Rank 76.3*				
	2024	2023	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	100.0	100.0	0.0	53.4
Government Integrity	94.2	97.6	-3.4	43.7
Judicial Effectiveness	97.6	97.2	0.4	48.8
Tax Burden	67.8	68.7	-0.9	78.1
Gov't Spending	8.2	8.5	-0.3	64.2
Fiscal Health	74.3	76.5	-2.2	52.1
Business Freedom	88.8	84.9	3.9	62.1
Labor Freedom	65.5	65.5	0.0	55.9
Monetary Freedom	75.4	82.1	-6.7	67.2
Trade Freedom	79.2	78.6	0.6	69.8

*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 seen a decline in taxes of 0.7% per annum in the last fiscal year which is disappointing. We expect tax revenues will decline by approximately 0.7% per annum over the next couple of years and 0.5% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

REPUBLIC OF FINLAND's total revenue growth has been more than its peers and we assumed a 0.3% 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%	2.8	(0.7)	(0.7)	0.5
Social Contributions Growth %	4.0	4.8	5.0	5.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	15.0	(1.4)	(1.4)
Total Revenue Growth%	3.1	3.5	0.3	0.3
Compensation of Employees Growth%	6.3	7.1	7.1	7.1
Use of Goods & Services Growth%	6.8	9.5	9.3	9.3
Social Benefits Growth%	5.5	6.3	6.3	6.3
Subsidies Growth%	(6.2)	(7.5)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.4	1.4	
Currency and Deposits (asset) Growth%	(8.1)	0.0		
Securities other than Shares LT (asset) Growth%	2.8	0.0		
Loans (asset) Growth%	(149.2)	(138.3)	(0.7)	(0.7)
Shares and Other Equity (asset) Growth%	(74.8)	147.0	147.0	132.3
Insurance Technical Reserves (asset) Growth%	0.0	1.2	1.2	1.2
Financial Derivatives (asset) Growth%	(0.9)	(26.4)	(10.0)	(10.0)
Other Accounts Receivable LT Growth%	1.1	24.0	24.0	21.6
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%	(2.5)	9.8	3.0	3.0
Currency & Deposits (liability) Growth%	(2.9)	(11.1)	0.5	0.5
Securities Other than Shares (liability) Growth%	2.5	12.7	8.9	8.9
Loans (liability) Growth%	(3.6)	4.0	4.0	4.0
Insurance Technical Reserves (liability) Growth%	0.0	(31.1)	3.0	3.0
Financial Derivatives (liability) Growth%	(9.9)	(25.6)	(10.0)	(10.0)
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)					
	2020	2021	2022	2023	P2024	P2025
Taxes	71,875	77,653	83,004	82,460	81,883	81,310
Social Contributions	27,561	30,447	32,200	33,744	35,431	37,203
Grant Revenue						
Other Revenue						
Other Operating Income	23,432	24,752	26,786	30,792	30,792	30,792
Total Revenue	122,868	132,852	141,990	146,996	148,106	149,304
Compensation of Employees	30,466	32,047	33,319	35,699	38,249	40,981
Use of Goods & Services	26,785	28,920	30,622	33,545	36,665	40,075
Social Benefits	53,850	54,830	55,547	59,036	62,744	66,685
Subsidies	4,369	3,954	3,011	2,785	2,785	2,786
Other Expenses				8,855	8,855	8,855
Grant Expense						
Depreciation	8,664	9,048	9,690	10,127	10,127	10,127
Total Expenses excluding interest	131,628	137,306	140,093	150,047	159,425	169,508
Operating Surplus/Shortfall	-8,760	-4,454	1,897	-3,051	-11,319	-20,204
Interest Expense	<u>1,690</u>	<u>1,304</u>	<u>1,527</u>	<u>3,110</u>	<u>3,154</u>	<u>3,199</u>
Net Operating Balance	-10,450	-5,758	370	-6,161	-14,473	-23,403

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)					
	2020	2021	2022	2023	P2024	P2025
ASSETS						
Currency and Deposits (asset)	28,537	23,216	23,286	24,715	24,715	24,715
Securities other than Shares LT (asset)	30,427	31,366	27,777	29,202	29,202	29,202
Loans (asset)	1,709	2,884	8,574	-3,282	-3,259	-3,236
Shares and Other Equity (asset)	4,871	-628	1,756	4,337	10,712	26,456
Insurance Technical Reserves (asset)	321	303	250	253	256	259
Financial Derivatives (asset)	9,146	5,904	12,305	9,054	8,149	7,334
Other Accounts Receivable LT	12,567	12,525	14,763	18,312	22,714	28,175
Monetary Gold and SDR's						
Other Assets					305,501	305,501
Additional Assets	<u>281,240</u>	<u>321,565</u>	<u>288,015</u>	<u>305,501</u>		
Total Financial Assets	368,818	397,135	376,726	388,092	397,989	418,405
LIABILITIES						
Other Accounts Payable	16,669	15,842	19,414	21,319	21,959	22,617
Currency & Deposits (liability)	791	908	1,003	892	892	892
Securities Other than Shares (liability)	139,722	138,757	125,725	141,643	154,196	167,862
Loans (liability)	50,204	50,680	53,102	55,228	69,701	93,104
Insurance Technical Reserves (liability)	151	166	177	122	126	129
Financial Derivatives (liability)	8,067	6,878	17,143	12,761	11,485	10,336
Other Liabilities	<u>519</u>	<u>519</u>	<u>521</u>	<u>521</u>	<u>521</u>	<u>521</u>
Liabilities	216,123	213,750	217,085	232,486	256,857	300,675
Net Financial Worth	<u>152,695</u>	<u>183,385</u>	<u>159,641</u>	<u>155,606</u>	<u>141,133</u>	<u>117,730</u>
Total Liabilities & Equity	368,818	397,135	376,726	388,092	397,989	418,405

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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%	(0.7)	3.3	(4.7)	AA-	AA-	A+
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%	0.3	2.3	(1.7)	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.

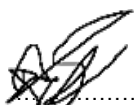
ATTESTATION FORM

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

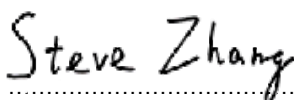


Supramanian NG
Senior Rating Analyst

Aug 16, 2024

Reviewer Signature:

Today's Date



Steve Zhang
Senior Rating Analyst

Aug 16, 2024

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.