



State Treasury
Republic of Finland

25

**Debt Management
Annual Review 2025**



State Treasury
Republic of Finland

Debt Management Annual Review 2025

The Debt Management Annual Review summarises Finland's central government funding, liquidity and risk management operations in 2025.

State Treasury
P.O. Box 14
FI-00054 STATE TREASURY
Switchboard: tel. +358 295 50 2000

treasuryfinland.fi

Cover photo: Lauri Haajanen
Photography: Riitta Weijola, Joonas Tsokkinen, Adobe Stock,
Esa Ervasti, Tuula Roos

ISSN 3087-808X

Contact information

debtmanagement@statetresury.fi
firstname.lastname@statetresury.fi

Debt Management department

Director of Department **Anu Sammallahti**, tel. +358 295 50 2575

Funding & Liquidity Management

Deputy Director **Jussi Tuulisaari**, tel. +358 295 50 2616

Liquidity Management:

Senior Manager **Mika Tasa**, tel. +358 295 50 2552

Investor Relations:

Communications & Investor Relations Manager **Tiina Heinilä**, tel. +358 295 50 2229

Risk Control & Legal Affairs

Deputy Director **Mika Arola**, tel. +358 295 50 2604

Risk Control:

Senior Risk Manager **Sakari Mäkilä**, tel. +358 295 50 2011

Legal:

Head of Treasury Legal **Aino Saarilahti**, tel. +358 295 50 3110

Back Office & Development

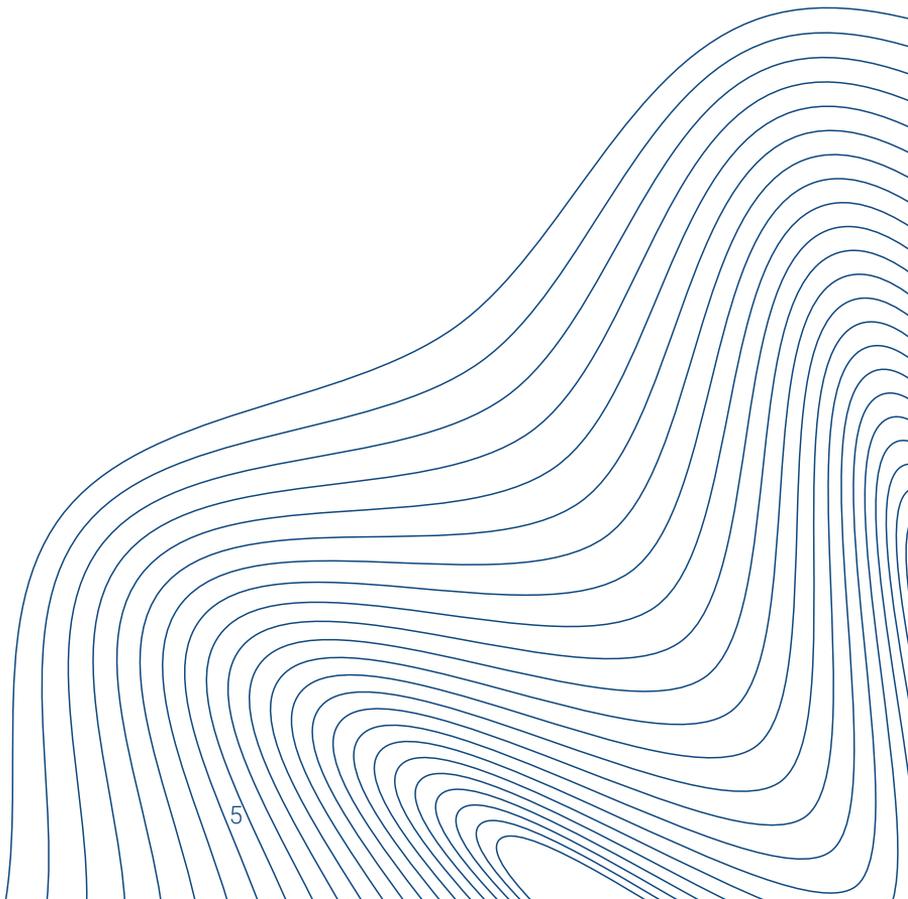
Deputy Director **Jan Kortesalo**, tel. +358 295 50 2375

Back Office:

Senior Manager **Taina Nissinen**, tel. +358 295 50 2580

Contents

1	Riders on the storm	6
2	Operating environment	10
	Public finances	
	Interest rate developments	
	Secondary market developments	
3	Finland's new fiscal framework has strong political backing	20
4	Funding	24
	Funding strategy	
	Funding operations and investor demand	
	Auctions	
	Short-term funding	
	Liquidity management	
5	From demographic pressures to new growth	38
6	Finland is a top performer in sustainable development	46
7	The 150-year history of the State Treasury and central government borrowing	52
8	Risk management principles	58
	Financing risk	
	Credit risk	
	Market risks	
	Operational risk	
	Legal risk	
	Internal control	
9	Key figures	66





1

Riders on the storm

Director of Finance **ANU SAMMALLAHTI**

Photo: Riitta Weijola

Watching bond market developments in 2025 many may have recalled the quote by James Carville’s – who was an advisor to President Bill Clinton in the 1990’s – about reincarnation. When saying he “wanted to come back as the bond market so as to intimidate everybody” he highlighted the idea that irrational or excessive economic policies would ultimately be contained by market discipline.

In 2025 the United States shifted its trade policy towards protectionism and significantly raised import tariffs. Although a damaging escalation of a global trade war was avoided, markets reacted strongly in April to the potential effects of such escalation and its expected impact on the global economy. Whether or not policymakers were intimidated by the bond market remains a speculation. Nevertheless, amid a relatively favourable outcome, the bond market and major currency interest rates remained broadly stable for the remainder of 2025.

This provided a supportive backdrop for European government bond issuance, which reached about EUR 580 billion in net and EUR 1.4 trillion in gross terms in the euro area. Monetary policymakers saw no imminent threat to inflation either side of the Atlantic – both the European Central and the Federal Reserve kept their policy rates stable and even introduced some

cuts. However, global uncertainties and mounting government expenditure pressures led to steeper yield curves in European government bonds, including Finland’s.

Challenges and responses

Due to weak economic performance Fitch Ratings downgraded Finland’s long-term issuer credit rating to ‘AA’ from ‘AA+’ in July 2025 - still the third-highest level on an eight-tier investment-grade scale. Other major credit rating agencies maintained Finland’s rating one notch higher, at AA+/Aa1 with a stable outlook. Several peer European sovereign issuers also faced rating downgrades during the year.

In 2025, Finland’s parliamentary parties reached an agreement on national rules to control the debt-to-GDP ratio. This national framework—discussed by **Marketta Henriksson** in Chapter 3 of this Debt Management Annual Review—sets

“Global uncertainties and mounting government expenditure pressures led to steeper yield curves in European government bonds, including Finland’s.”

fiscal targets not only for the upcoming parliamentary term but also for the following one, covering a total of eight years. Nevertheless, the European Commission indicated that it intends to place Finland under the Excessive Deficit Procedure due to budget deficits in 2024 and 2025, in addition to the nine countries already subject to the procedure.

Aging continues to weigh on Finland’s public finances and has recently affected economic growth, as **Mauri Kotamäki** writes in his article. However, the accumulation of pension assets and the slowing pace of demographic deterioration, together with supply-side labour market reforms, will mitigate the challenge and support Finland’s relative strength compared with other Western countries.

Finland is no stranger to economic challenges. **Mika Arola** highlights the 150 years of history of government debt issuance in his article. Throughout this period,

Finland has repeatedly overcome difficult times while maintaining its credibility as an issuer to support economic success.

Despite medium-term challenges to economic growth, Finland remains an equitable, modern, and affluent welfare state, as **Jukka Hoffren** concludes in Chapter 6. Finland has achieved a high share of renewable energy, significant reductions in greenhouse gas emissions, and strong public safety—for example, a continued decline in traffic fatalities. All of this contributes to Finland’s leading performance in sustainable development.

Issuance strategy

In 2025, the Republic of Finland successfully raised EUR 47.3 billion in capital markets, covering the budgetary borrowing needs and ensuring central government liquidity. In 2026, the scope of the funding programme is expected to be similar to last year. The gross borrowing require-

ment, including short-term funding, is currently estimated at EUR 44.2 billion. Given this similarity, the funding strategy and operations are expected to largely mirror those of 2025. Euro benchmark bonds remain the core of our funding strategy in addition to short-term funding via treasury bills and potential bond issuance in currencies other than the Euro.

Ensuring that Republic of Finland Government Bonds (RFGBs) remain attractive to investors continues to be our long-term goal. We believe that Finland's high credit rating, commitment to good governance, and strong track record in sustainable development will support our bonds and benefit investors in the years ahead.



Anu Sammallahhti is Director of Finance and Head of Debt Management at the State Treasury Finland.



2

Operating environment

Deputy Director **MIKA AROLA**
Deputy Director **JUSSI TUULISAARI**

Economic activity in Finland did not expand as expected in 2025, showing only marginal improvement from the previous year. In particular, the increase in private consumption fell short of projections. In 2026, economic growth is forecast to strengthen to 1.1 per cent, supported by moderate inflation, rising purchasing power, and a gradual recovery in investment activity.

Finland's gross domestic product (GDP) recorded only modest growth in 2025, with overall economic performance falling clearly short of expectations. The primary drag on growth was weak domestic demand. Household consumption failed to increase despite rising incomes. The construction sector remained in a downturn, and a more robust recovery would require a stronger rebound in the housing market. Consumer confidence was undermined by concerns related to the geopolitical environment, the current labour market situation, and uncertainties surrounding the fiscal adjustments required in Finland's public finances.

The decline in consumer confidence has persisted for an exceptionally long period, prompting households to postpone purchases. This trend is reflected, for example, in the household deposit stock, which reached an all-time high of nearly EUR 120 billion at the end of 2025. In addition, net

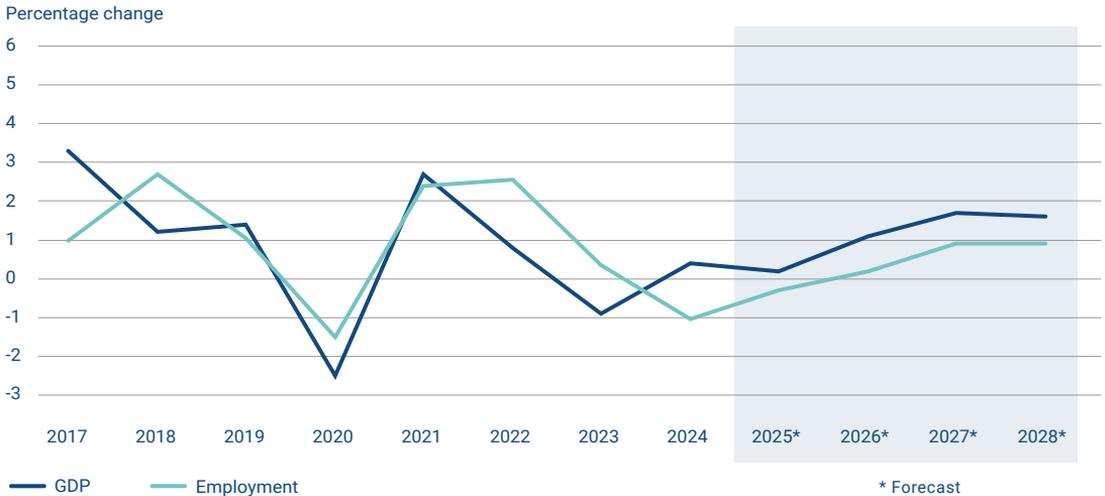
household investments increased significantly over the course of the year.

The export sector, by contrast, performed more favourably in 2025. Global trade developments were supportive, and Finland's exports expanded in line with international demand. The current account posted a slight surplus for the year. In addition, the overall investment rate began to show tentative improvement, with estimates indicating growth of just under two per cent in 2025.

Labour market conditions deteriorated during the year as unemployment rose sharply. This was no longer driven by a decline in the employment rate but rather by an expansion of the labour force. The increase in labour supply stemmed from immigration and government measures aimed at strengthening employment. At the same time, the employment rate remained relatively stable and even edged higher toward year-end. By December, the trend employment rate for individuals aged 20

Gross domestic product (GDP) and employment

Sources: Statistics Finland, Ministry of Finance Dec/2025



The graph shows information on the annual change in GDP and employment in Finland. In 2025 GDP grew and employment declined.

to 64 stood at 75.8 per cent, while the trend unemployment rate reached 10.7 per cent.* Over the coming years, employment is expected to grow by an average of one per cent annually as economic conditions improve.

Public finances

Public finances faced considerable strain in 2025. Although the general government deficit narrowed during the year, it remained just below four per cent of GDP. The Government’s fiscal adjustment measures contributed to the improvement, yet the outlook for the coming years remains

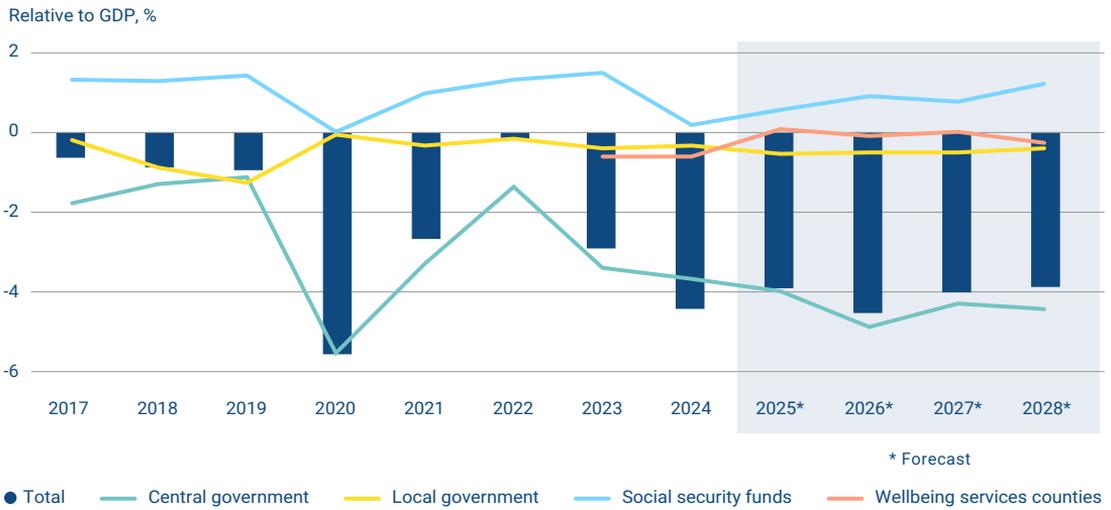
challenging. Public finances will continue to be affected by rising defence expenditure, higher interest costs, and only moderate economic growth. Finland’s general government debt ratio is already approaching 90 per cent of GDP. By contrast, central government debt remains significantly lower, standing at under 70 per cent of GDP in 2025.

The Republic of Finland has a solicited credit rating from S&P Global Ratings. In the beginning of 2026, the credit rating for long-term debt was AA+ with a stable outlook. Finland also has a number of other unsolicited credit ratings.

*The employment rate trend is calculated for ages 20–64, and the unemployment rate for ages 15–74.

Financial balance of general government

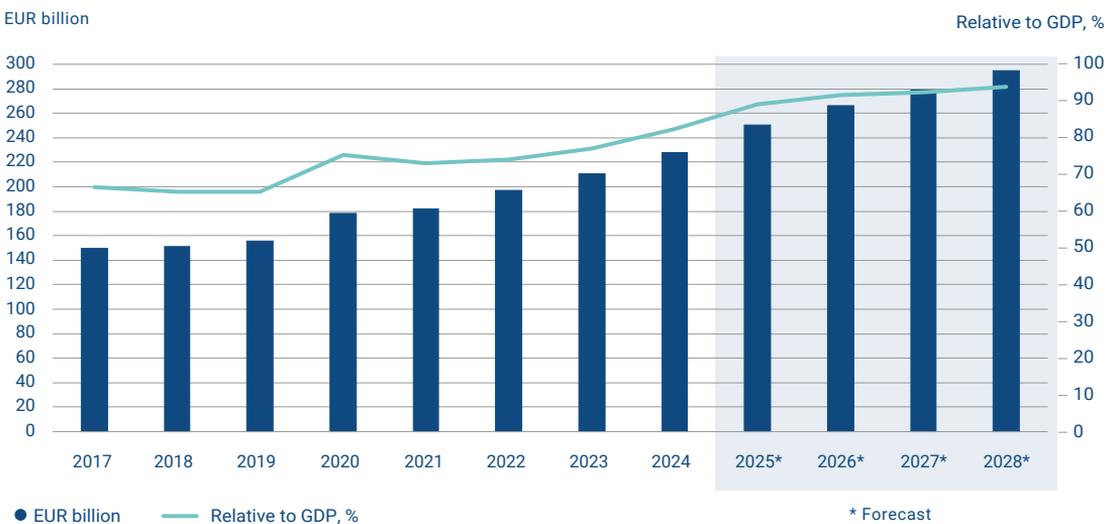
Sources: Statistics Finland, Ministry of Finance Dec/2025



The graph shows the financial balance of the Finnish general government. Social security funds are running a surplus while central and local government show deficits.

General government debt

Sources: Statistics Finland, Ministry of Finance Dec/2025



In 2025, the general government debt was EUR 250.5 billion. The debt-to-GDP ratio was 89.1 per cent.

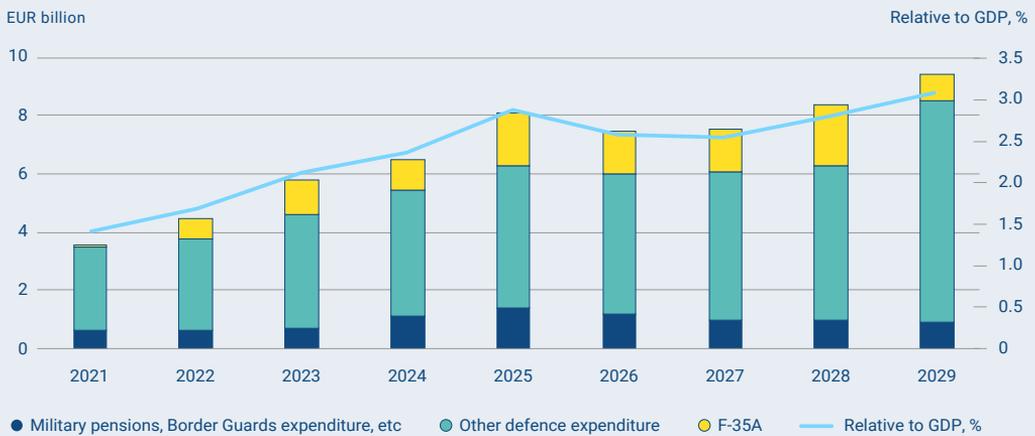
Defence spending at 2.9 per cent of GDP in 2025

In spring 2025, the Finnish Government announced its intention to raise defence spending to at least three per cent of GDP by 2029. As a NATO member, Finland has also committed to the Alliance’s collective objective of increasing defence expenditure to five per cent of GDP by 2035, with core defence spending accounting for 3.5 per cent of the target. The remaining 1.5 per cent is allocated to defence-related expenditure such as civil preparedness, infrastructure, and cybersecurity.

Defence spending in 2025 rose close to the three-per-cent threshold. Expenditure in the coming years will continue to reflect the substantial F35 fighter procurement, valued at approximately EUR 10 billion. Preparations for the acquisition began in the mid-2010s, and the Government approved the purchase in December 2021. The programme will continue to influence Finland’s defence budget through 2031. In response to the shifting geopolitical environment, the Government has also committed to significant additional investments in internal security and has accelerated the launch of the Army’s modernisation programme.

Defence expenditure

Source: Ministry of Finance



The graph shows the development of Finland’s defence spending from 2021 to 2025, as well as a forecast for 2026–2029.

The timing of defence procurements and related deliveries introduces considerable uncertainty into the general government balance, particularly for central government finances. The public sector deficit in 2025 was smaller than expected (3.9 per cent), but according to the Ministry of Finance, it is projected to widen to 4.5 per cent in 2026, as fighter aircraft deliveries originally anticipated for 2025 will be recorded only next year. Because no deliveries were booked last year, subsequent years will see correspondingly higher entries.

Finland's defence expenditure is expected to remain elevated. While high defence spending places pressure on the central government's fiscal position, defence investments are also anticipated to support economic growth. Public backing for increased defence expenditure remains strong among Finns.

Interest rate developments

Monetary policy continued to ease across several major economies in 2025. As inflationary pressures subsided, the European Central Bank (ECB) proceeded with a series of rate cuts. By June, the ECB had lowered the deposit facility rate four times by 0.25 percentage points, bringing it to 2.00 per cent. In the United States, the Federal Reserve lowered its key policy rate three times between September and December, each time by 0.25 percentage points. By yearend, the federal funds rate had moved into the target range of 3.50–3.75 per cent.

Finnish government bond yields fluctuat-

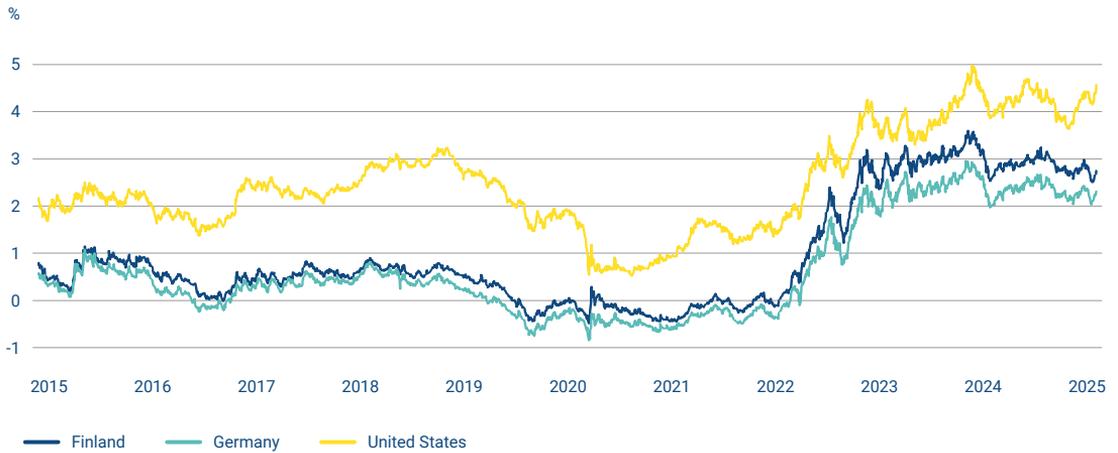
ed throughout the year. The yield on the 10-year benchmark bond rose early in the year, stabilised over the summer, and resumed a moderate upward trend in the autumn. The yield stood at 2.85 per cent at the beginning of 2025 and ended the year at 3.16 per cent.

The conclusion of the ECB's purchase programmes, combined with substantial borrowing needs across Member States, kept the supply of government bonds elevated. This contributed to historically high yield levels on central government debt relative to swap rates. The dominant themes in the 2025 government bond market—namely

2 Operating environment

10-year government bond yields

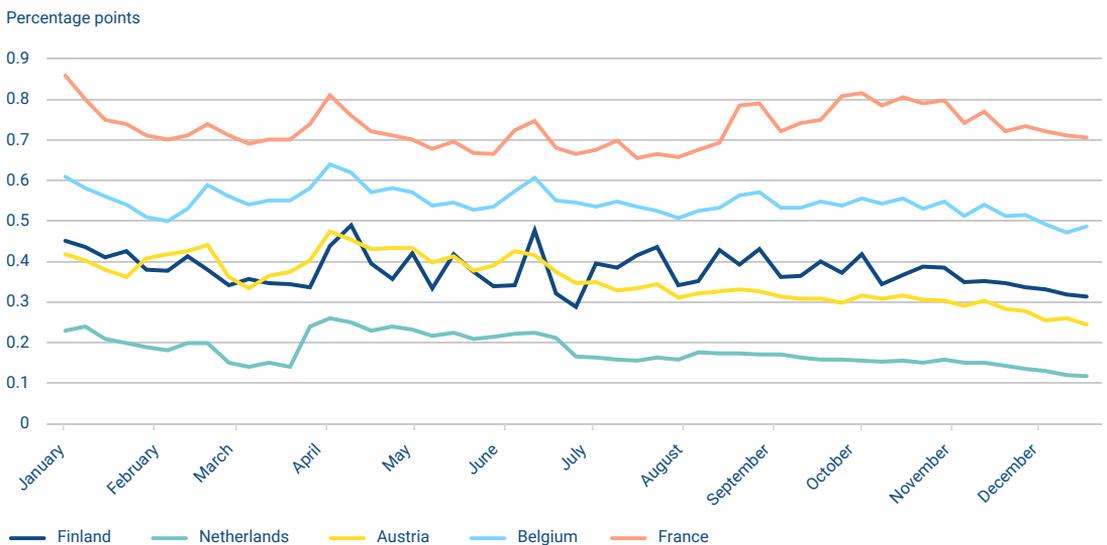
Source: Macrobond



The graph shows the 10-year government bond yields of Germany, Finland and the United States in 2015–2025.

10-year spreads to Germany

Source: Macrobond



The graph shows the 10-year bond spreads of Finland, the Netherlands, Austria, France and Belgium against Germany.

the steepening of the yield curve and the rise in ultralong rates—were driven by large fiscal deficits and heightened geopolitical tensions. The 30-year swap rate increased by more than 100 basis points during the year, with long-term government bond yields rising by nearly the same magnitude. Finland's 30-year yield climbed from 3.10 per cent at the start of 2025 to 3.88 per cent at year-end.

Yield spreads among euro area countries, both relative to Germany and to one another, also moved somewhat over the course of the year. Following Germany's announcement of substantial investments to defence and infrastructure, German government bond yields rose, tightening the spreads between Germany and other euro area sovereigns. The compression was particularly pronounced in Southern Europe—Spain, Portugal, Italy, and Greece—where economic growth outpaced that of Northern Europe and credit ratings were upgraded. Finland's 10-year spread to Germany tightened by roughly 15 basis points over the year, with similar movements observed in other key reference countries such as the Netherlands and Austria.

Secondary market developments

The strong liquidity of government bonds

enables investors to execute transactions quickly without exerting significant pressure on prices. Maintaining and further enhancing the liquidity of Finnish government benchmark bonds remains a key priority for the State Treasury, which works closely with its Primary Dealers to support efficient market functioning. Finnish government bonds are generally regarded as having good liquidity, which continues to underpin strong investor demand.

Secondary market activity increased in 2025 compared with the previous year. Total annual turnover reached EUR 155.2 billion, up from EUR 121.3 billion in 2024. Average monthly turnover (combined purchases and sales) amounted to EUR 13.0 billion, compared with EUR 10.1 billion a year earlier. In relative terms, the monthly average turnover corresponded to 7.9 per cent of the outstanding euro-denominated benchmark bond stock (7.0 per cent in 2024).

Finnish government benchmark bonds are traded on the MTS Finland and BrokerTec interdealer platforms. The State Treasury does not participate in secondary market trading; activity is driven by Primary Dealers and other market participants. In 2025, nominal interdealer trading volumes averaged EUR 7.0 billion per month, compared with EUR 7.2 billion in 2024.

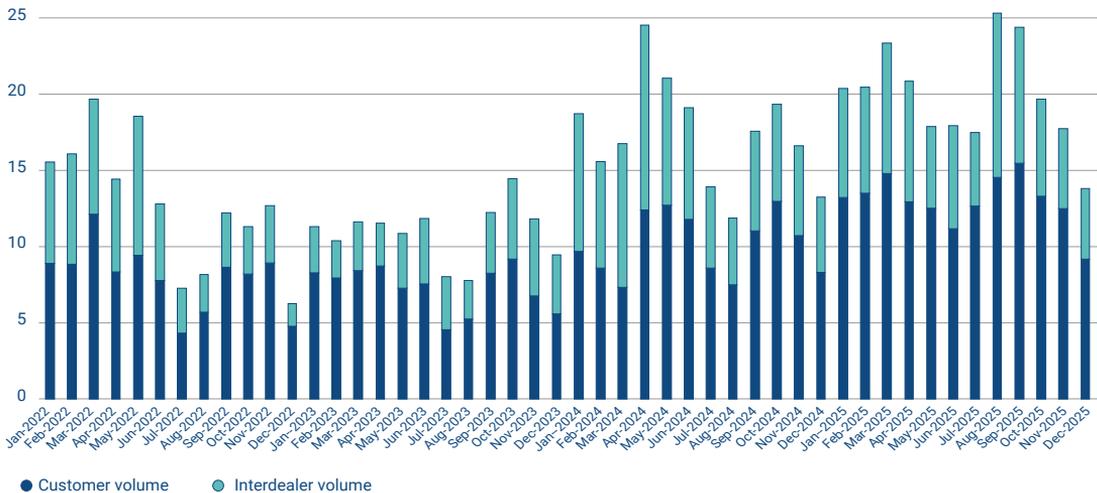
2 Operating environment

Primary dealers in 2025

BofA Securities	Barclays	BNP Paribas
Citi	Crédit Agricole	Danske Bank
Deutsche Bank	Goldman Sachs	HSBC
J.P. Morgan	Nomura	Nordea
Société Générale		

Secondary market volumes of Finnish government bonds

Monthly volume
(nominal amount, EUR billion)



In 2025, the nominal interdealer trading volume was on average EUR 6.95 billion per month. The average monthly customer volume was EUR 12.95 billion.

The State Treasury closely monitors Primary Dealer quoting activity in the secondary market. It has established quoting guidelines for different maturities in the inter-dealer market, where bid–offer spreads are systematically observed and tracked. The average bid–offer spread across all market makers is calculated, and each Primary Dealer is benchmarked against

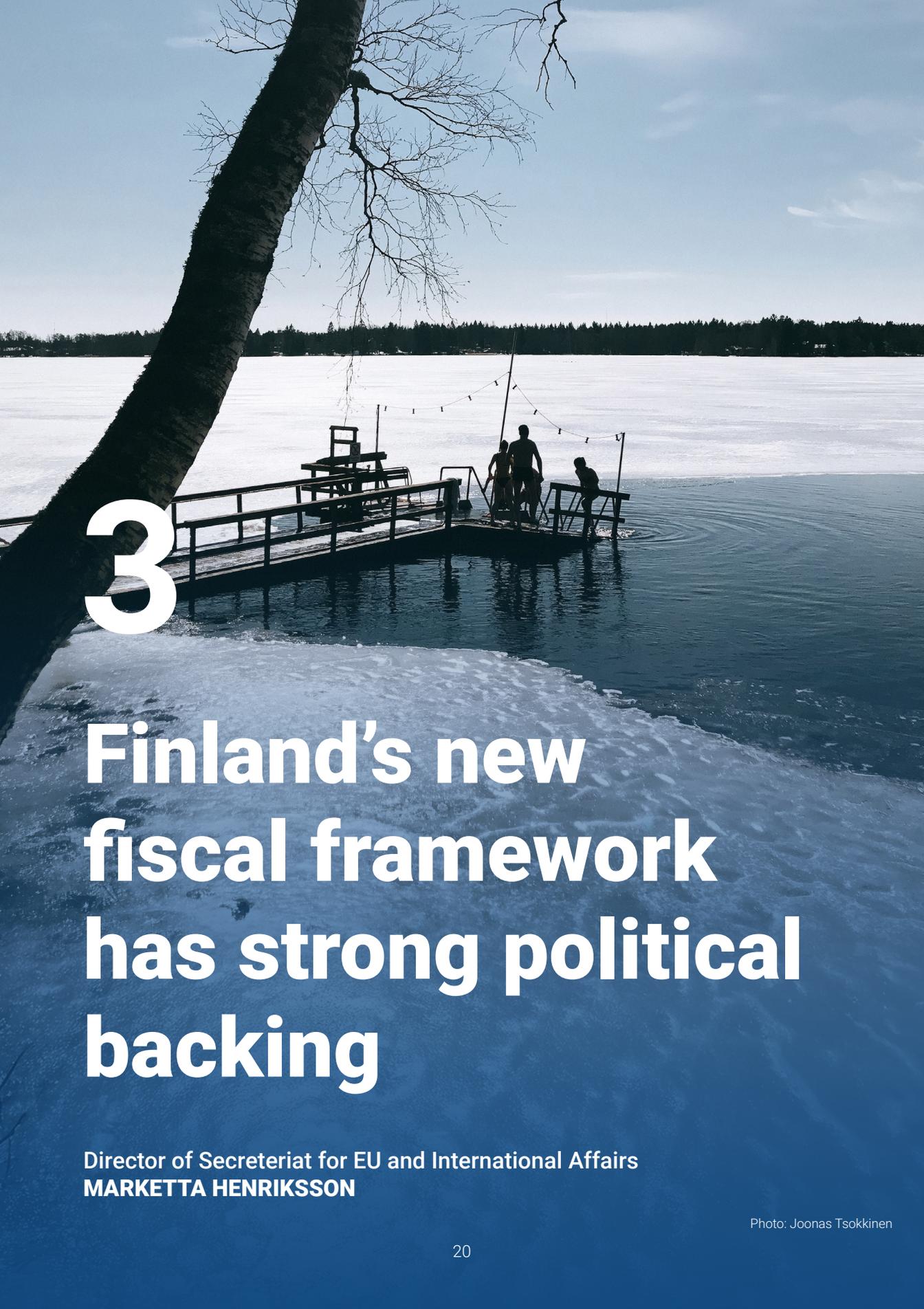
this average. The State Treasury provides weekly feedback to individual Primary Dealers by reporting the analysed spread data for benchmark bond quotes. Reflecting the tightening of bid–offer spreads, the liquidity of Finnish government benchmark bonds improved in 2025 compared with the previous year.



Mika Arola is Deputy Director of Risk Control & Legal Affairs at the State Treasury Finland.



Jussi Tuulisaari is Deputy Director of Funding & Liquidity Management at the State Treasury.



3

Finland's new fiscal framework has strong political backing

Director of Secretariat for EU and International Affairs
MARKETTA HENRIKSSON

Photo: Joonas Tsokkinen

Finland has reformed its national fiscal framework. The Parliament adopted the new legislation in December 2025 and it entered into force 1 January 2026, as required by EU legislation. The main features of the framework were agreed already in a Parliamentary Pact on Fiscal Policy, which was signed by nearly all political parliamentary groups. The Parliamentary Pact underlines the broad political commitment to reducing the debt ratio.

In the new framework, fiscal targets are decided by a Parliamentary Working Group on Fiscal Policy (PWGFP). The first PWGFP was nominated in October and in the future, and in line with the new national legislation, the Government will nominate one at the beginning of each government term and for the duration of the government term. The main task of the PWGFP is to determine two fiscal targets: one for an inter-parliamentary period of eight years and one for the 4-year government term.

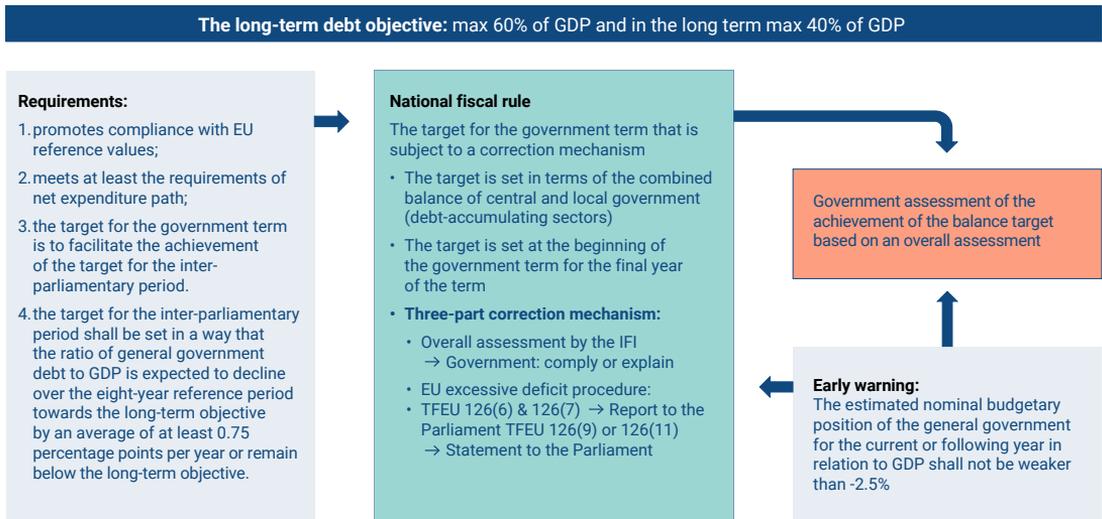
For the next government term (2027–2031), both targets are set in February 2026 and the target for the government term will be revised in December 2026, before the parliamentary elections in April 2027. Central to setting the target for the government term in December 2026 is the reference trajectory that is to be received from the EU Commission for the preparation of the Medium-Term Plan to be submitted to the EU early in the government

term. The target for the government term will always be decided before the elections, while the target for the inter-parliamentary period will in the future be set in the middle of the government term. The PWGFP will also monitor compliance with both targets.

Both targets are set for the combined balance of central and local governments, i.e. the deficit of the debt-accumulating sectors. Target setting is constrained by the following conditions, the first two of which stem from EU legislation:

- promote compliance with the EU reference values;
- meet at least the requirements of the net expenditure path;
- the target for the government term complies with the target for the inter-parliamentary period;
- the target for the inter-parliamentary period shall be set in such a way that the ratio of general government

Fiscal framework



The infographic presents the functioning of the fiscal rule and the correction mechanism.

debt to GDP is expected to decline over the eight-year reference period towards the long-term objective for public finances by an average of at least 0.75 percentage points per year or remain below the long-term objective of a maximum debt ratio of 40 per cent of GDP.

The target for the government term is set for the final year of the term and accompanied by measures to ensure its achievement. The target for the inter-parliamentary period is set as an average over a period of eight years.

The correction mechanism will only be applicable to the target for the government

term, which consequently functions as the national fiscal rule. The first part of the correction mechanism will be based on an overall assessment by the Finnish Economic Policy Council, which is the official Independent Fiscal Institution (IFI) after the reform. The IFI regularly prepares and publishes an overall assessment of the achievement of the target for the government term. The IFI overall assessment will take into account among other things the cyclical situation and any escape clauses in force in the EU, thus there is no escape clauses for the surveillance phase in the legislation. The IFI assessment shall consider the achievement of the target for the government term, whether the measures specified in the General Government

Timeline for the 1st parliamentary process



The infographic presents the timeline of the first parliamentary process.

Fiscal Plan to achieve the target for the government term are sufficient and as an early warning indicator, whether the estimated general government nominal deficit for the current or coming year in relation to GDP is above 2.5 per cent.

If, on the basis of its overall assessment, the IFI considers that the target for the government term will not be achieved and that there are no acceptable justifications for deviating from the target, the IFI shall submit to the Government an assessment

of the scale and timetable of the necessary corrective measures. The Government is required to make a decision explaining the measures that will be taken to correct the deviation. If no action is taken, the Government is required to publicly explain within two months why no action is being taken (comply or explain).

The other two parts of the correction mechanism are linked to the EU excessive deficit procedure and involve the national parliament.



Marketta Henriksson is Director of the Secretariat for EU and International Affairs at the Ministry of Finance.

4

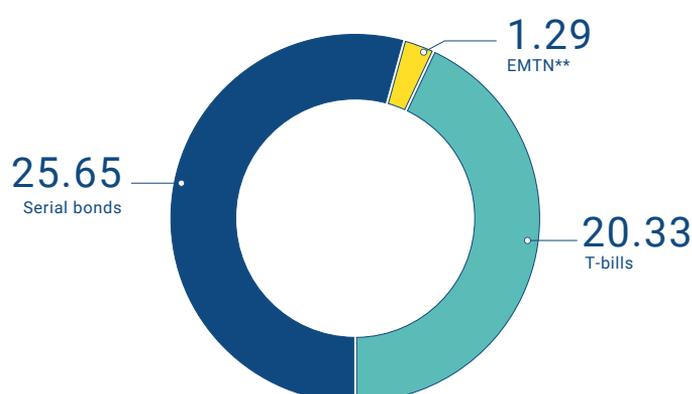
Funding

Director of Finance **ANU SAMMALLAHTI**
Deputy Director **JUSSI TUULISAARI**
Senior Manager **MIKA TASA**
Investor Relations Manager **TIINA HEINILÄ**

In 2025, the Republic of Finland's realised gross borrowing totaled 47.3 billion euros. Of this amount, long-term issuance accounted for EUR 26.9 billion (57 per cent). The rest, EUR 20.3 billion (43 per cent) was short-term borrowing. Realised net borrowing amounted to EUR 17.8 billion.

Central government borrowing in 2025

Issuance* by instrument type, EUR billion



* Excluding funding for intra-government funds, unincorporated state enterprises and intra-year T-bill issuance

** Euro Medium Term Note

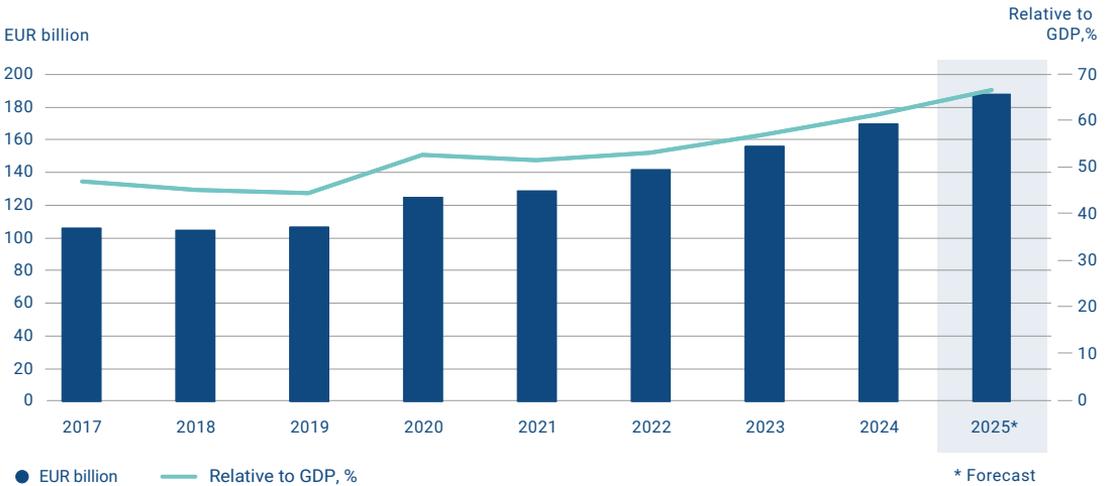
The realised gross borrowing amount in 2025 was EUR 47.26 billion. Of this amount, long-term issuance accounted for EUR 26.93 billion and short-term borrowing for EUR 20.33 billion.

The central government's gross borrowing requirement will remain at around EUR 40–45 billion euros in the coming years. At the end of 2025, central government debt stood at EUR 188 billion.

The budgeted central government net borrowing requirement for 2026 is EUR 13.1 billion. With EUR 31.1 billion of redemptions, the gross borrowing requirement totals EUR 44.2 billion.

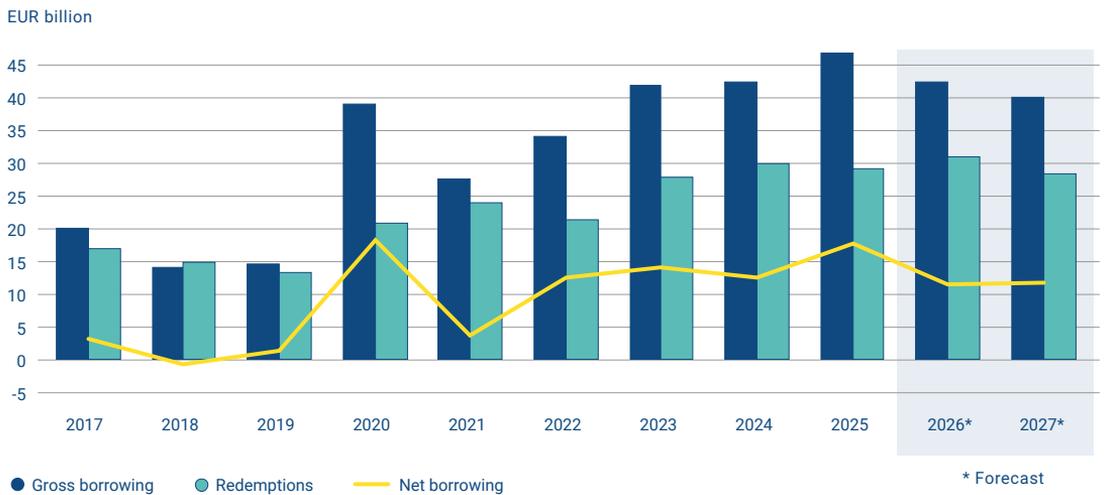
4 Funding

Central government debt



The graph shows the volume of Finland’s central government debt and debt in relation to GDP in 2017–2025. The central government debt was EUR 187.67 billion at the end of 2025. The debt-to-GDP ratio was 66,70 per cent.

Redemptions and net borrowing



The graph shows annual gross borrowing, redemptions and net borrowing in 2017–2027. Redemptions of EUR 29.46 billion took place in 2025 while net borrowing amounted to EUR 17.80 billion.

“In 2025, Finland issued three new benchmark bonds in EUR and one in USD.”

Funding strategy

The funding strategy of the Republic of Finland is based on euro benchmark bond issuance. Benchmark-based funding in the wholesale market is cost-efficient for a sovereign, as benchmark bonds benefit from large outstanding volumes. Primary issuance helps establish a broad and diversified investor base, while market-making supports price discovery and ensures liquidity in the secondary market.

New benchmark bonds are issued in syndicated form. Syndications are supplemented by regular tap auctions, which further increase the outstanding volumes of established bond lines. There is also a Euro Medium Term Note (EMTN) programme under which the Republic of Finland can issue bonds in foreign currencies to serve a broader investor base. However, issuance in foreign currencies is subject to market conditions and a reasonable funding cost in comparison to euro issuance.

The current funding volume supports three new euro benchmark bond syndications per year, tap auctions of existing bench-

mark bonds, and one benchmark-sized USD bond issuance. The short-term funding is carried out by issuing Treasury bills.

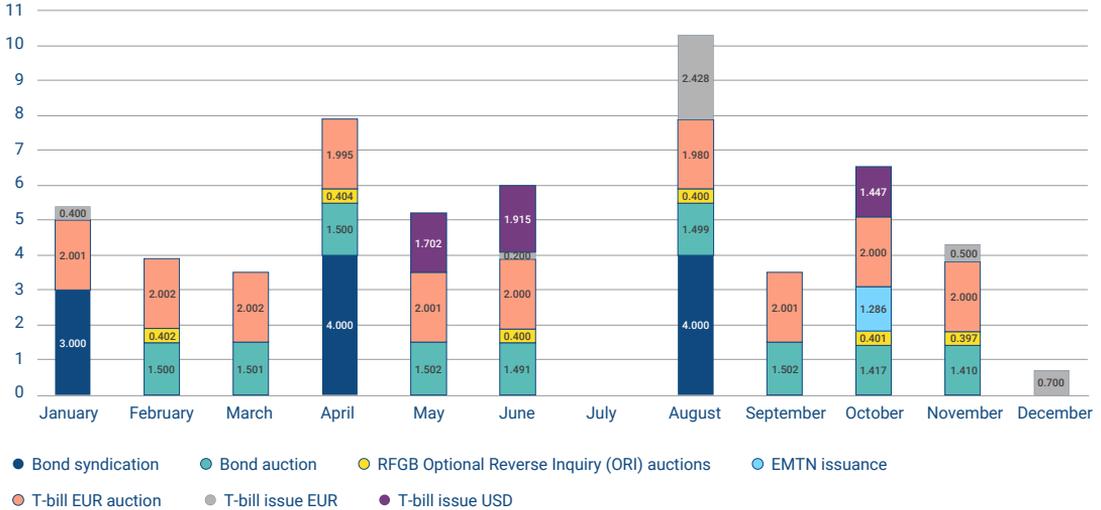
In terms of bond maturities, the annual issuance pattern of a new 10-year bond is complemented with a new long-term bond – either 15, 20 or 30 years – to maintain a liquid benchmark bond curve up to 30 years. This year, subject to market conditions, the State Treasury will issue a new 15-year benchmark bond. The third new issue of 2026 will most likely be launched in the 5–7-year segment to maintain a balanced redemption profile. Market conditions permitting, issuance in currencies other than euro, most likely a USD benchmark bond, may complement the long-term funding. The share of short-term funding, i.e. Treasury bills, is estimated to be around 40 per cent of annual gross borrowing.

The objective of the State Treasury is to maintain Finland’s position as a recognised and reliable issuer in the markets and thus ensure the demand for Finnish government bonds in the future.

4 Funding

Operations 2025

EUR billion



In 2025 Finland issued three new euro-denominated benchmark bonds, one USD-denominated bond, and arranged nine bond auctions. The short-term funding was carried out by issuing Treasury bills.

Funding operations and investor demand

In 2025, the Republic of Finland issued three new euro-denominated benchmark bonds and one USD-denominated benchmark. A total of 15 benchmark bond auctions were conducted during the year. Short-term funding was carried out by issuing Treasury bills in auctions and in ECP format.

The first syndicated bond issue of the year took place in January when Finland raised EUR 3 billion with a new long 20-year benchmark bond. The bond matures on 15 April 2045 and pays an annual

coupon of 3.2 per cent. As customary, the top five performing Primary Dealer banks of the previous year were appointed as lead managers for the issue, and the other primary dealers as co-leads. The bond attracted a record demand, building an order book of over EUR 31 billion from 220 investors. The new long-dated bond had strong asset manager and pension fund participation.

The second syndicated transaction in late April was, as expected, a new 10-year benchmark bond with a maturity date of 15 September 2035. The bond was priced at 52 basis points over the euro swap

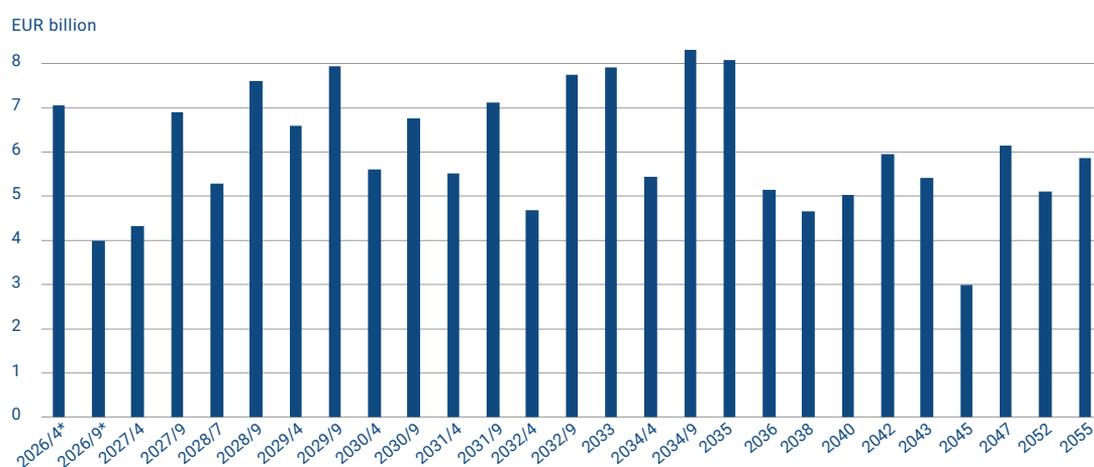
curve to yield 3.016 per cent. The order book exceeded EUR 23 billion and included offers from more than 150 investors. The broad-based demand allowed up-sizing the deal to EUR 4 billion at issuance. Nearly 40 per cent of the bond was allocated to central banks and official institutions.

The third euro-denominated syndicated issue of 2025 was a new 7-year benchmark due 15 April 2032, issued in August. The bond was priced at 29 basis points above the euro swap curve, with a yield of 2.751 per cent. The order book grew to over EUR 33 billion and included orders from 160 investors. The depth of the order book and the substantial participation

of long-term investors again allowed the transaction to be upsized from EUR 3 billion to EUR 4 billion.

In October, the Republic of Finland visited the dollar market by raising \$1.5 billion with a new USD-denominated bond. The bond has a maturity date of 4 November 2030. The yield at issuance was 3.684 per cent, which was 37 basis points above the mid-swap rate (USD SOFR) and 6.6 basis points over the pricing reference of UST due 31 October 2030. This was Finland's second US-dollar issuance in the past five years. Issuing in US dollars complements Finland's euro-denominated borrowing with the purpose of serving a more global investor base.

Benchmark bonds



* Serial bond, no benchmark status

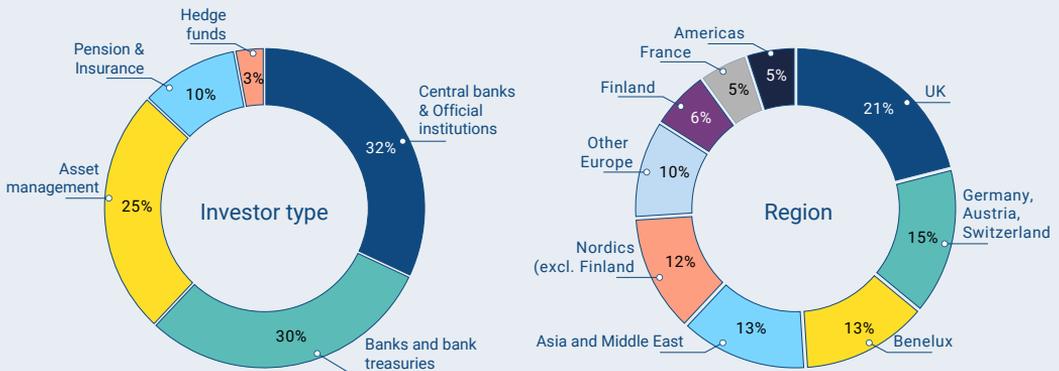
The graph shows all outstanding serial bonds issued by the State Treasury. Of these, the majority are benchmark bonds.

Who did Finland borrow from in 2025?

In 2025, Finland issued three new euro-denominated benchmark bonds and one US-dollar bond, raising a total of EUR 12.3 billion. Order books were heavily oversubscribed across EGB bond syndications in 2025, including Finland’s. This allowed the State Treasury, in coordination with the joint lead managers, to allocate the bonds across investor categories in line with predefined principles.

The investor base for Finnish central government debt is largely European. In 2025, more than 80 per cent of the new syndicated issuance was sold to investors in Europe. The Nordics, the United Kingdom and Central Europe form the traditional regional core of Finland’s investor base. Domestic investors accounted for 6 per cent. By investor type, the majority of the allocation – 87 per cent in total – was placed with central banks and other official institutions, banks and bank treasuries, as well as asset managers.

Syndicated issuance participation 2025



The graph shows syndicated issuance participation in 2025 by investor type and region.

“The investor base for RFGBs is largely European.”

Auctions

In addition to the syndicated issuances, the State Treasury conducts tap auctions on existing benchmark bonds in the primary market. An auction calendar is published quarterly on the State Treasury website. In 2025, nine regular benchmark bond auctions and six optional reverse inquiry (ORI) auctions were conducted in total. ORI auctions were continued in response to the positive feedback received. The purpose of the facility is to support the RFGB secondary market liquidity, by providing an opportunity for market makers to source off-the-run bonds in the primary market regularly.

All auctions were used to increase the outstanding volumes of existing benchmark bonds. Of the regular auctions, five were held in the first half of the year and four in the second half.

The total auctioned funding volume in 2025 via benchmark bond auctions was EUR 15,726 million, of which EUR 2,404 million were from ORI auctions. All

auctions were dual line auctions including two bonds with different maturities. The bid-to-cover ratios for the auctioned securities, reflecting investor demand, varied from 1.11 to 1.92 (excluding ORI auctions). The issued amounts were between EUR 548 million and EUR 874 million per bond per auction (excluding ORI auctions).

Short-term funding

The State Treasury issues Treasury bills in euros and US dollars through banks included in the Treasury Bill Dealer Group. Short-term funding is carried out according to the financing needs of the central government.

Euro-denominated Republic of Finland Treasury bills (RFTBs) are issued via auctions. In auctions, the counterparties belonging in the Treasury Bill Dealer Group can submit bids. These auctions are uniform price by format, which means that the State Treasury determines the cut-off rate. All bids submitted at rates lower than the cut-off rate are allocated in full.

4 Funding

Serial bond auctions

Auction date	Maturity year	Issued amount		Issue yield	Bid-to-cover
		MEUR			
6 Feb 2025	2029	227		2.368%	7.89
6 Feb 2025	2032	175		2.626%	5.00
18 Feb 2025	2030	722		2.494%	1.69
18 Feb 2025	2034	778		2.854%	1.50
18 Mar 2025	2034	773		3.164%	1.92
18 Mar 2025	2038	728		3.402%	1.76
3 Apr 2025	2027	103		2.096%	8.50
3 Apr 2025	2042	301		3.388%	1.53
15 Apr 2025	2031	680		2.600%	1.57
15 Apr 2025	2055	820		3.470%	1.17
20 May 2025	2032	722		2.702%	1.59
20 May 2025	2035	780		3.011%	1.86
10 Jun 2025	2032	733		2.677%	1.53
10 Jun 2025	2043	758		3.365%	1.63
26 Jun 2025	2030	225		2.432%	2.64
26 Jun 2025	2052	175		3.427%	3.86
12 Aug 2025	2035	797		3.050%	1.73
12 Aug 2025	2040	702		3.411%	1.83
28 Aug 2025	2032	150		2.719%	2.00
28 Aug 2025	2052	250		3.694%	1.78
16 Sep 2025	2031	628		2.572%	1.69
16 Sep 2025	2035	874		3.067%	1.48
21 Oct 2025	2032	548		2.578%	1.48
21 Oct 2025	2035	869		2.936%	1.40
30 Oct 2025	2030	401		2.478%	1.66
18 Nov 2025	2035	778		3.014%	1.30
18 Nov 2025	2055	632		3.739%	1.11
26 Nov 2025	2030	205		2.474%	2.59
26 Nov 2025	2034	192		2.924%	2.04

The table shows serial bond auctions.

Treasury bill auctions

Auction date	Maturity date	Issued amount MEUR	Issue yield	Bid-to-cover
7 Jan 2025	13 Aug 2025	801	2.520%	2.28
7 Jan 2025	13 Nov 2025	1,200	2.480%	1.74
11 Feb 2025	13 Aug 2025	1,008	2.350%	1.91
11 Feb 2025	13 Nov 2025	994	2.260%	1.59
11 Mar 2025	13 Nov 2025	685	2.270%	2.29
11 Mar 2025	13 Feb 2026	1,317	2.290%	1.40
8 Apr 2025	13 Nov 2025	845	2.130%	1.42
8 Apr 2025	13 Feb 2026	1,150	2.100%	1.09
13 May 2025	13 Nov 2025	885	2.030%	1.99
13 May 2025	13 Feb 2026	1,116	2.010%	1.77
3 Jun 2025	13 Feb 2026	874	1.920%	2.14
3 Jun 2025	13 May 2026	1,126	1.910%	1.67
5 Aug 2025	13 Feb 2026	810	1.960%	1.84
5 Aug 2025	13 May 2026	1,170	1.970%	1.80
9 Sep 2025	13 May 2026	1,036	1.980%	1.87
9 Sep 2025	13 Aug 2026	965	1.990%	2.03
14 Oct 2025	13 May 2026	1 065	1.980%	1.65
14 Oct 2025	13 Aug 2026	935	1.980%	2.12
11 Nov 2025	13 May 2026	800	1.970%	2.57
11 Nov 2025	13 Aug 2026	1,200	1.990%	1.75

The table shows Treasury bill auctions.

In 2025, the State Treasury organised ten Treasury bill auctions, raising a total of EUR 19,982 million.

The State Treasury may also issue Treasury bills on other occasions, depending on demand and financing needs, in which case the State Treasury sets the

yield for the issue. This issuance method resembles that of Euro Commercial Paper programmes (ECP). Treasury bills in ECP format can be issued in two currencies: in euros and in US dollars.

In 2025, ECP format Treasury bill issuance was conducted both in USD and EUR

based on pricing and demand during the year. The gross ECP issuance in USD was 6.0 billion and in EUR 4.2 billion.

The average maturity in USD ECP issuance was 6.2 months and EUR ECP issuance 7.6 months. At the end of 2025, the outstanding stocks of USD- and EUR-demoninated Treasury bills were USD 4,000 million and EUR 17,192 million (corresponding figures for 2024: USD 4,120 million and EUR 15,380 million).

Liquidity management

The amount of central government cash reserves varies daily depending on income and expenditure flows. The size of the central government's cash buffer is based on an assessment of sufficient liquidity and limits on uncovered net cash flows. Cash flows follow both intra-month and annual seasonal patterns due to timing mismatches in income and expenditure. Changes in the budget deficit during the fiscal year also affect liquidity management via changes in borrowing requirements.

As the primary focus is sufficient liquidity, actual borrowing may deviate from that budgeted for the fiscal year for various reasons, e.g. deferrable allowances which are budgeted in a specific year but used over a number of years. In 2025, the

actual net borrowing (EUR 17.8 billion) exceeded the budgeted amount (EUR 14.3 billion) by an exceptionally large margin of EUR 3.5 billion. The increased borrowing need was driven by debt management factors, particularly the rise in cash collateral requirements linked to interest rate and currency derivatives.

The central government's derivative contracts include collateral arrangements to reduce credit risk. In 2025, Credit Support cash collateral posted by central government increased by EUR 3.3 billion compared with the end of 2024. The increase was due to changes in interest rates – especially the steepening of the yield curve (i.e. growth of the difference between long- and short-term interest rates) – as well as the appreciation of the euro against the US dollar. The amount of collateral changes daily according to movements in the market value of the underlying derivatives.

Cash collateral transactions are managed as part of the central government's cash management operations. Cash collateral posted by the central government is returned upon the expiry of each contract at the latest. The central government earns interest income on the collateral it provides.

What does bond price variance from par mean?

In 2025, issuing some benchmark bonds below par, i.e. the bond's nominal value, resulted in an increase in nominal issuance and thus nominal borrowing. In accounting, bond issue premia and discounts are referred to as valuation accounts or amortizing items. These do not reflect any profit or loss of the activity but adjust the carrying value of the bond on the balance sheet.

Issue discounts are a feature of issuing fixed rate bonds with coupon rates – which reflect market rates at first issuance – below current market rates. This means the issue price and thus issue proceeds are below par while the running interest cost is lower than the current market rate.

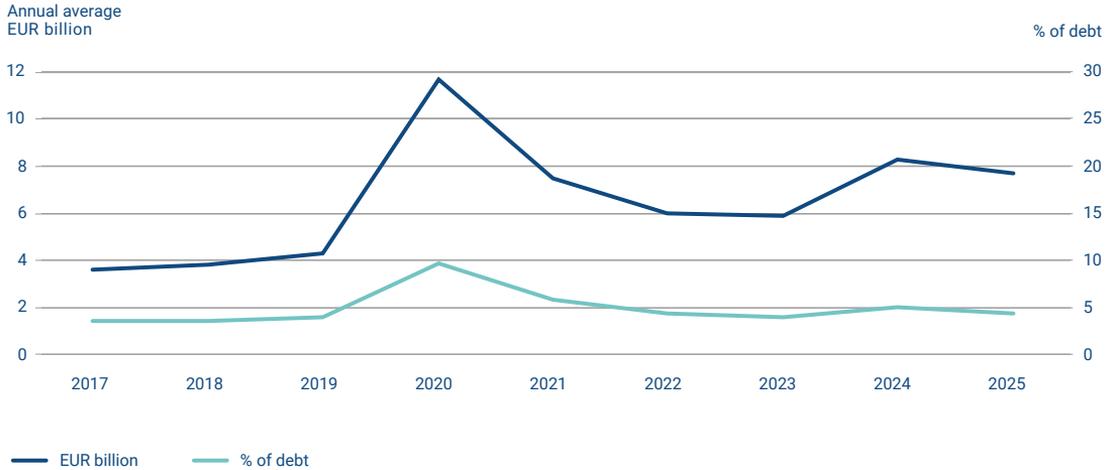
On net terms, cumulative bond amortizations have been issue discounts since 2022. Prior to that, they were issue premia meaning issue proceeds exceeded bond nominal values when coupon rates were higher than market rates at the time of issuance.

Issue discount and issue premium



The graph presents the issue discount and issue premium of central government funding in 2015–2025.

Liquid cash funds



The annual average of liquid cash funds was EUR 7.7 billion or 4.3 per cent of debt in 2025.

Central government’s cash reserves are invested in very short-term maturities using primarily bank and central bank deposits and triparty repos. Triparty repos are deposits made with approved counterparties and secured by highquality collateral, with collateral management handled by a third party such as a central securities depository.

a basis for liquidity management decisions. In 2025, the central government’s average month-end cash balance was EUR 7.7 billion.

Liquidity management relies on the central government cash flow forecast system. All government accounting entities forecast their income and expenditure for the next 12-month period into the system. The State Treasury uses this data as



Anu Sammallahhti is Director of Finance and Head of Debt Management at the State Treasury Finland.



Jussi Tuulisaari is Deputy Director of Funding & Liquidity Management at the State Treasury.



Mika Tasa is Senior Manager at the State Treasury.



Tiina Heinilä is Investor Relations Manager at the State Treasury.



5

From demographic pressures to new growth

Chief Economist MAURI KOTAMÄKI

Photo: Adobe Stock

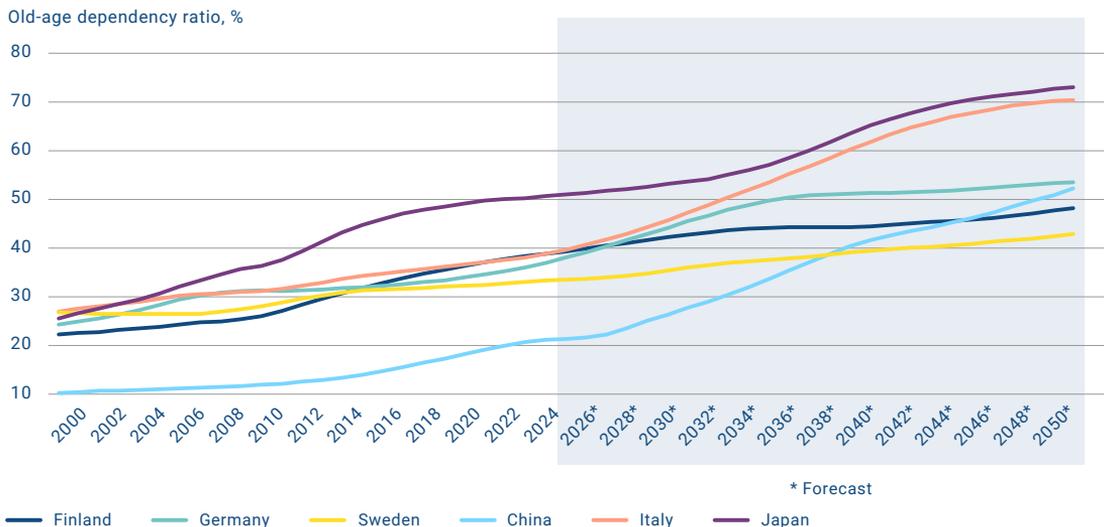
Finland is currently one of the most rapidly ageing countries in the EU, but within the next 25 years it is only expected to be close to the European average. Reforms that strengthen labour supply, together with a sustainable pension system, help mitigate the negative economic effects of ageing.

Population ageing is a global megatrend—one that affects everyone and everything. Japan was the first modern country to experience rapid ageing, and its sluggish growth has been closely monitored since the 1990s.

Following Japan, the second-fastest ageing advanced economy has been Finland, where the old-age dependency ratio began to rise sharply around 2010.* The number of elderly people increased by roughly 430,000 between 2010 and 2024,

Old-age dependency ratio in selected countries, 2000–2050

Source: Macrobond



The graph shows the old-age dependency ratios in selected countries 2000–2050.

* The old-age dependency ratio is the proportion of the elderly population relative to the working-age population.

“Finland’s most rapid phase of demographic ageing is over.”

a dramatic shift for a small country. According to Statistics Finland, the number of employed persons grew by only about 100,000 over the same period—an average of 0.3 per cent per year.

Since slow growth in the number of employed people signals weak economic expansion, stronger productivity growth would be required to lift GDP growth. Yet productivity growth in Finland has remained modest. The slow increase in the wages and salaries sum has resulted in subdued tax revenue growth and mounting pressures on public finances. As a result, Finland’s public sector has accumulated substantial debt over the past 15 years.

The conclusion is clear: the 2010s were an exceptionally challenging decade for Finland from a demographic perspective, and this was reflected in both economic growth and public finances. At the same time—and this is a key message for

Finland’s economic outlook—the most intense phase of demographic adjustment is now largely behind us.

How population ageing affects economic growth

Macroeconomic research provides strong evidence that demographic shifts are closely linked to both economic and productivity growth.*

Slow growth—or even contraction—in labour input dampens an economy’s potential growth. Labour is a fundamental factor of production: the more pair of hands at work, the higher the level of output. In Finland, the working age population declined between 2010 and 2024, although the number of employed persons increased slightly. This reflects the economy’s inherent ability to adapt to an ageing population. Even so, it is clear that both economic activity and employment would likely have grown faster had the

* See, for example, Aiyar et al. (2016), Maestas et al. (2023), or Kotamäki and Lehtimäki (2025).

working age population expanded rather than contracted.

A larger elderly population also drives higher public expenditure. The immediate impact comes through rising pension costs, but over time public spending on healthcare and elderly care also increases. If these expenditures grow unchecked, the outcome is higher taxation, cuts in public services, or more public debt—or some combination of the three.

Ageing also raises the average age of the working age population. Beyond a certain point, age correlates negatively with individual productivity. Naturally, there is substantial individual variation here as not all people experience decline in productivity before retirement age. At the population level, however, the effect is clear: demographic ageing tends to slow productivity growth across the economy.

Ageing is further associated with shifts in individual preferences, particularly regarding risk taking. Risk appetite typically declines with age. This manifests in several ways: firms may become more cautious to invest and expand, individuals may be less willing to take on debt, and workers may be less inclined to change jobs. All of these factors play a central role in shaping long term economic growth.

Finland's situation is improving

Kotamäki and Lehtimäki (2025) estimate that Finland's standard of living, productivity and debt ratio would be broadly comparable to Sweden's today had the country not gone through the intense ageing phase of the 2010s.

Population ageing has exacerbated Finland's economic challenges, but there are signs of improvement ahead. According to demographic projections, the most intensive phase of Finland's structural shift is now largely behind us, and the coming years are expected to bring a somewhat milder ageing trend. This fundamentally reshapes Finland's growth prospects. The 2030s offer structurally stronger conditions for growth than the 2010s, as the negative leverage effect of ageing weakens and the positive impact of labour supply enhancing reforms strengthens.

It is entirely possible that, supported by reforms that boost labour supply, Finland could move onto a higher growth trajectory in the coming years as demographic ageing slows. Measures that increase labour supply have been—and will continue to be—crucial, as the economic effects of ageing can be mitigated by increasing the number of employed people. A clear example is the 2017 pension reform, which raised the statutory retirement age

and linked it to life expectancy. In addition, labour based immigration can help alleviate labour shortages.

The rest of the world is turning grey

Finland and Japan have been at the forefront of rapid demographic ageing. Countries such as Italy, Greece and Portugal have also aged, but over a much longer period.

The global landscape is set to change dramatically as an increasing number of countries enter a phase of rapid ageing. A striking example is China, where the roughly one billion strong working age

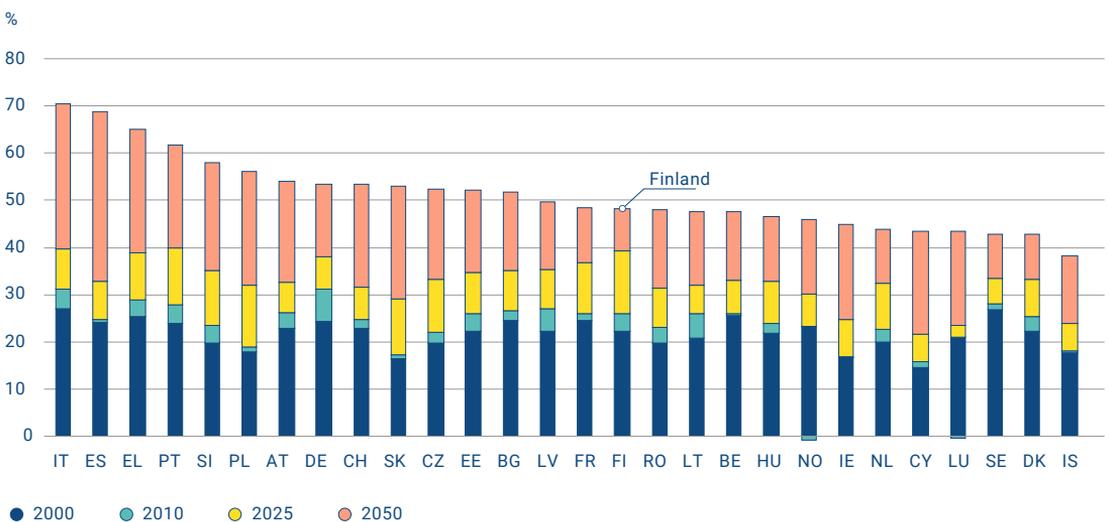
population is projected to shrink by about one quarter over the next 25 years.

There are, however, countries where ageing has progressed much more slowly. Sweden, Denmark and the United States are examples of economies where the population is indeed ageing, but at a markedly different pace compared with many other Western nations.

These developments have several implications. First, Finland’s relative position improves as demographic pressures become lighter here than in many peer countries. Today, Finland is among the most aged countries in the EU when measured by the old-age dependency ratio; in

Old-age dependency ratio in Europe, 2000–2050

Source: World Bank



The graph shows the old-age dependency ratios in Europe 2000–2050.

25 years, Finland is expected to be close to the EU average—implying significantly faster ageing elsewhere in Europe. Second, the global ageing trend may reshape the international economic landscape, as a growing number of countries confront the financial challenges associated with a rapidly ageing population.

Finland's most rapid phase of demographic ageing is now behind us, creating the conditions for stronger economic growth than in the past decade. While Finland's population will continue to age, the challenge ahead is of a different magnitude than what the country has already experienced—or what many of its peers are now facing.

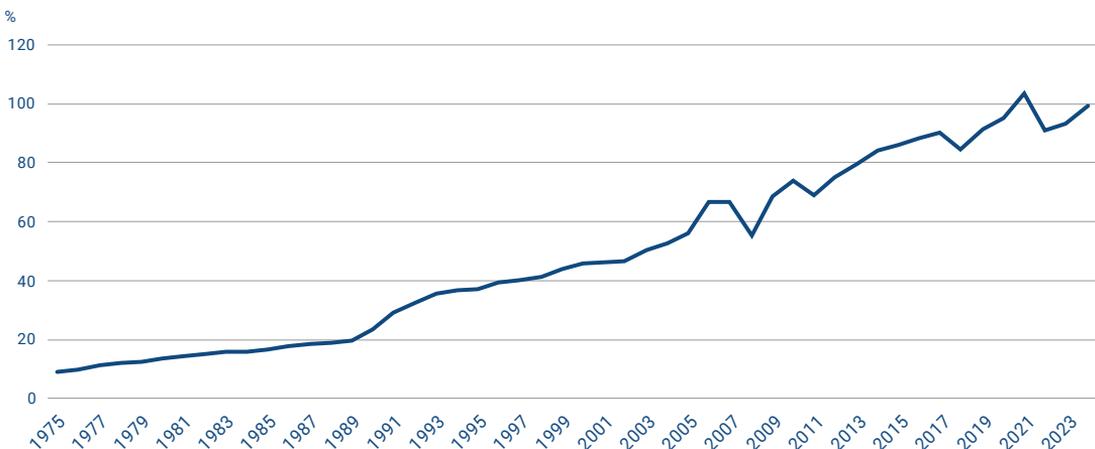
Pension system as a lever for public finances

The pension system is a central component of Finland's public finances. Despite the need for future reforms, the latest long term assessments indicate that the system is sustainable and does not face immediate pressure for contribution increases. Pension contributions are high, but they are matched by comprehensive pension benefits.

Finland is an exception among advanced economies: roughly EUR 280 billion in pension assets has been accumulated. In many countries, prefunding is limited, meaning that ageing translates more directly into higher taxes, higher insurance

Pension assets relative to GDP, 1974–2025

Sources: Finnish Centre for Pensions, Statistics Finland



The graph shows the accumulation of Finland's pension assets relative to GDP from 1975 to 2024.

contributions or increased public debt. According to Statistics Finland's 2022 estimate, Finland's total pension liability amounts to roughly EUR 900 billion, reflecting the system's long term commitments. The accumulated funds help finance future pensions.

Finland's earnings related pension funds have improved the efficiency of pension financing through the financial markets. Contributions have been invested with a long term horizon in higher risk assets, generating returns that have exceeded the central government's funding costs (the nominal return of pension insurers between 1998 and 2024 averaged around 5.7 per cent). This return differential reflects the longer investment horizon and greater risk bearing capacity of pension funds, and has helped spread the fiscal burden of ageing over time.

In this sense, the pension system has successfully leveraged pension contributions through financial markets. The trade-off has been higher pension contributions in the short term.

Most Finnish pension assets are invested abroad, meaning that partial funding does not fully translate into a larger domestic capital stock. What matters, however, is the income stream: foreign investment returns finance part of future pensions

and provide a buffer if domestic wages and salaries sum growth falls short of expectations. Without partial funding, the adjustment would fall more directly on taxes, contributions or debt—measures that would more readily weaken labour supply and investment.

The recently agreed investment reform, which increases the equity share in pension portfolios, is expected to grow pension assets over time, provided that long term equity market performance remains favourable.

Partial funding and investment returns reduce the expenditure pressures associated with ageing, but they also shift the timing and distribution of the adjustment. The need for abrupt tightening diminishes, supporting more stable conditions for economic growth.

Conclusion: Finland's next growth chapter may be more favourable

Finland's most rapid phase of demographic ageing is over. This single fact will reshape the country's economic dynamics over the coming decades more than any individual policy measure.

Growth barriers still exist, but they are no longer reinforced by demographic head-

winds to the same extent as before. Looking ahead, Finland's sources of growth will be labour supply expansion, productivity gains and faster adoption of new technologies, alongside increased investment, stronger skills and proactive fiscal stabilisation.

Finland's population will continue to age, but the pressure is easing—just as the rest of the world begins to grey at a faster pace. This shift gives Finland better growth conditions than it has had for quite some time.



Mauri Kotamäki (D.Sc. Econ.) is Chief Economist at Finnvera and Senior Researcher at the Population Research Institute of the Family Federation of Finland.

A photograph of a snowy winter scene in Finland. The image shows a woman in an orange coat pushing a stroller with a child in a colorful winter suit. The background is filled with snow-covered trees and a wooden fence. The overall atmosphere is bright and serene.

6

Finland is a top performer in sustainable development

Head of Research **JUKKA HOFFREN**

Photo: Esa Ervasti

According to a recent follow-up report on sustainable development by the Finnish Government, Finland today is an equal, modern and prosperous welfare state and a pioneer in the advancement of the Sustainable Development Goals. Finland has already achieved 86 per cent of the goals set in the 2030 Agenda for Sustainable Development. This success is built on mutual trust in the society, a well-functioning democracy, equal opportunities for all, equality between genders, free high-quality education, and public healthcare services for all.

Prime Minister **Petteri Orpo** presented the Voluntary National Review and the conclusions therein to the United Nations High-Level Political Forum (HLPF) in New York in July 2025. The Voluntary National Review (VNR) 2025 constitutes a Finnish self-assessment of the country's progress towards implementing the goals of the 2030 Agenda for Sustainable Development. This is Finland's third voluntary review. The previous similar reports were drawn up in 2016 and 2020. The VNR was prepared by the Prime Minister's Office and the editorial board appointed by it. The expert members of the board included the Ministry for Foreign Affairs and Statistics Finland. Moreover, the report also presents the business sector's and civil society's views on sustainable development.

The 2030 Agenda and its Sustainable Development Goals (SDGs), which are binding on all Member States, were adopted in 2016 and are to be achieved by 2030. The deadline is only around five years away. The preparation of a country review for the UN is particularly useful for the Member States, as the process provides an opportunity to uncover potential blind spots in sustainable development. According to the self-assessment included in the VNR, Finland is on the right track in accelerating the achievement of many of the SDGs.

Based on Finland's experiences, the key to achieving the SDGs is involving different population groups in the transition and ensuring that they also remain involved. Equality is of utmost importance for social cohesion: when the entire society supports sustainability, people feel includ-

ed and are better prepared for the challenges of the future.

Rapid progress in the green transition

The national review highlights some of the areas in which Finland has achieved particularly good results. For example, Finland has successfully reduced the death rate due to road traffic accidents. In addition, Finland has been a trailblazer in gender equality, taken measures to enable sustainable economic growth by means of, for example, the circular economy, and actively sought international partnerships to promote global sustainable development.

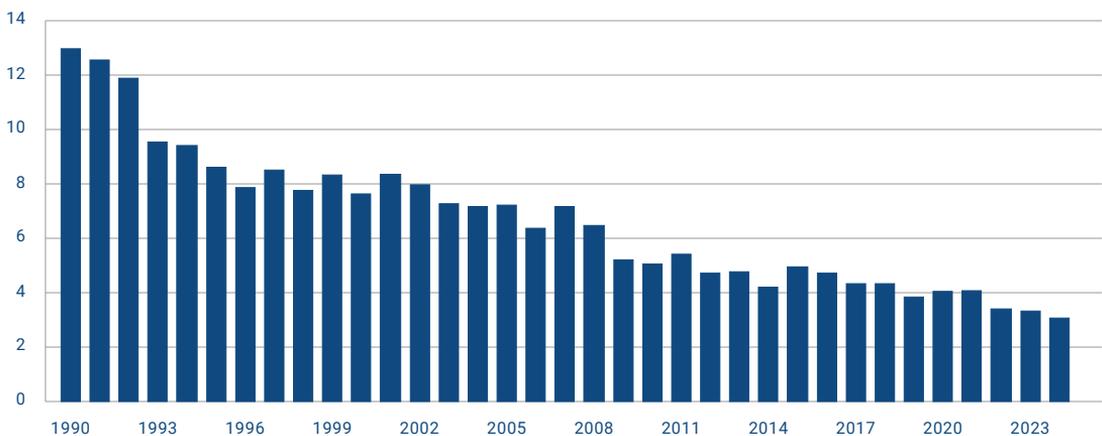
Over the past decades, Finland has made significant progress in the green transition and the transition to renewable energy sources. The 2030 Agenda does not contain targets for the SDG indicator on greenhouse gas emissions. However, Finland has made a national commitment to achieving carbon neutrality by 2035. Although the greenhouse gas emissions have decreased significantly and appear to be decreasing also in the future, the goal of reaching carbon neutrality is an ambitious one and requires significant additional measures, especially with regard to transport.

Finland's main challenges are related to ecological sustainability, global responsi-

Death rate due to road traffic accidents

Source: Statistics Finland

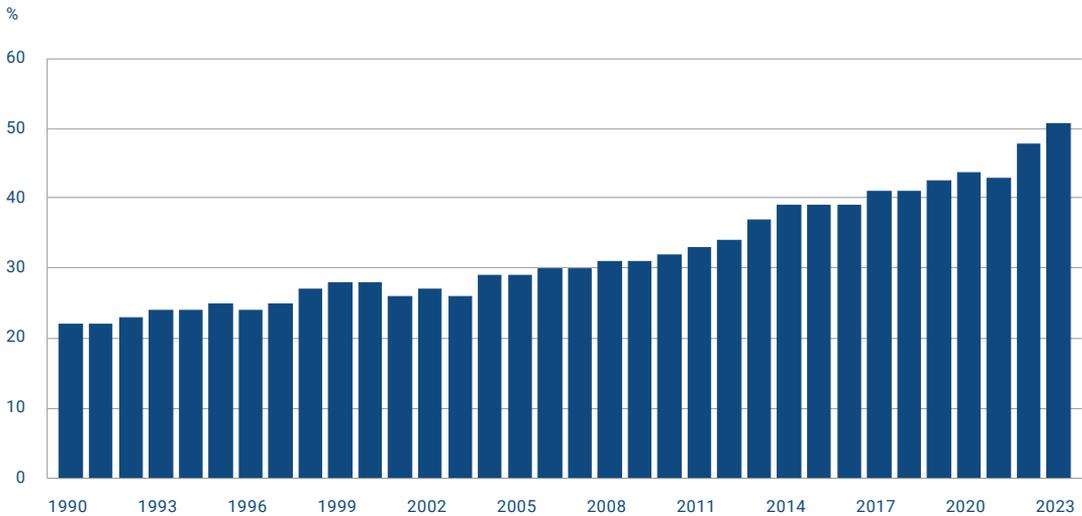
Deaths per 100,000 inhabitants



The graph shows the development of death rate due to road traffic injuries from 1990 to 2024. Traffic safety has improved dramatically in Finland. In 1990, the death rate due to road traffic injuries was 12.98, but in 2024 it was just 3.05.

Share of renewable energy of the total energy consumption

Source: Statistics Finland

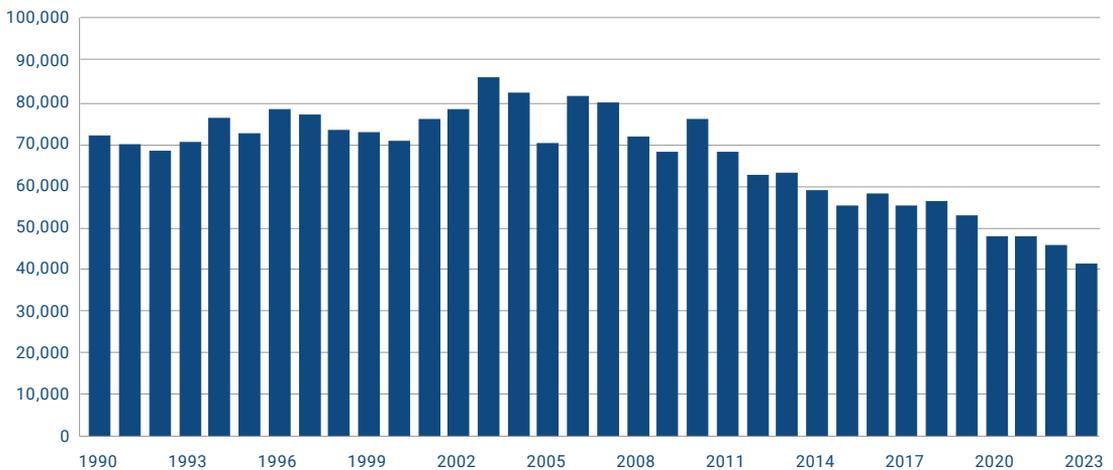


The graph shows the renewable energy share in the total final energy consumption. In Finland, the share of renewable energy in the total final energy consumption has constantly grown from 22 per cent in 1990 to 51 per cent in 2023.

Greenhouse gas emissions per year

Source: Statistics Finland

Thousand tonnes of CO₂ equivalent

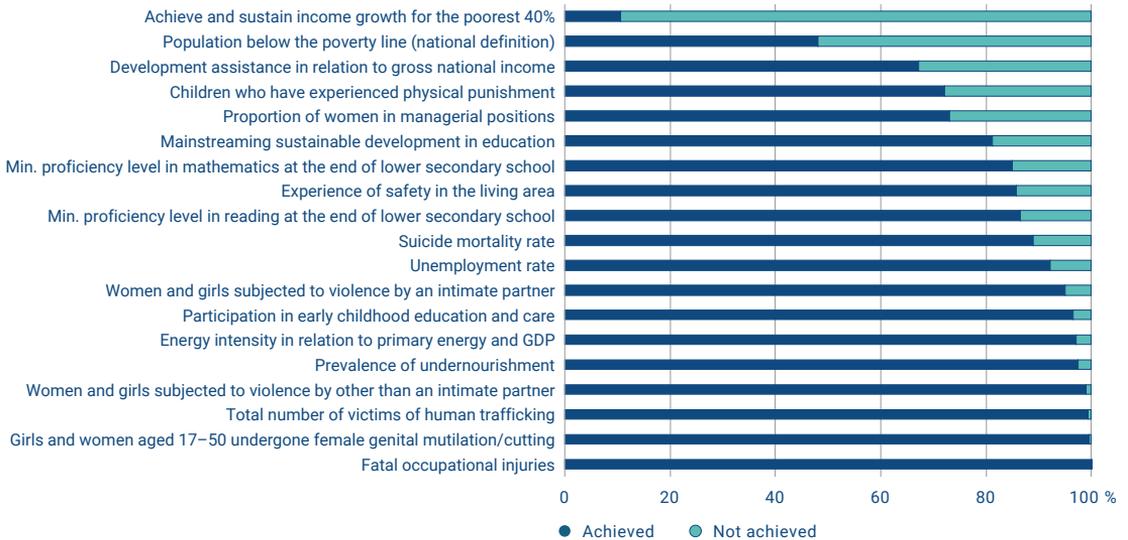


The graph shows the development of Finland's total greenhouse gas emissions from 1990 to 2023. Finland's emissions began to decline after 2003. In 2023, total emissions amounted to 41.0 million tonnes of CO₂

6 Finland is a top performer in sustainable development

SDG indicators that have not been fully achieved

Source: Statistics Finland



The graph shows the SDG indicators that have not been fully achieved yet in Finland.

bility and negative cross-border impacts. Finland is still far from ecological sustainability, especially as regards the forests and their ecosystems which are valued by the country, the high material consumption rates, and the prevention of biodiversity loss. It will be challenging for Finland to achieve the goals set for these areas.

It is estimated that Finland will achieve most of the 2030 Agenda goals by the deadline. However, the advancement of these goals is not entirely without challenges, and Finland's performance in many of the 169 targets and 248 indicators of the 2030 Agenda varies greatly.

Although women hold an extensive proportion of managerial positions in the

economy and society, women still hold only a minor share of managerial positions in the private sector. In terms of high-quality education, we are currently drifting away from the positive results already achieved, which means that further measures are required in this area.

The main goals of the 2030 Agenda are to end hunger and halve the number of individuals living in poverty. In Finland, there is no hunger or individuals living below the absolute poverty line. However, according to a national definition, a total of 10.5 per cent of the Finnish population was considered poor in 1990, and 10.9 per cent in 2020. In addition, development assistance in relation to gross national income remains below the 0.7 per cent target.

Achieving the goals requires work

Internationally, Finland is traditionally considered a pioneer in sustainable development, along with the other Nordic countries. For example, the Sustainable Development Solutions Network (SDSN) has ranked Finland as number one in achieving the Sustainable Development Goals for five consecutive years.

As a downside to the international success, Finnish decision-makers have become somewhat complacent in thinking that the SDGS have already been achieved and, therefore, failed to pay enough attention to the new challenges posed by the 2030 Agenda goals. The steering system has been deemed ill-suited for the management of an extensive cross-administrative phenomenon, such as sustainable development.

The vision set in Finland's sustainable development strategy for 2022–2030 is to achieve a prosperous and globally responsible Finland that protects the carrying capacity of nature. This requires a society-wide approach, as well as continuous monitoring, foresight and flexible decision-making.

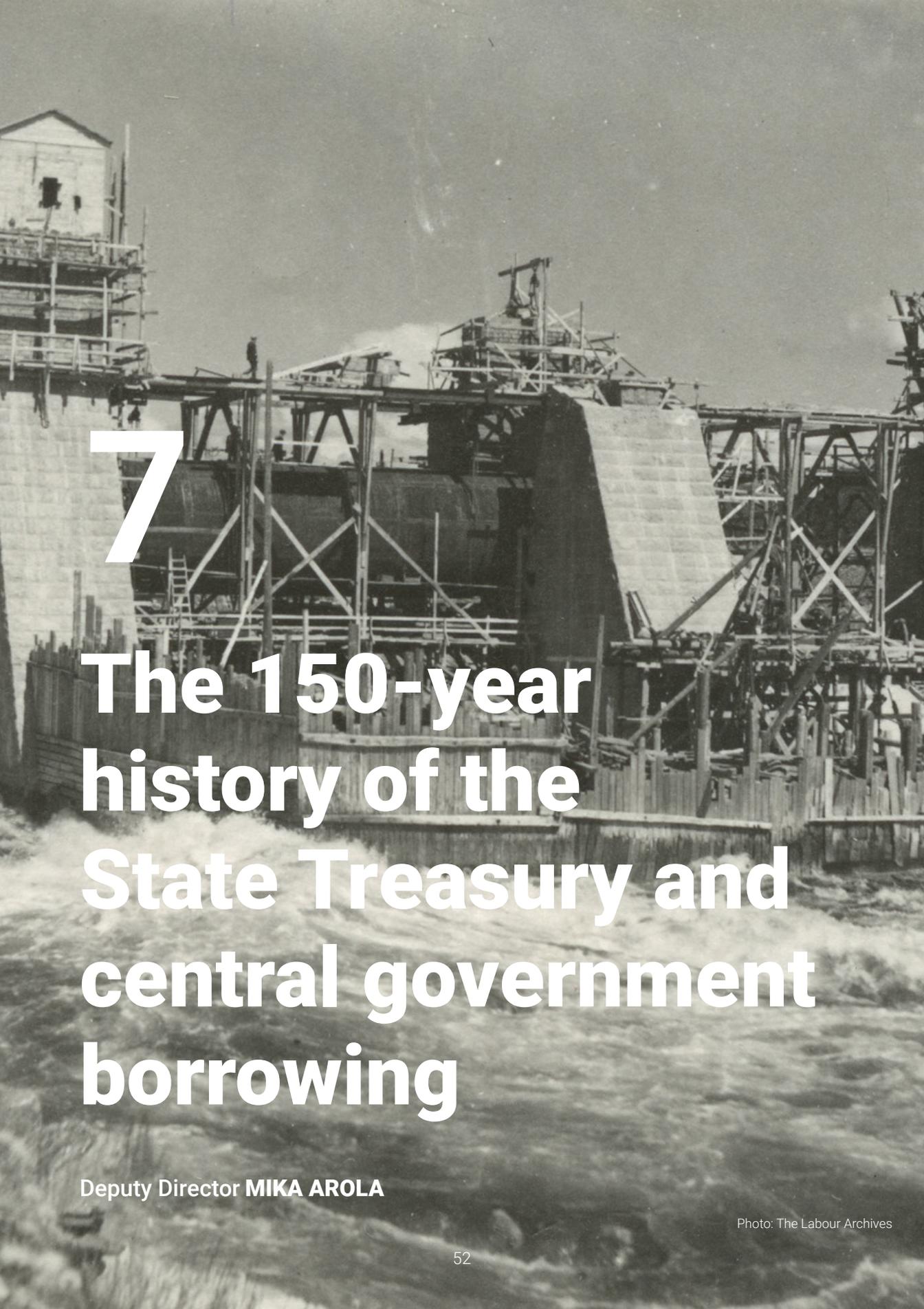
Sources:

[Progress towards shared wellbeing of people and planet. Voluntary National Review 2025](#)
[FINLAND, Report on the Implementation of the 2030 Agenda for Sustainable Development.](#) 
Publications of the Finnish Government 2025:7.

[Sustainable Development Goals Indicators for Finland: Statistical Annex of the Finnish Voluntary National Report 2025 on the Implementation of Agenda 2030.](#) 
Statistics Finland 2025.



Jukka Hoffren works as Head of Research in the Partnership and Ecosystem Relations service area at Statistics Finland. He is responsible for compiling the SDG indicators for sustainable development in Finland. In addition, he was involved in the process of drawing up Finland's country review and prepared the statistical appendix to the review.



7

The 150-year history of the State Treasury and central government borrowing

Deputy Director MIKA AROLA

Photo: The Labour Archives

The most dramatic negotiations in the history of Finland's government borrowing took place in October 1867. "I have no such enemy in this world that I would wish upon them what I have been forced to endure in Berlin during these eight days," wrote Reinhold Frenckell, who represented Finland in the negotiations. What was going on?

The tense talks were held in Berlin in October 1867, only a few years after the Grand Duchy of Finland had issued its first foreign bonds. Finland was represented by **Reinhold Frenckell**, a member of the Board of the Bank of Finland, while on the opposite side sat one of Europe's most influential bankers, **Mayer Carl von Rothschild**.

The Finnish Senate was in desperate need of money to alleviate the effects of the famine. Von Rothschild doubted Finland's ability to repay its debts, as the country was poor and ravaged by the hunger years. However, he finally agreed to grant the loan to the Imperial Finnish Senate.

Frenckell had put everything on the line during the loan negotiations and even managed to impress von Rothschild. In fact, after deciding to grant the loan, von Rothschild wrote to Finland to the head of the department for financial affairs in the Senate, **J.V. Snellman**: "I do not know how I could impress upon you strongly enough, senator Snellman, that your government's representative has proven himself to be a passionate advocate of his country's interests. Without a doubt, you have his tenacity and the measures he used to persuade me to thank for the decision we have reached regarding this transaction, as I would certainly not have given my consent to anyone but him."

◀ The central government borrowing has played an important role in financing Finland's infrastructure investments. During the period of autonomy, the government used borrowed funds to build a nationwide railway network. After Finland gained independence in 1917, government borrowing enabled the harnessing of the country's rapids for electricity production. The completion of the Imatrankoski power plant in 1929 significantly increased Finland's electricity generation. A U.S. dollar bond issued by the Republic of Finland exactly 100 years ago, in 1926, became known as the "Niagara of Finland loan" — the proceeds were used for the construction of the power plant. Photo: The Labour Archives



Redemption of government bonds in the State Treasury Hall after the Second World War.
Photo: State Treasury

This kind of praise from the leading banker in Germany can, for a good reason, be considered as an important and exceptional demonstration of competence. Perhaps it contributed to the appointment of Reinhold Frenckell as the Director General of a new central agency, the State Treasury, less than ten years later. The agency began its operation 150 years ago in 1876, and it was tasked with the management of state funds, the payment of interests, and amortisation of central government debt. Since then, the duties of the State Treasury have expanded significantly. However, it is still responsible for the payment transactions of central government debt, and now also

for the market operations related to central government borrowing and cash management within the strategic guidelines laid down by the Ministry of Finance.

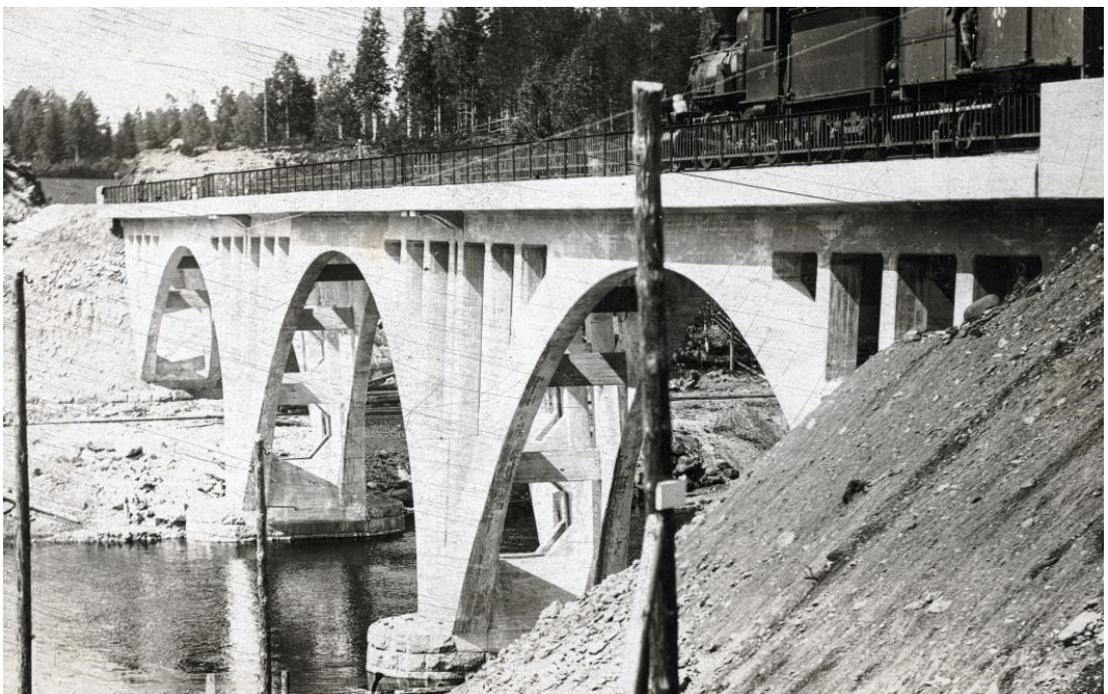
In the late 19th century, an even more important development for government borrowing than the founding of the State Treasury was the establishment of a borrowing infrastructure. After the difficult beginning of the 1860s, Finland became part of a global banking network and obtained an international investor base. At the same time, Finland became a well-known player in the international financial market. The

roots of the current borrowing practices and banking relationships of the Finnish government go back 150 years.

Banking and investor relations enabled the practical execution of government borrowing. However, the investment decisions were based on the state of Finland's national economy and general government finances, which culminated in the credit risk premium: the difference of interest rates between the Finnish government bonds and bonds issued by other countries. Tracking this development provides

an interesting insight into the history of Finland. Ultimately, the credit risk premium reflects the confidence that the investors place in the borrower's ability and willingness to service the debt in accordance with the loan terms.

Towards the end of the 19th century, the credit risk of the Grand Duchy of Finland fell much lower than that of Russia. It settled at the level of the Nordic countries as Finland's autonomy expanded and its economic growth gained momentum. Unlike in most of the great powers of the



Government borrowing played a key role in financing the construction of Finland's nationwide railway network. The photo shows the Jänisjoki railway bridge, completed in 1921. Photo: The Labour Archives

“By the late 19th century, the Grand Duchy of Finland’s credit risk had fallen well below that of Russia.”

age of imperialism, the border land was perceived by the capital markets as a more reliable issuer than the core of the empire. Finland’s strong market credentials were linked to the integration of the global financial markets, as the classic gold-standard system brought the world’s financial markets together into a single large system.

The tragic twentieth century, with its World Wars, destroyed the international financial system, which did not recover to the level of integration seen in the belle époque era until the turn of the millennium. These international developments were also reflected on Finland. The young republic had gained its independence in 1917, and now it was struggling in the turbulent environment of the global economy and politics. Furthermore, especially in the early stages of its independence, Finland was suffering from an existential threat posed by the Soviet Union, which kept the credit risk premium for Finland high. In fact, Finland’s full return to the core of the bond market took place only

in 1999 along with the introduction of the euro market.

Finland used the proceeds from the bonds arranged first by Mayer Carl von Rotshchild in Germany and, later at the turn of the century, by Crédit Lyonnais in Paris to build a nationwide railway network. The significance of the railway network in the Finnish history was crucial: the railway system connected the country into a single economic and political entity. The issuing of government bonds also emphasised the statehood of autonomous Finland, as did the name of the new agency, the State Treasury. In the 1920s, independent Finland issued bonds in New York to fund the electrification of the country. During the Second World War, domestic retail borrowing was a key instrument in the financing of warfare: in addition to bank branches, war bonds could be registered at the State Treasury.

The importance of government borrowing was again highlighted during the recession of the 1990s: the central government

leaned on domestic and foreign borrowing to alleviate the effects of the great depression and to support the banking sector that was in crisis. Finland has always managed to gradually reduce its elevated debt levels, until the chronic budget deficits following the 2008 financial crisis

appear to have caused a more permanent rise in the debt ratio. This is also reflected in the annual borrowing requirements of the central government. In its 150th anniversary year, the State Treasury will issue debt securities worth EUR 44 billion, mainly to foreign investors.



Mika Arola, D.Sc. (Econ.), serves as Deputy Director at the State Treasury of Finland. In 2025, he published a book on the global history of Finland's government borrowing together with Professor Emeritus **Sakari Heikkinen**.

A photograph of a worker in winter gear clearing snow from a red brick building's roof during a snowfall. The worker is wearing a dark jacket, a yellow safety vest, and a blue beanie. They are using a shovel to clear snow from the roof. The building is made of red brick and has several windows. The snow is falling heavily, creating a white mist in the air. The roof is covered in a thick layer of snow, and there are icicles hanging from the eaves. The overall scene is a winter maintenance activity.

8

Risk management principles

Deputy Director MIKA AROLA

Photo: Tuula Roos

The strategic goal of debt management is to ensure the central government’s financing needs are met costeffectively under all market conditions while minimising the long-term cost of debt within an acceptable level of risk.

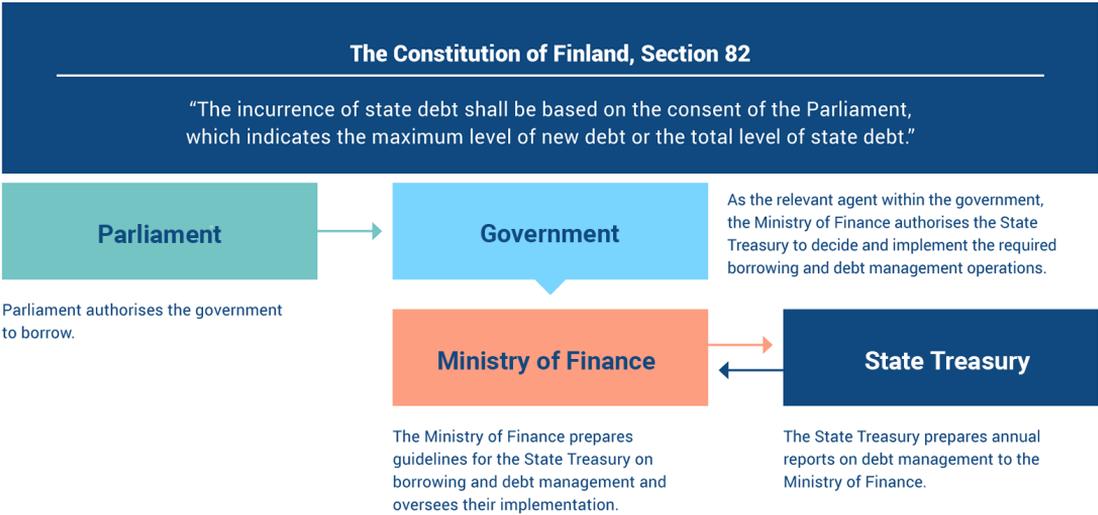
Framework of government borrowing

The strategy for central government debt management is set by the Ministry of Finance. The State Treasury carries out its debt management tasks according to the Ministry’s directive.

The Ministry’s directive sets out the general principles and objectives of debt management, the instruments and risk

level, as well as any other applicable restrictions. The State Treasury is authorised to raise funds provided that the nominal value of the central government debt does not exceed EUR 205 billion. Of this amount, up to EUR 35 billion may be short-term debt.

The State Treasury is authorised to take out short-term loans when necessary to safeguard the central government’s liquid-



The infograph shows the legal framework and the division of functions of government borrowing between the Parliament, the Government, the Ministry of Finance, and the State Treasury.

“The weighted average maturity at issuance (WAMI) of funding carried out in 2025 was 7.0 years.”

ity and, as part of its risk management, to enter into derivative agreements that comply with the terms and instructions issued by the Ministry of Finance.

The State Treasury reports regularly to the Ministry of Finance on its debt management. Key information on the central government’s debt management is also published annually in the central government’s financial accounts and the Government’s annual report. The final central government accounts are published every year in March and the Government’s annual report in May.

Risk management: an essential part of sound debt management

The goal of risk management is to avoid unexpected losses and safeguard the continuation of operations. The aim of central government is to manage all risks in a systematic manner. Its risk management process consists of identification of risks, quantification and evaluation of risks, risk monitoring and reporting, and active management of its risk positions.

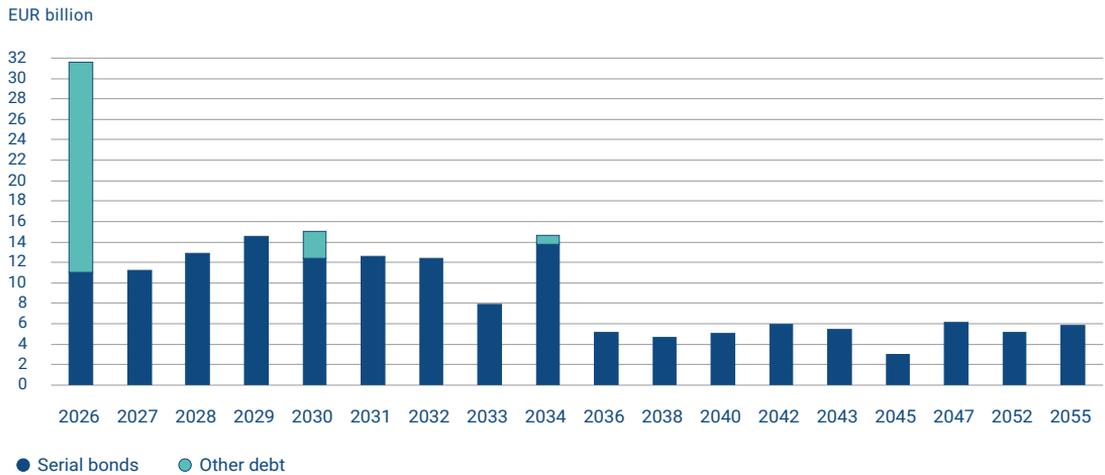
The main risks are financing risk short-term liquidity risk and (long-term refinancing risk), credit risk, market risk (interest and exchange rate risk), operational risk, and legal risk.

Financing risk

Financing risk can be divided into liquidity risk and refinancing risk. Liquidity risk refers to short-term funding risks, essentially the amount of financing the government must cover in the near term relative to its liquid assets and funding capacity. Refinancing risk measures the volume of debt that needs to be refinanced over a given period, such as within one year.

Liquidity risk is managed by the State Treasury by maintaining a sufficiently large cash buffer at all times. The buffer will be larger if uncertainty related to the availability of funding is perceived to rise. The Ministry of Finance’s debt management directive sets a minimum target period for how long the central government must be able to cover its known and expected expenditures without new borrowing.

Repayment profile of central government debt



The graph shows the repayment profile of central government debt.

Liquidity risk management is based on a cash flow forecast system covering the entire central government sector, through which government accounting entities report their projected income and expenditures to the State Treasury. The State Treasury's cash management relies on this data to assess the adequacy of the cash buffer. In line with the Ministry of Finance's directive, the State Treasury safeguards liquidity primarily by investing the cash reserves in the Bank of Finland. Cash reserves can also be invested in other collateralised or low-risk short-term maturities.

The State Treasury manages refinancing risk first and foremost by avoiding large

maturity concentrations of debt. The Ministry of Finance's debt management directive sets limits to this. Refinancing risk is further reduced by diversifying funding across instruments, investor types and geographical regions. This mitigates reliance on any single source of financing and enhances the liquidity and investor appeal of government bonds.

Credit risk

Credit risk arises from the investment of cash assets and derivative agreements. The government requires its counterparties to have a high level of creditworthiness, and the Ministry of Finance's direc-

“Although a portion of government borrowing is in foreign currencies, all exchange rate risk is fully hedged with currency swaps.”

tive sets limits and minimum thresholds for the credit ratings of counterparties. Credit risk management is particularly critical in large cash investments. To reduce the credit risk associated with cash investments, the State Treasury primarily invests cash assets in the Bank of Finland and additionally in, for example, secured triparty repo agreements.

The State Treasury uses collateral to reduce the long-term credit risk arising from derivatives. Like many other sovereign borrowers, Finland uses a collateral agreement (CSA, Credit Support Annex) under the ISDA framework agreement. A bilateral collateral agreement means that both parties are obligated to provide collateral against derivative positions.

Market risks

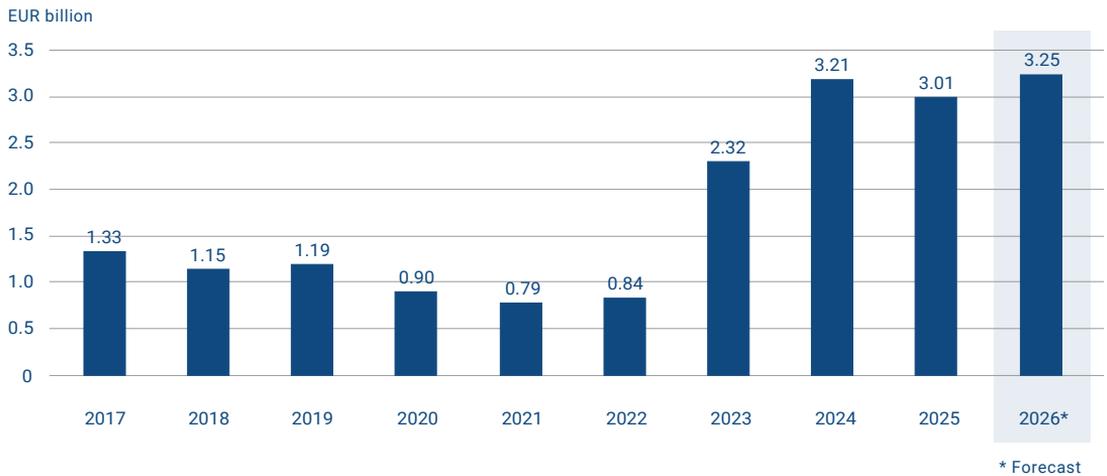
A key target variable for the interest rate risk management of the central government debt is the weighted average maturi-

ty at issuance (WAMI). For borrowing that has taken place after the current debt management directive entered into force in March 2024, the target for WAMI is on average seven years in the medium term. The weighted average maturity can deviate by up to six months from the aforementioned average maturity. For short-term borrowing, the calculation applies to the year-end debt stock and the average maturity of short-term issuance during the year. The WAMI of funding carried out in 2025 was 7.0 years.

The central government does not take on exchange rate risk in its debt management operations, and no exchange rate risk is associated with existing debt. While a portion of government borrowing is denominated in foreign currencies, all related exchange rate exposure is fully hedged through currency swaps.

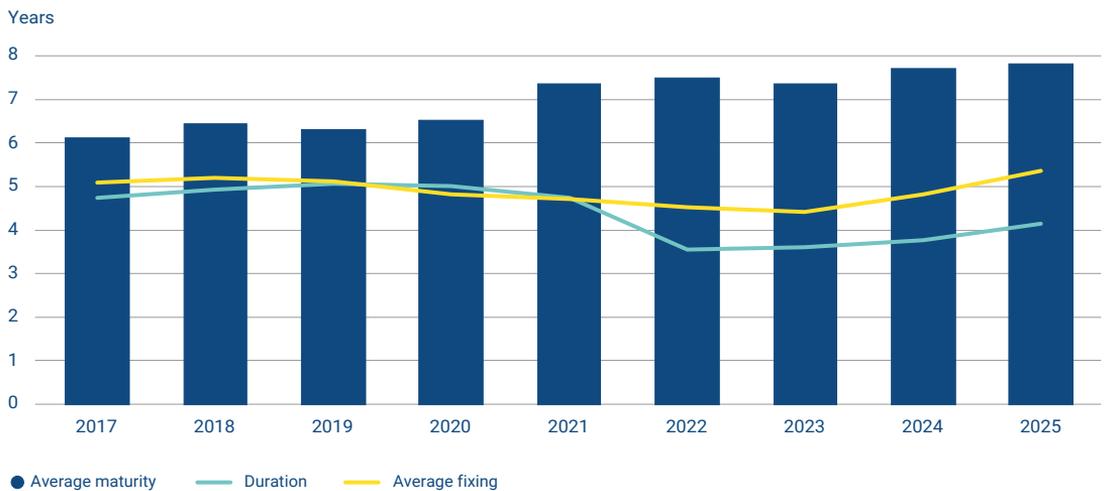
Currency hedging involves collateral movements. In 2025, the government

Interest expenses of budgetary debt



The graph shows the annual interest expenses of budgetary debt in 2017–2026. In 2025 the interest expenses were EUR 3.01 billion. The forecast for 2026 is EUR 3.25 billion.

Interest rate sensitivity of central government debt



The graph shows the key figures on the interest rate sensitivity of central government debt. At the end of 2025, the average fixing of the central government debt was 5.39 years and duration 4.16 years. The average maturity was 7.84 years.

posted cash collateral as the euro appreciated against the US dollar. Posted cash collateral does not increase the central government deficit, but as it needs to be financed, the posted collateral does increase the annual borrowing requirement. Until February 2024, the central government also used interest rate swaps to adjust its interest rate risk position, and the remaining contracts likewise involve collateral movements.

Collateral posted to counterparties is recorded as a receivable in the central government's financial statements, as it will be returned when market value of the underlying derivative changes or when the contract expires. Conversely, collateral received from counterparties is recorded as a short-term liability.

Operational risk

Operational risk means a risk arising from external factors, technology, or the inadequate performance of personnel, organisation or processes. A field requiring special attention is data security, which encompasses the security of both documents and IT systems. Equal focus is given to developing and continuously testing operative business continuity plans. Regular audits by external cybersecurity experts have also spurred improvements in operative processes.

The principles of operational risk management are implemented in daily operations. Incidence of realised risk events and near-miss incidents are compiled and reported to management. The State Treasury monitors risk factors and events regularly and makes risk assessments.

Legal risk

Legal risk is the risk resulting from failure to comply with laws and regulations or established market practices as well as invalidity, nullity, voidability, discontinuation or the lack of documentation of contracts, agreements and decisions.

The State Treasury has prepared a set of internal guidelines for the management of legal risks. The State Treasury actively monitors its legal operating environment and reacts to significant changes quickly when necessary.

The objectives of legal risk management are to ensure compliance with all applicable laws, rules and regulations and to minimize legal risk by utilising standard agreements and the government's own templates. In addition, steps are taken to ensure that employees are familiar with legislation, regulations and market practices concerning their activities.

Internal control

Internal control is an integral part of management of the State Treasury. Internal control ensures the quality and efficiency of operational processes, the reliability of internal and external reporting, and compliance with laws and regulations. A sound system of internal control helps all parts of the organisation to reach their targets.

As part of internal control all main debt management processes are evaluated on an annual basis. The assessment pays special attention to the clarity of the State Treasury's objectives, risks, and control procedures.



Mika Arola is Deputy Director of Risk Control & Legal Affairs at the State Treasury Finland.



9

Key figures

Economy	2024	2025*	2026*	2027*	2028*
GDP at market prices, change in volume, %	0.4	0.2	1.1	1.7	1.6
Imports, change in volume, %	-0.8	2.0	3.6	2.5	3.0
Exports, change in volume, %	1.8	2.4	1.3	2.4	2.7
Consumer price index, change %	1.6	0.4	1.2	1.8	1.9
Unemployment rate, %	8.4	9.6	9.5	9.1	8.5
Current account, relative to GDP, %	-0.7	0.3	-0.4	-0.4	-0.4
Tax ratio, relative to GDP, %	42.2	42.4	42.5	42.0	41.9

* Forecast, Ministry of Finance

Government finances	2024	2025*	2026*	2027*	2028*
General government net lending, relative to GDP, %	-4.4	-3.9	-4.5	-4.0	-3.9
Central government net lending, relative to GDP, %	-3.7	-4.0	-4.9	-4.3	-4.4
General government debt, relative to GDP, %	82.4	89.1	91.6	92.4	93.8
Central government debt, relative to GDP, %	61.4	66.7	69.0	70.3	71.8

* Forecast, Ministry of Finance

Central government debt and borrowing*	2024	2025	*Central government debt administered by the State Treasury
Central government debt, EUR billion	169.4	187.7	
Bonds, EUR billion	148.2	163.5	
Treasury bills, EUR billion	18.7	20.3	
Other debt, EUR billion	2.6	3.9	
Gross issuance, EUR billion	42.8	47.3	
Net borrowing, EUR billion	12.6	17.8	

Risk management	2024	2025
Interest on budgetary debt, EUR billion	3.2	3.0
Effective interest rate on debt portfolio, %	2.0	1.9
Average maturity	7.8	7.8
Duration	3.8	4.2
Average fixing	4.8	5.4
Weighted Average Maturity at Issuance (WAMI), years	7.7	7.0



State Treasury
Republic of Finland

treasuryfinland.fi