



State Treasury
Republic of Finland

Finnish central government borrowing

January 2025

AA+

Aa1

Credit ratings

The government has solicited credit ratings from two agencies: Fitch Ratings and Moody's Ratings.

For long-term debt, they are

AA+ and **Aa1**

(negative, stable)

1 Finnish economy



Economic growth expected to gain speed next year

- Finland's GDP shrank by 0.3 per cent in 2024 though the economy grew in each quarter compared with 2023
- Consumption and investments will accelerate growth as inflation slows down, interest rates fall, and real household income increases
- Growth in Finnish exports is picking up
- Turnaround in labour market expected in 2025 - employment growth will be supported by the Government's measures to boost labour supply and by higher immigration
- Despite deficits, debt ratio showing signs of stabilising by 2027

	2024*	2025*	2026*	2027*
GDP change, %	-0.3	1.6	1.5	1.5
Inflation, %	1.6	1.1	1.4	1.8
Current account, % of GDP	-0.1	-0.4	-0.3	-0.4
Private investment change, %	-8.1	5.3	4.2	4.8
Exports change, %	0.4	3.4	3.1	2.4
Unemployment rate, %	8.3	8.4	7.9	7.4
Public deficit, % of GDP	-4.2	-3.5	-2.9	-2.5
Public debt, % of GDP*	82.5	85.0	86.1	86.3

*The general government debt ratio increased by about 6 percentage points (approximately EUR 15 billion) from 66% to roughly 72% at the level of 2021 **due to Statistics Finland implementing a change in methodology**. The change was related to the interest subsidy loan system for rental and right-of-occupancy dwellings.

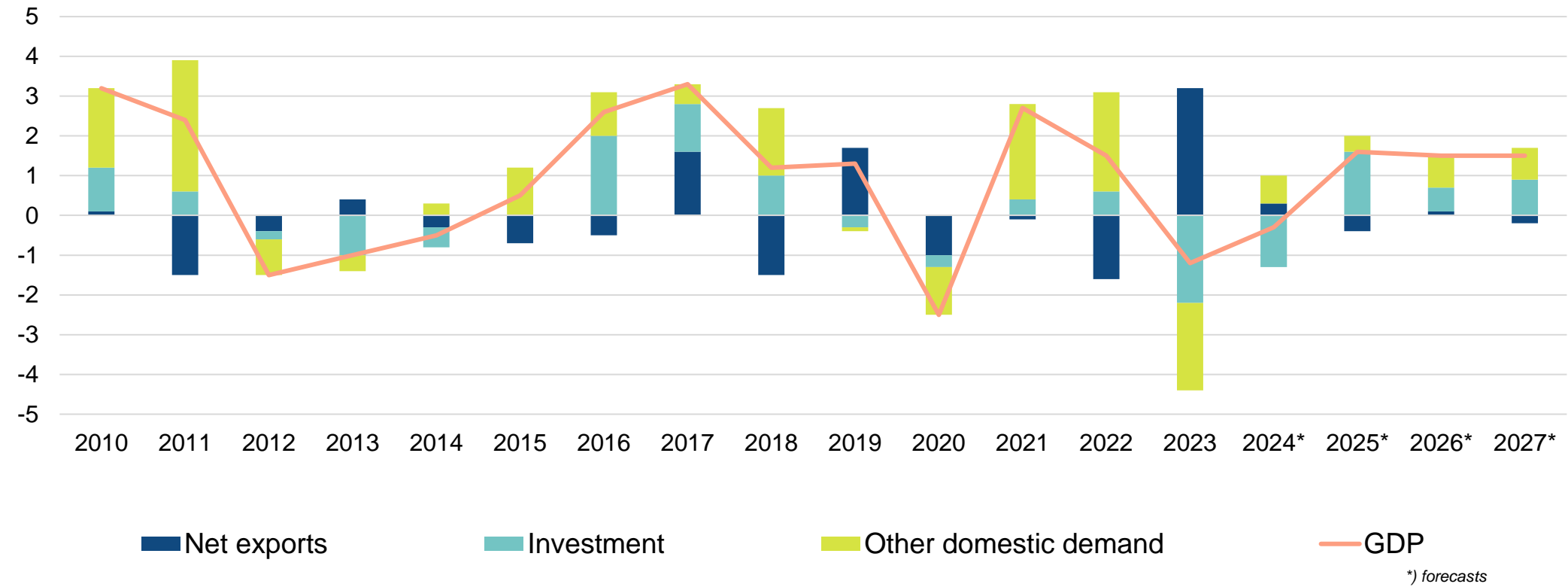
Government's fiscal policy target is to stabilise the general government debt ratio by 2027

- Government committed to fiscal consolidation worth of **EUR 9bn** (EUR 6bn in government programme of 2023 + EUR 3bn of additional measures decided in spring 2024)
- Package consists of **spending cuts (EUR 5.4bn)**, **tax measures (EUR 1.6bn)** and **structural reforms (EUR 2bn)** especially in labour market and social security
- This package is already in implementation, corrective measures possible in spring 2025 if needed
- Economic growth package includes increased public R&D spending to meet total target of 4% of GDP by 2030, tax credit for large-scale industrial investment and improving permit procedures for investments

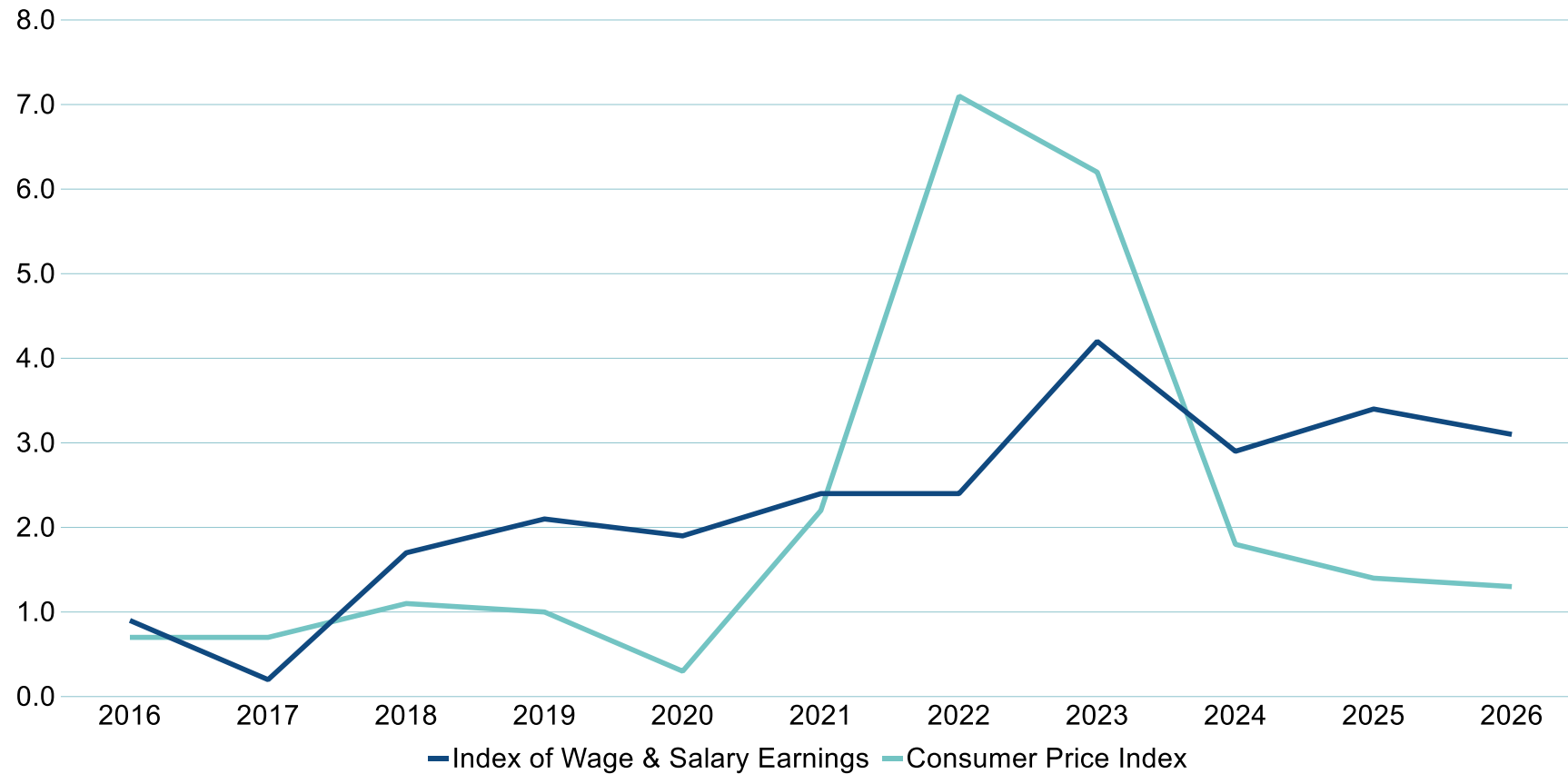
Consumption and investments to drive GDP growth from 2025

Contribution to GDP growth in Finland

percentage points



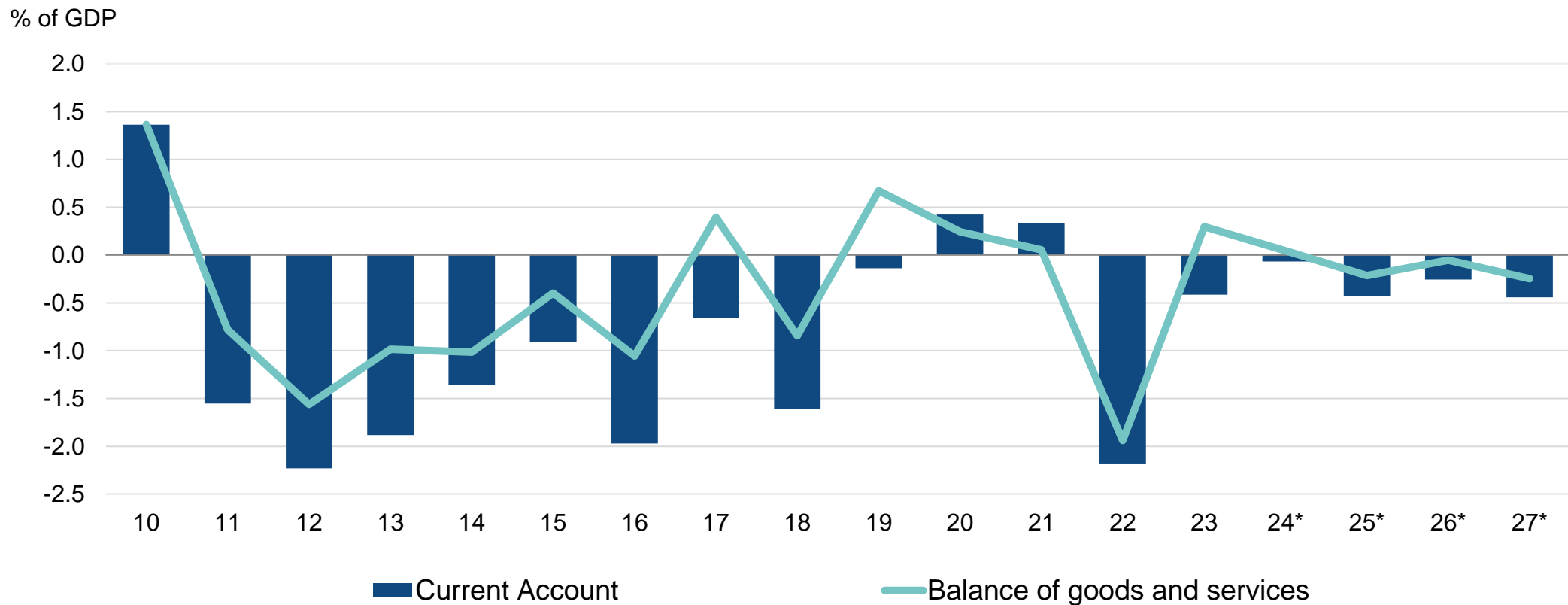
Inflation has slowed considerably, upward pressures on prices low



Source: Ministry of Finance, Macrobond, Spring 2024
*) forecasts

Improved price competitiveness has contributed to balancing the current account deficit

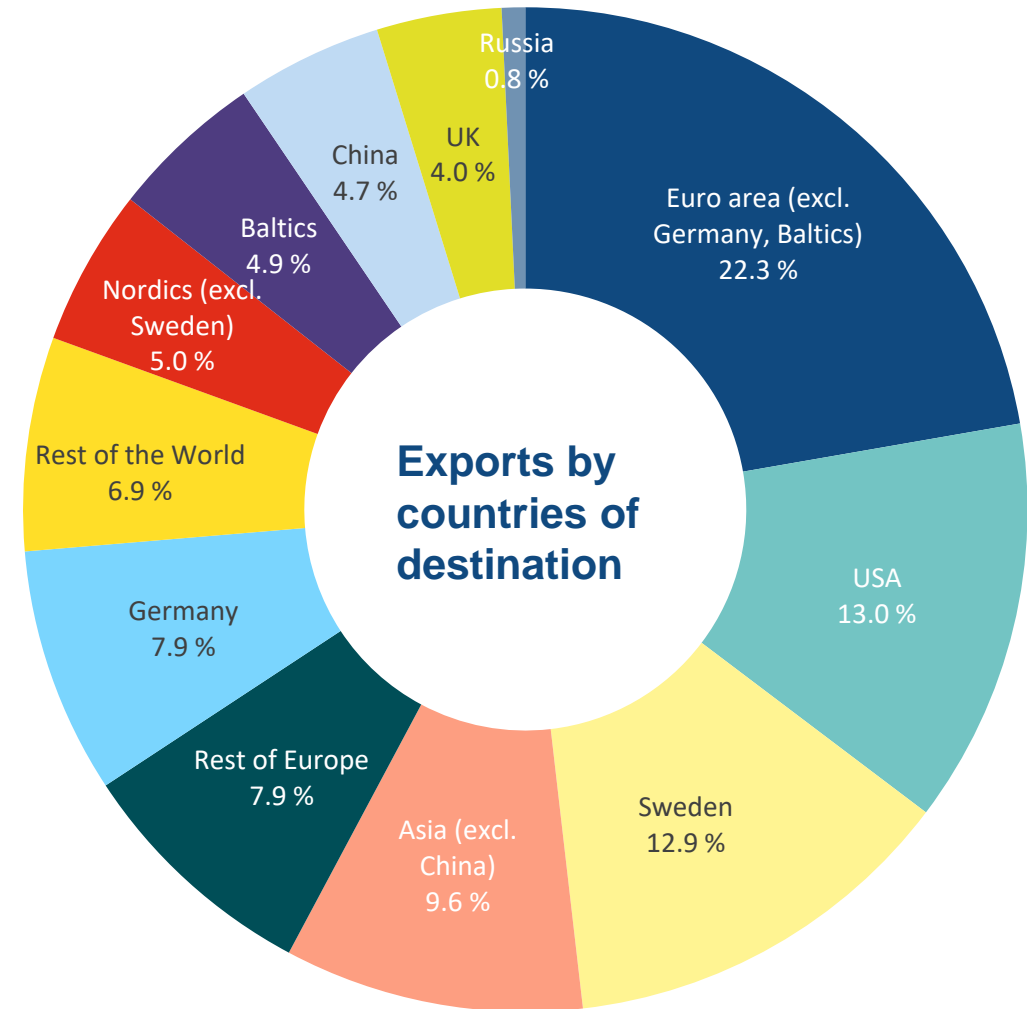
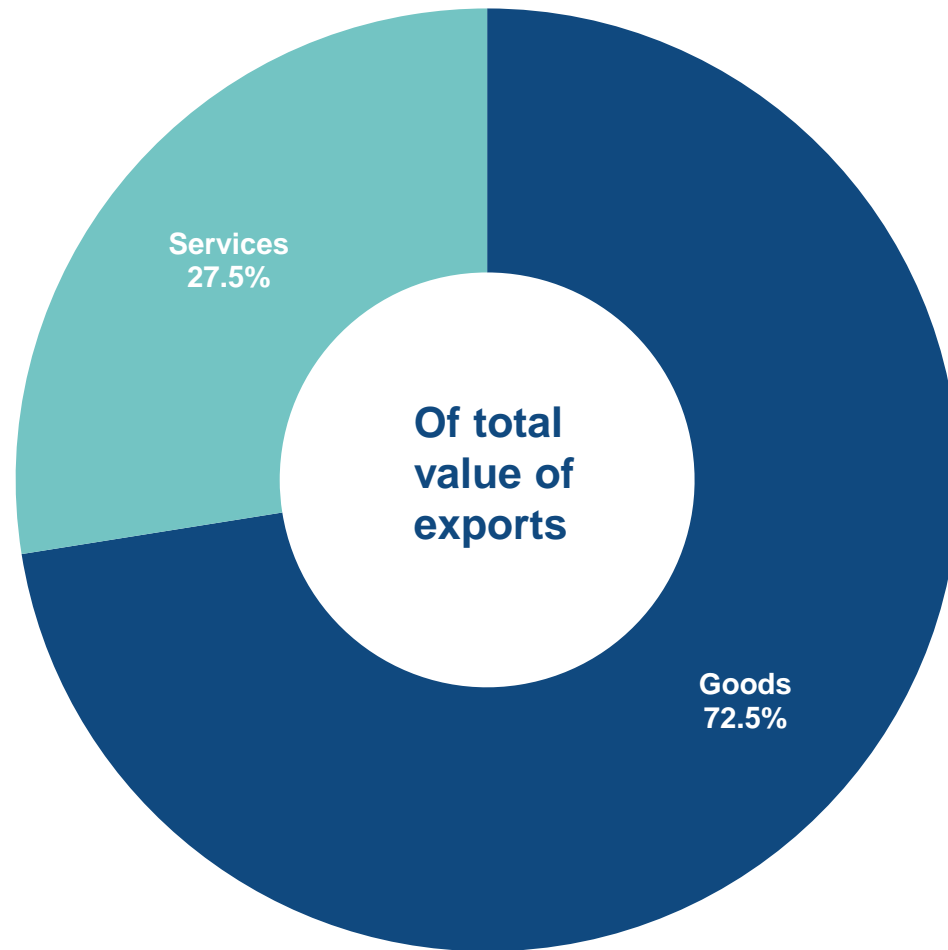
Current account



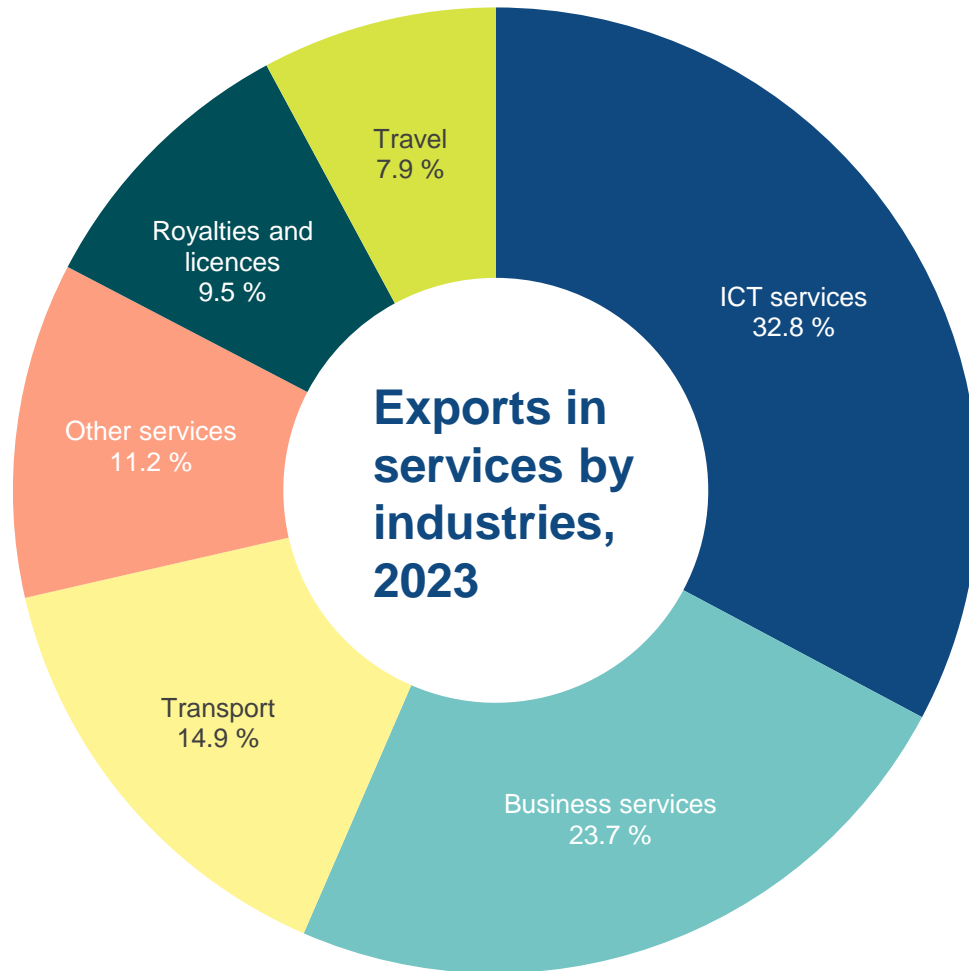
*)forecasts



Finnish total exports in 2023



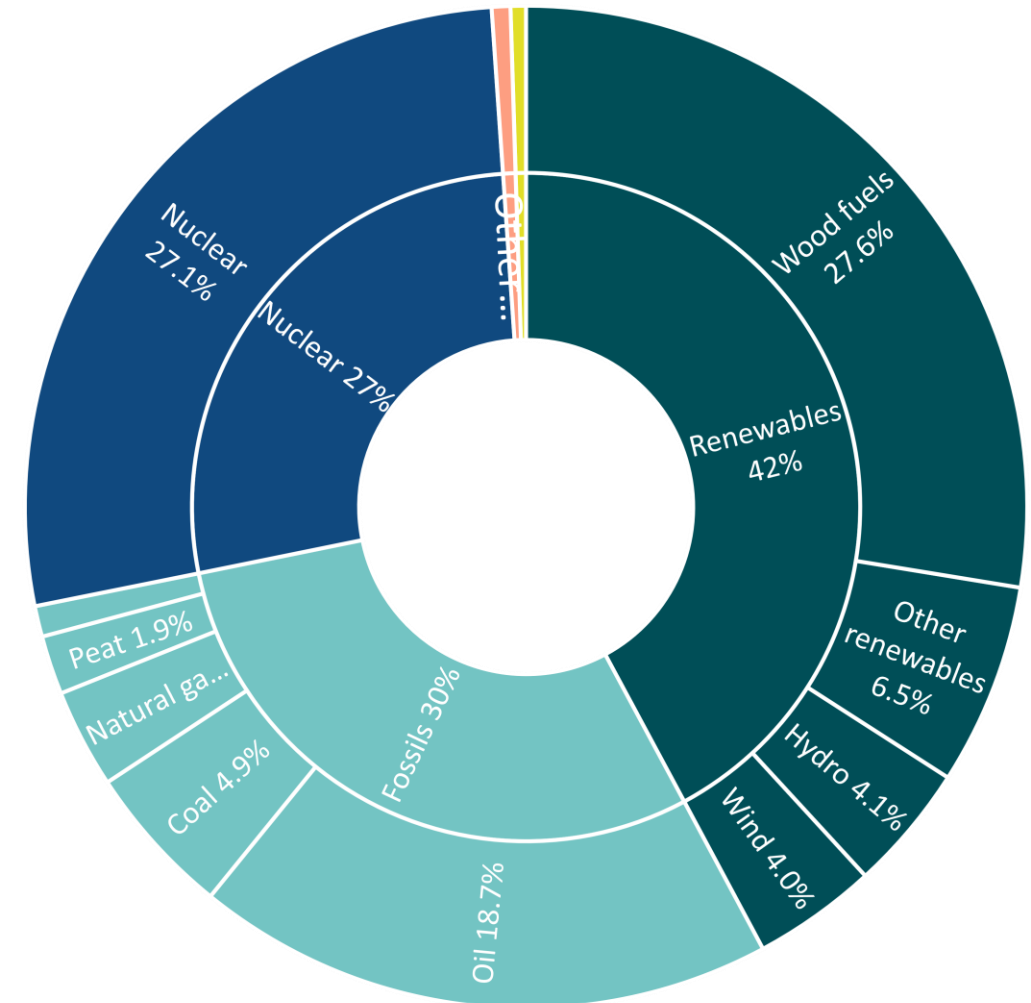
Finnish main exports in services and goods



The energy sector in Finland

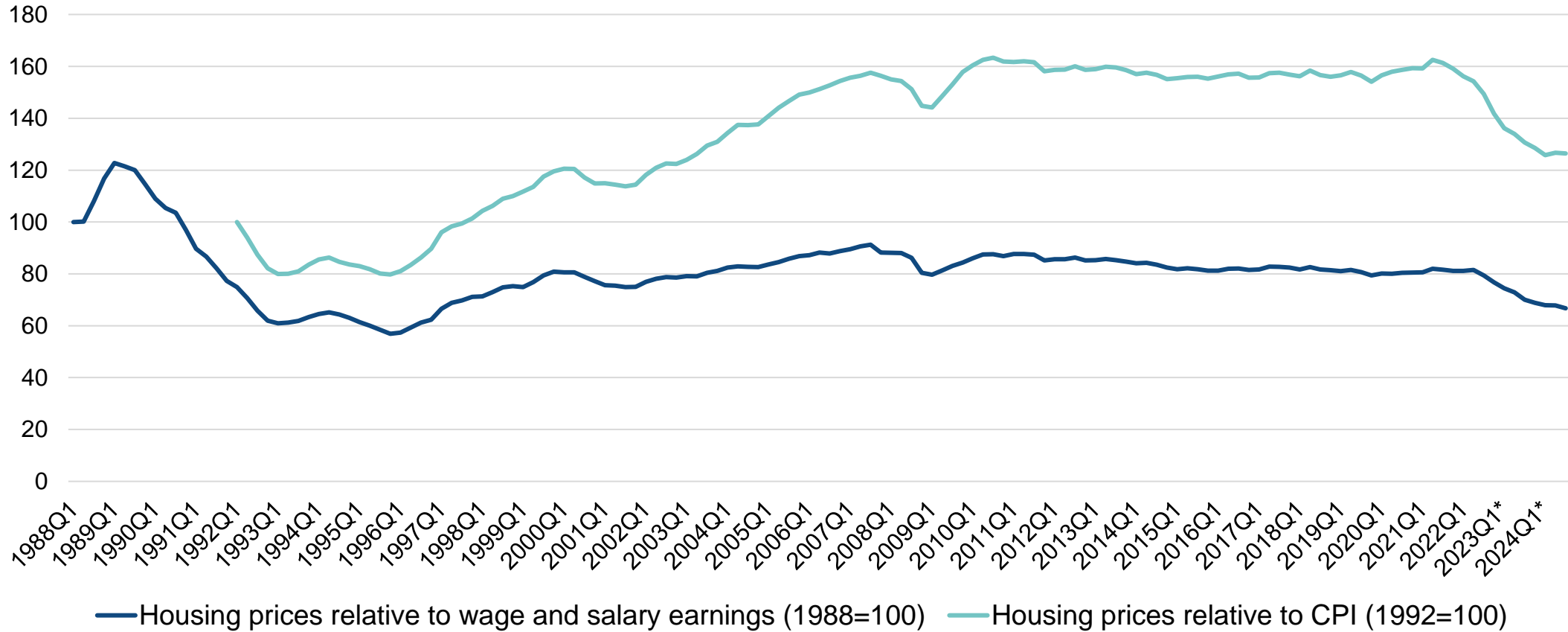
- Share of renewables is at 42% the second highest in EU.
- Growth of nuclear, wind, and hydro power have accelerated Finland's energy transition.
- Consumption of fossil fuels decreased by 10% in 2023 compared to the previous year.
- Finland close to self-sufficiency in electricity production: domestic production covered already 98% of Finland's electricity demand in 2023.
- Olkiluoto 3 nuclear power plant, operational from April 2023, has increased Finland's self-sufficiency in energy significantly.

Total energy consumption by source 2023



Relative housing prices in Finland

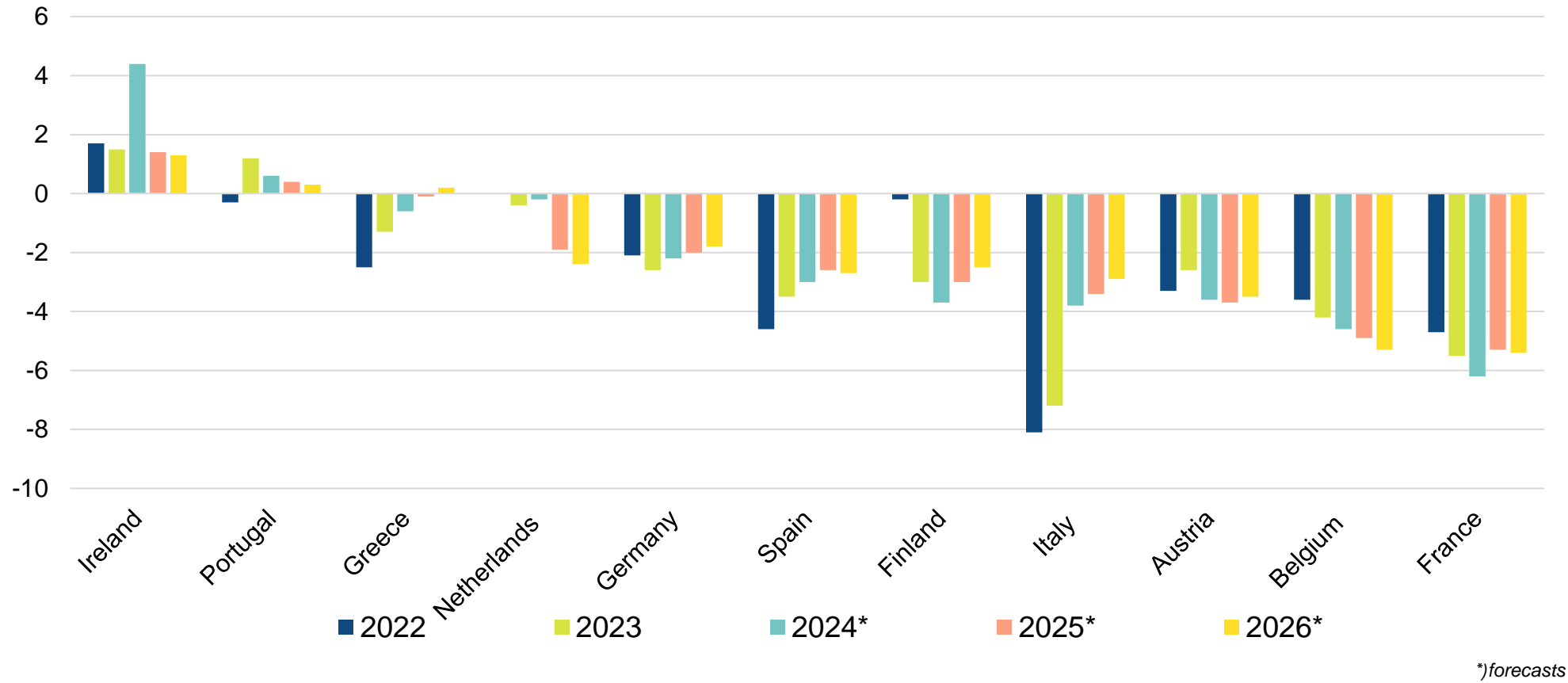
Relative housing prices in Finland



EMU general government financial balance

EMU general government financial balance

in ratio to GDP, %

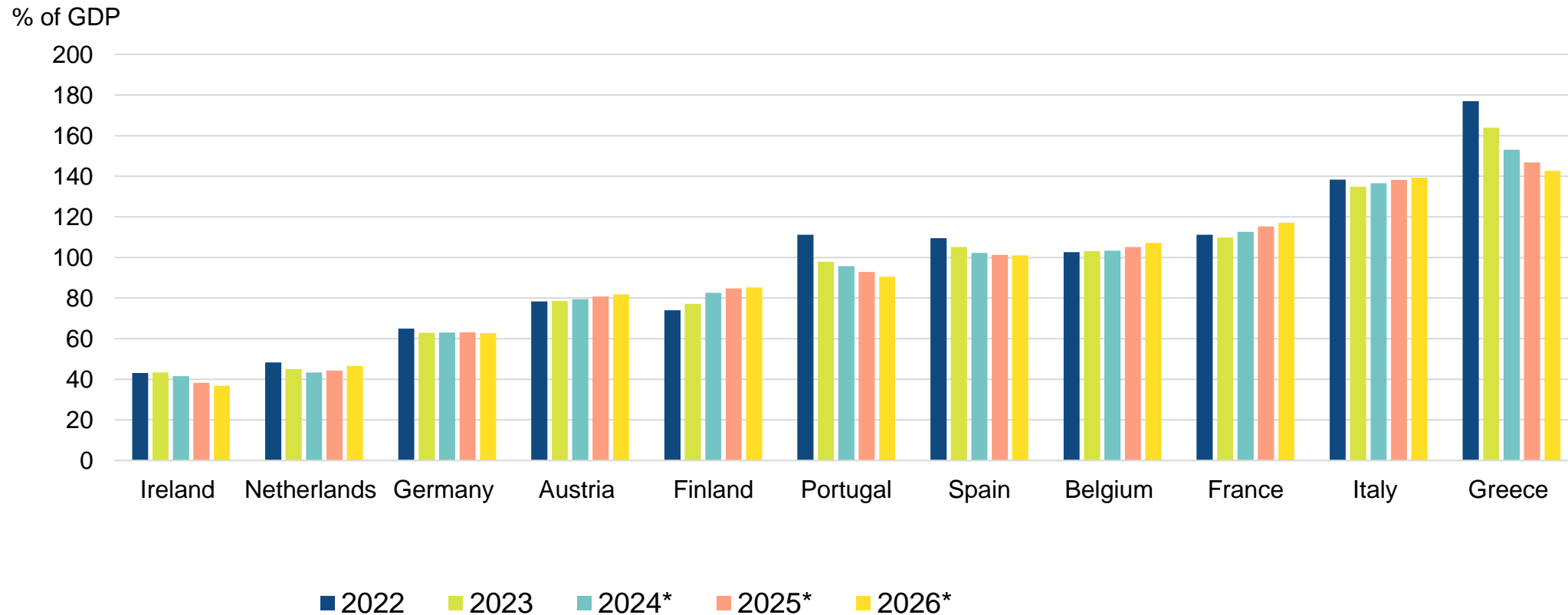


*)forecasts

Source: European Commission, Autumn 2024
*)forecasts

The public debt-to-GDP ratio in Finland is below the EU average

EMU General Government Gross Debt



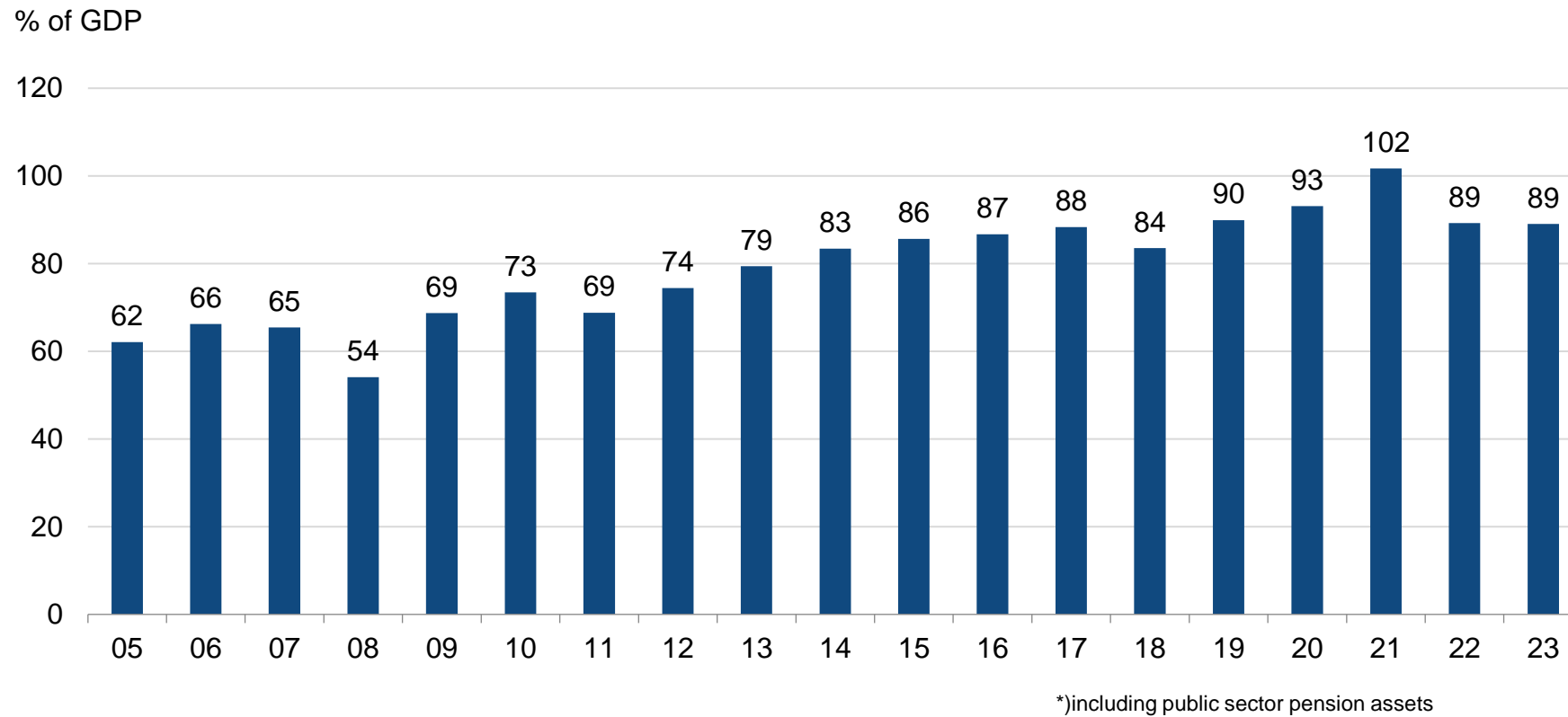
*)forecasts

Source: European Commission, Autumn 2024
*)forecasts



State Treasury
Republic of Finland

Earnings-related pension assets as % of GDP



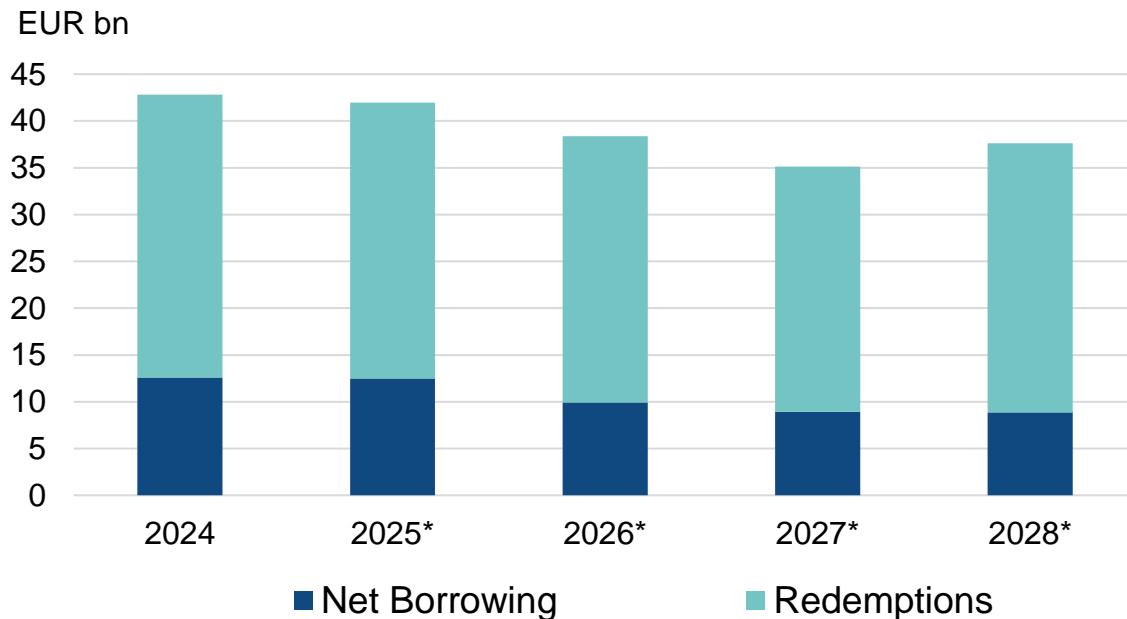
Source: Finnish Pension Alliance



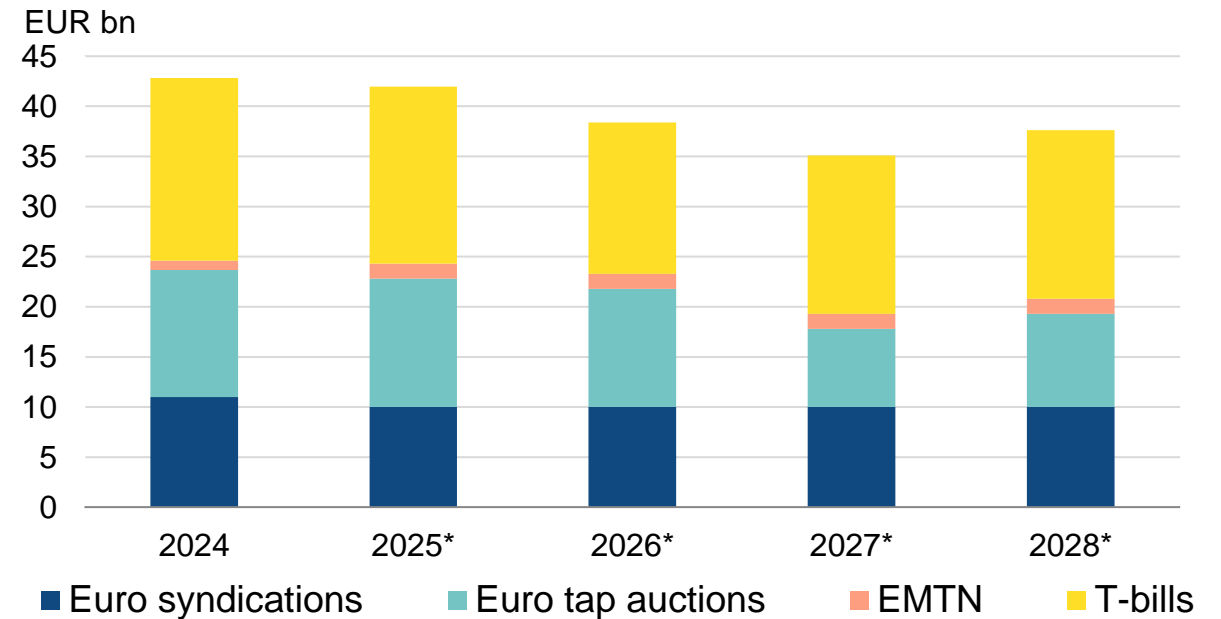
2 Funding

Central government gross borrowing estimate and projected funding instrument allocation

Central government gross borrowing



Projected funding instrument allocation

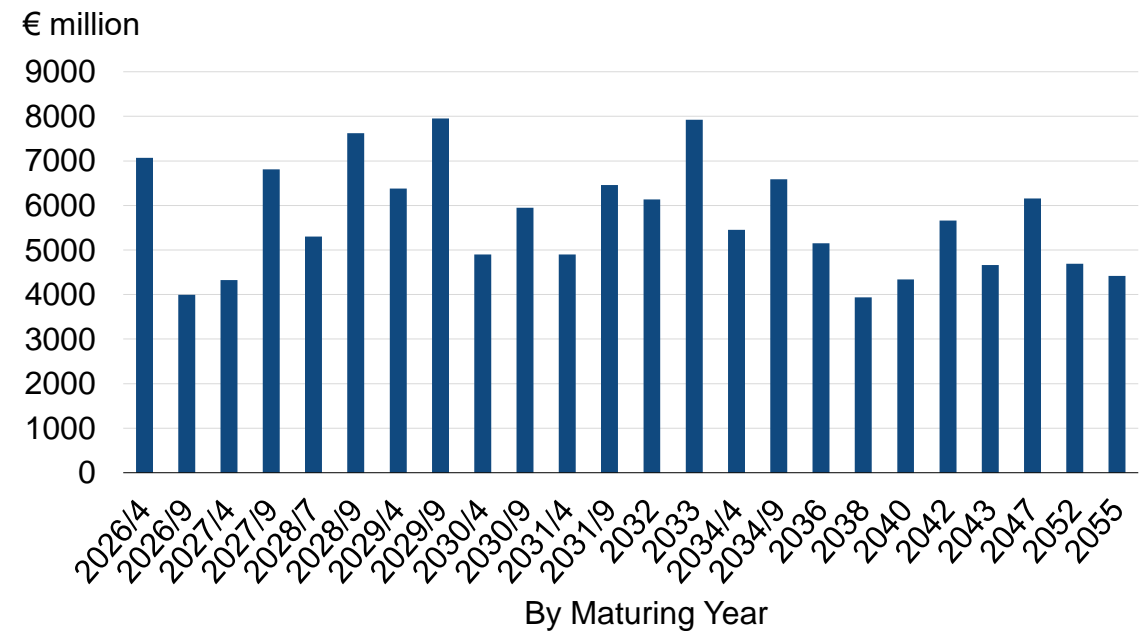


Funding strategy

“Maintaining a globally diversified investor base by geography and investor type”

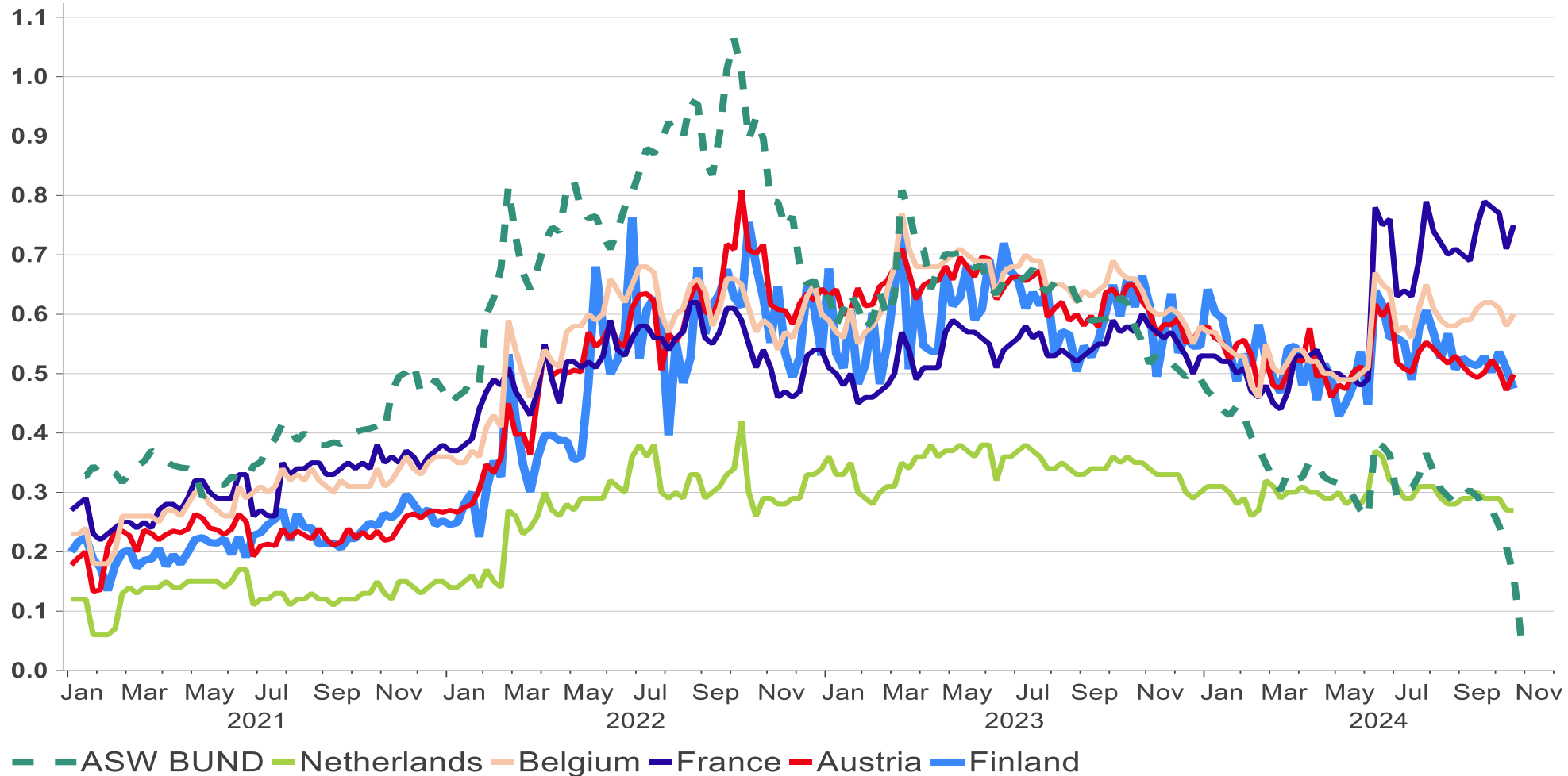
- Euro benchmark bond curve to 30 years
- Three syndicated euro benchmark bonds per year complemented by tap auctions
- Liquidity in focus – Primary Dealers and both customer and inter-dealer platforms
- EMTN issuance complements euro benchmark bonds

Benchmark bonds outstanding



10-year government bond yield spreads to Germany & ASW BUND

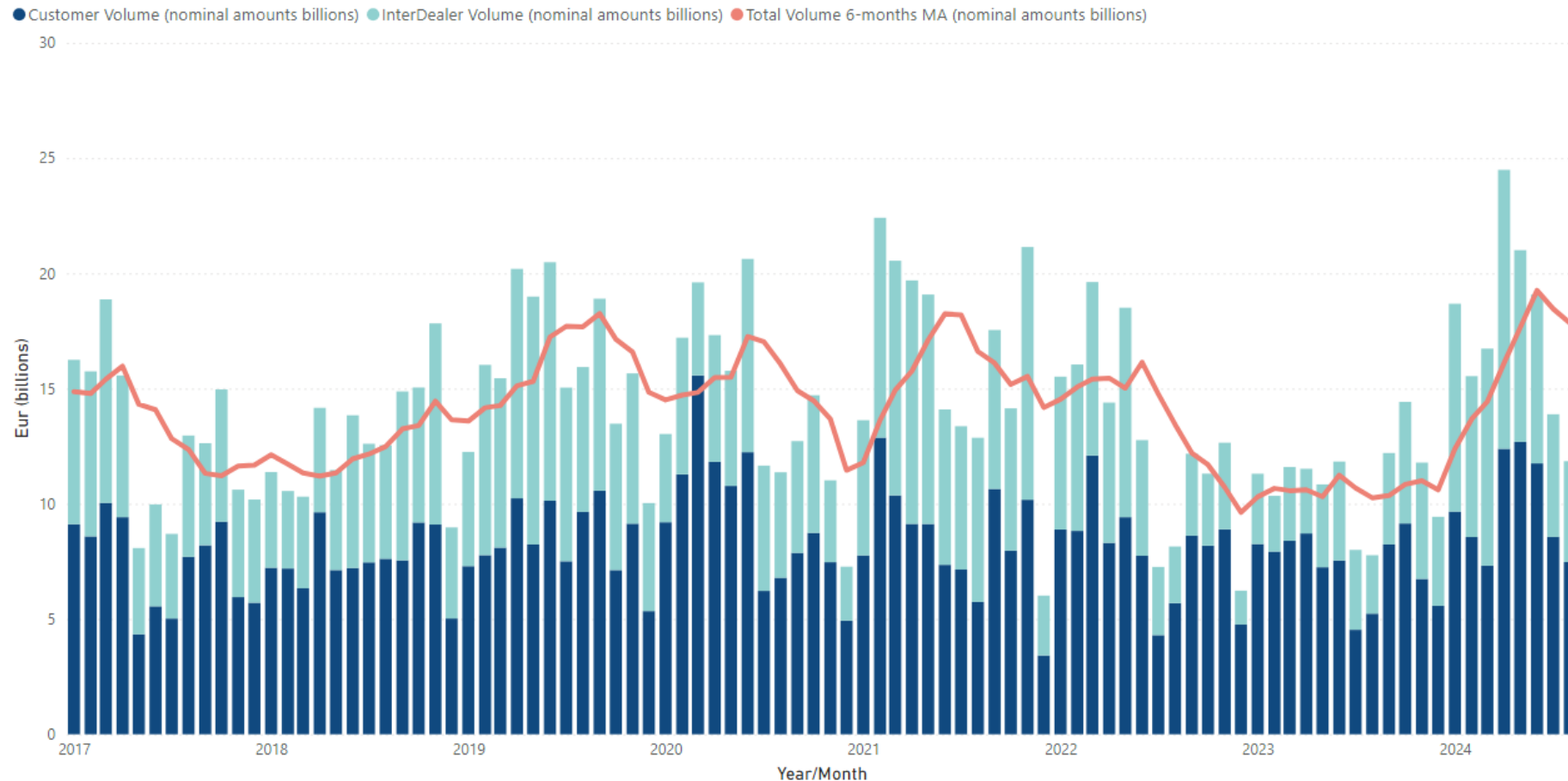
Percentage points



RFGB secondary market activity

Monthly secondary turnover (sales + purchases)

RFGB secondary market activity



Primary Dealers 2025

BofA Securities

HSBC

Barclays

J.P. Morgan

BNP Paribas

Nomura

Citi

Nordea

Crédit Agricole

Société Générale

Danske Bank

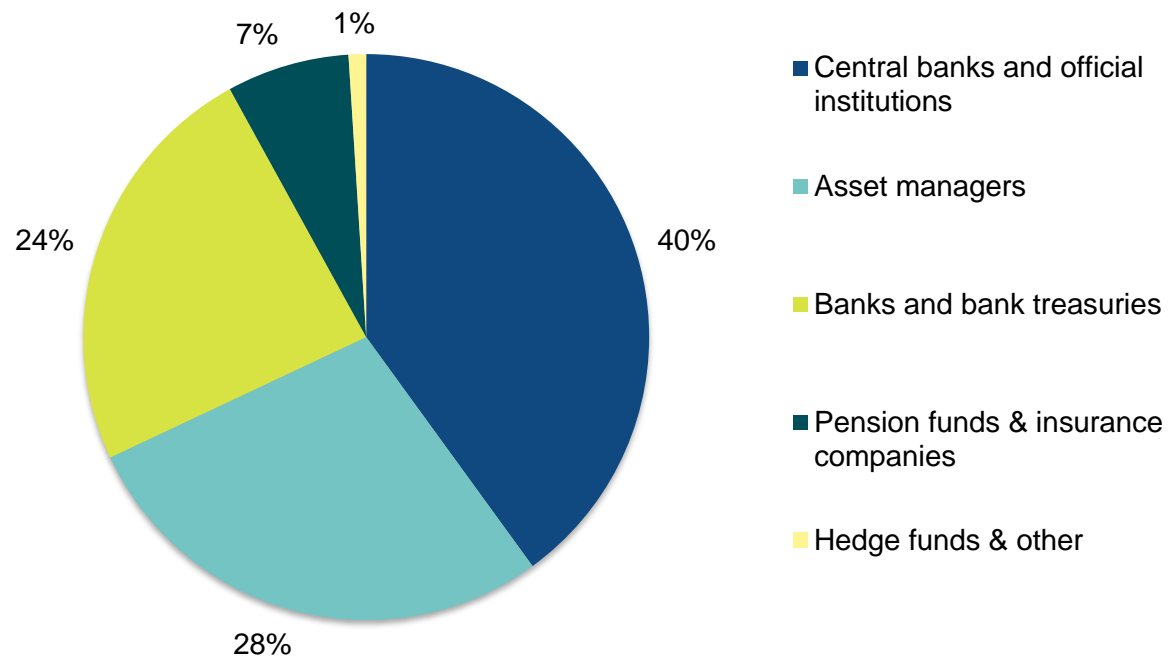
Deutsche Bank

Goldman Sachs

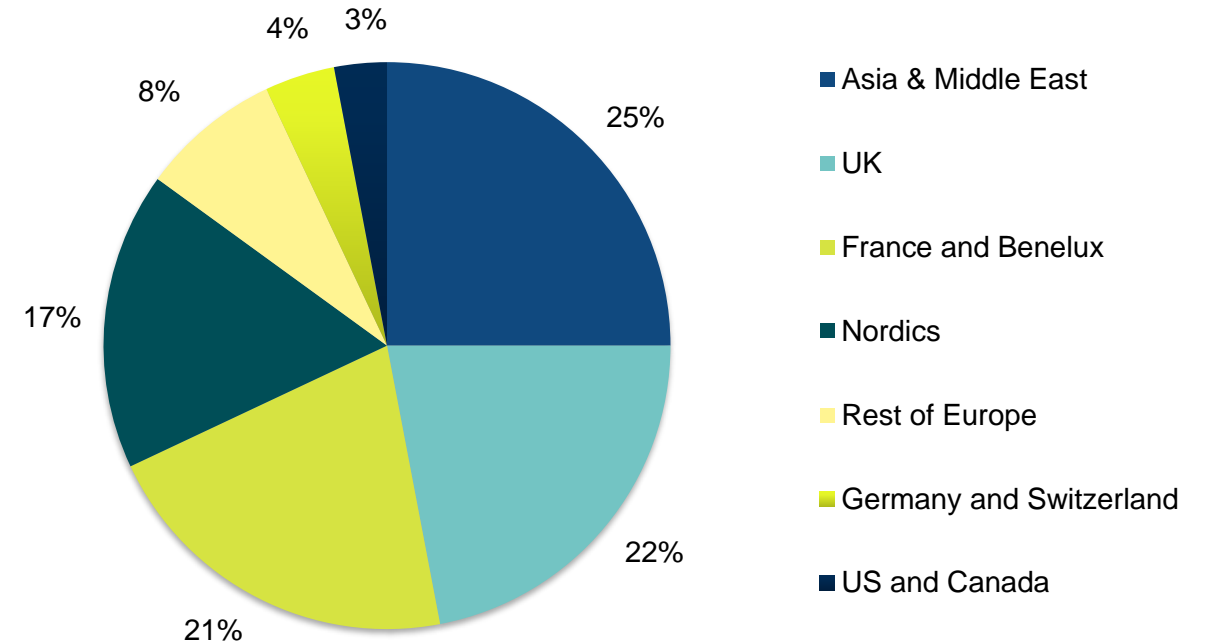
Investor base for RFGB 2.500% EUR 4bn due April 2030

- Launched in August 2024
- Allocated to circa 80 investors

Distribution of the bond by investor type



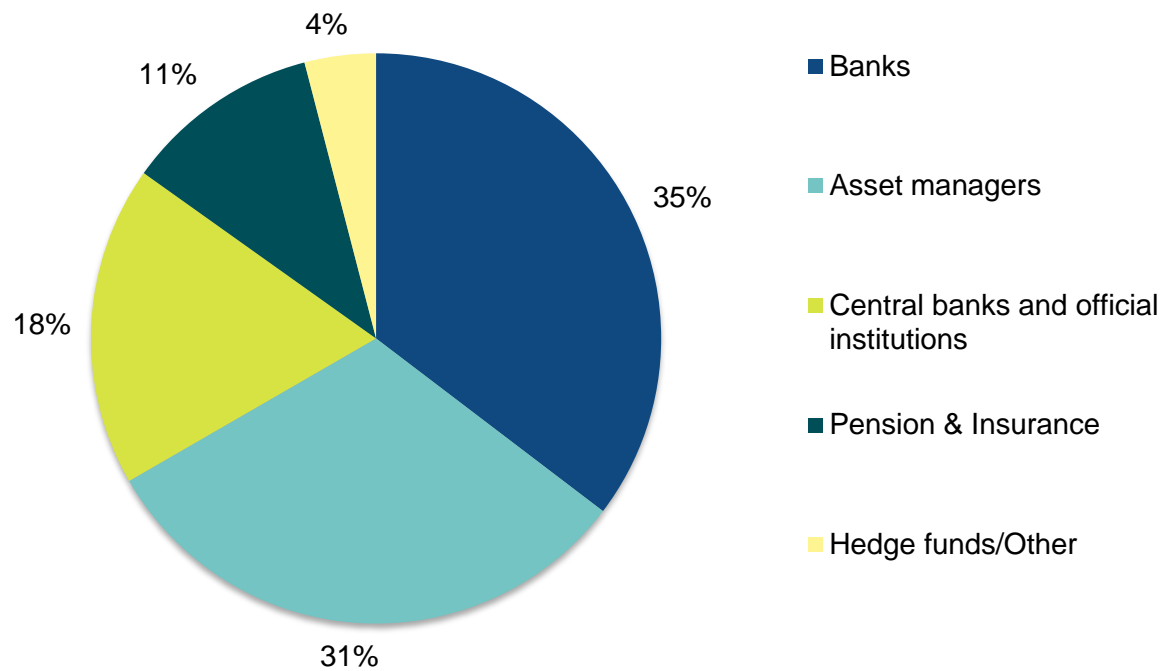
Distribution of the bond by region



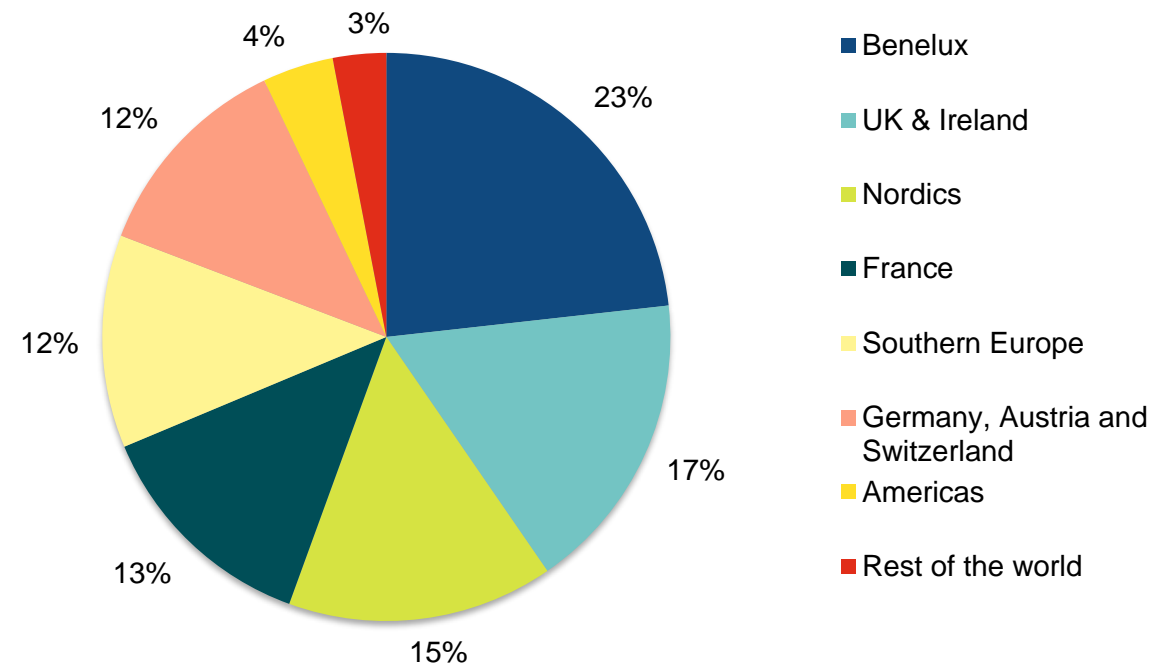
Investor base for RFGB 3% EUR 4bn due September 2034

- Launched in April 2024
- Allocated to over 160 investors

Distribution of the bond by investor type



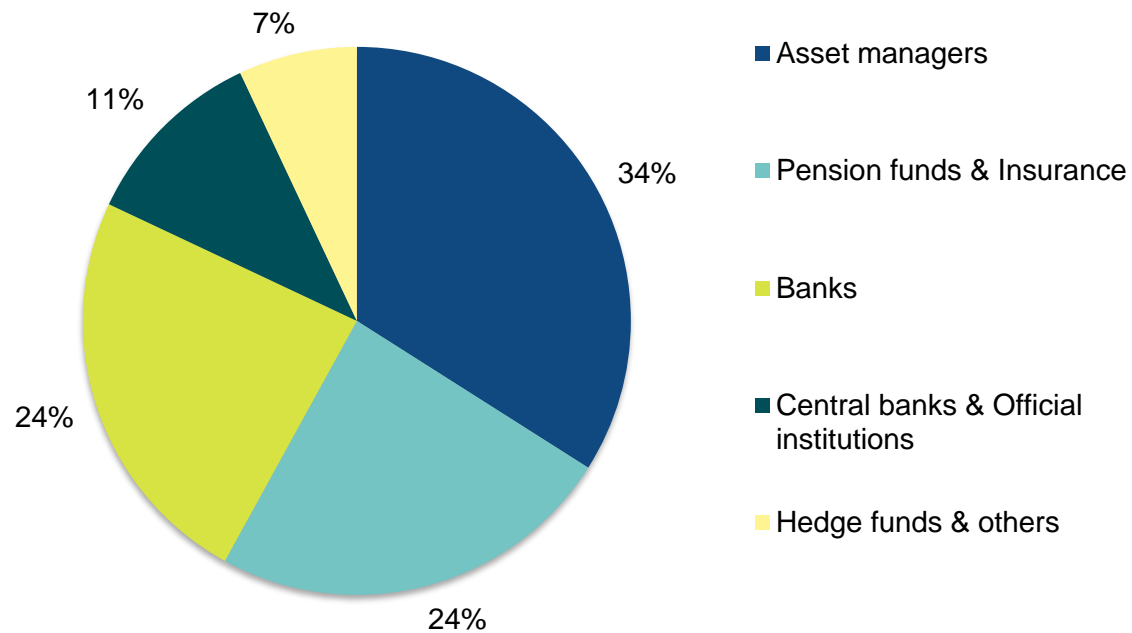
Distribution of the bond by region



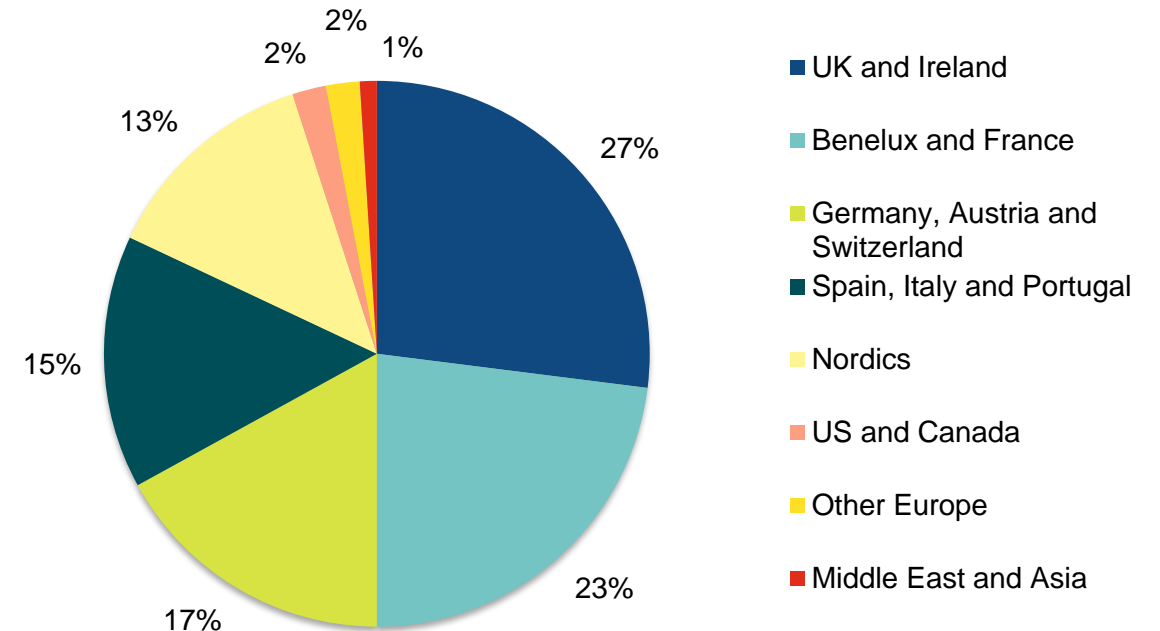
Investor base for RFGB 2.950% EUR 3bn due 15 April 2055

- Launched in January 2024
- Allocated to over 90 investors

Distribution of the bond by investor type



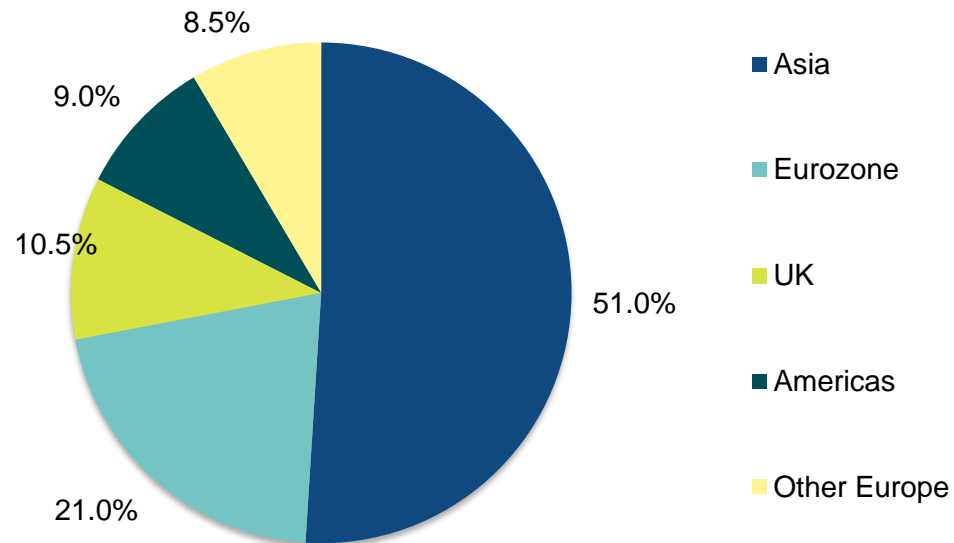
Distribution of the bond by region



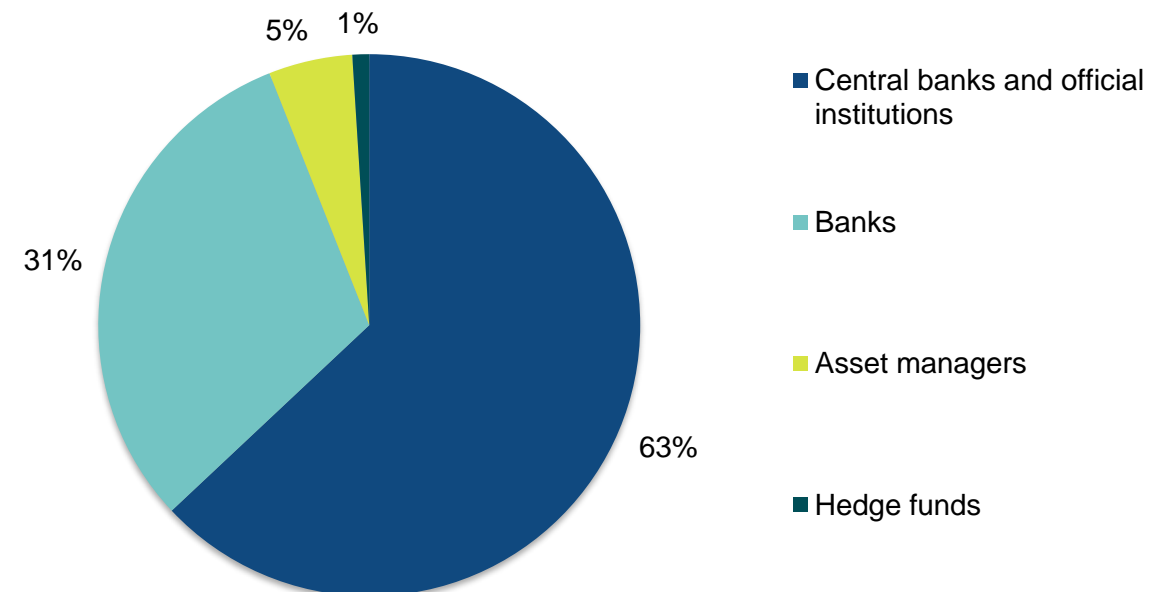
Investor base for FINL 4.375% USD 1bn due July 2034

- Launched in June 2024
- Previous syndicated emission in USD market in 2020

Distribution of the bond by region



Distribution of the bond by investor type





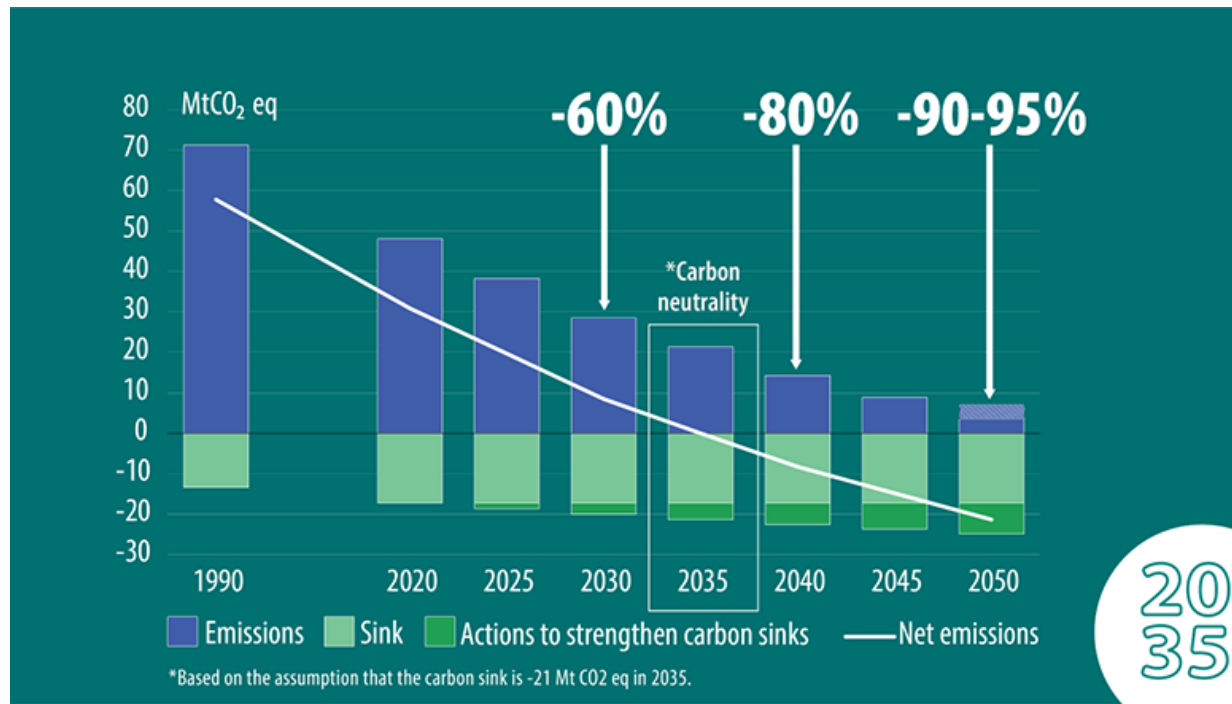
3 Sustainability

Sustainability in Finland: current themes

- Finland is by many metrics a global forerunner in sustainability
- Finland ranks #1 progress in towards the **Sustainable Development Goals**
- Finland's net zero emissions goal is 2035
 - New Climate Change Act in 2022
 - **Annual Climate Report** tracks progress towards the target
- National Biodiversity strategy underway
- More on **Finland & ESG**

Finland's national target is net zero carbon emissions by 2035

Emissions reduction targets set in the Climate Change Act



Latest estimate: rate of emission reductions in line with the 2030 target of climate act

- Finland's total emissions in 2023, 40.6 Mt Co₂ eq (excl. LULUCF), is **43% less than in 1990**
- Over past five years, rate of GhG emission reductions has averaged around 4% a year
- Phasing out fossil fuels in electricity and heat production will be accomplished in the coming years
- Most challenging: the land use sector, where additional measures are needed to strengthen carbon sinks
- See also: Finland's climate performance assessed against **ASCOR framework**

The Sustainable Development Goals (SDG) Index by UN

<u>Rank</u>	<u>Country</u>	<u>Score</u>
1	Finland	86.35
2	Sweden	85.70
3	Denmark	85.00
4	Germany	83.45
5	France	82.76
6	Austria	82.55
7	Norway	82.23
8	Croatia	82.19
9	UK	82.16
10	Poland	81.69

Finland's progress on Sustainable Development Goals

Source:
Sustainable Development Report 2023



Dashboards:

● SDG achieved ● Challenges remain ● Significant challenges remain ● Major challenges remain

Trends:

↑ On track or maintaining SDG achievement ↗ Moderately improving → Stagnating ↓ Decreasing



Biodiversity in Finland

- New National Biodiversity Strategy and an action plan to 2030 currently underway
- The aim of the strategy is to halt the loss of biodiversity by 2030 and turn the trend towards recovery by 2035
- 74% of Finnish land area is **forests**
- Of the 48 000 species living in Finland, 11,9% are evaluated threatened (2019)
- Changes in the forest environment is the most significant cause of threat to species

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State Treasury
Republic of Finland

www.treasuryfinland.fi
twitter.com/treasuryfinland

Bloomberg: STF

Contact information:

Visiting address: Sörnäisten rantatie 13, Helsinki

Mailing address: P.O. BOX 14, FI-00054 STATE TREASURY, FINLAND

Tel. +358 295 50 2000 (switchboard)

e-mail: firstname.lastname@statetreasury.fi