



State Treasury
Republic of Finland

Finnish central government borrowing

April 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 this year

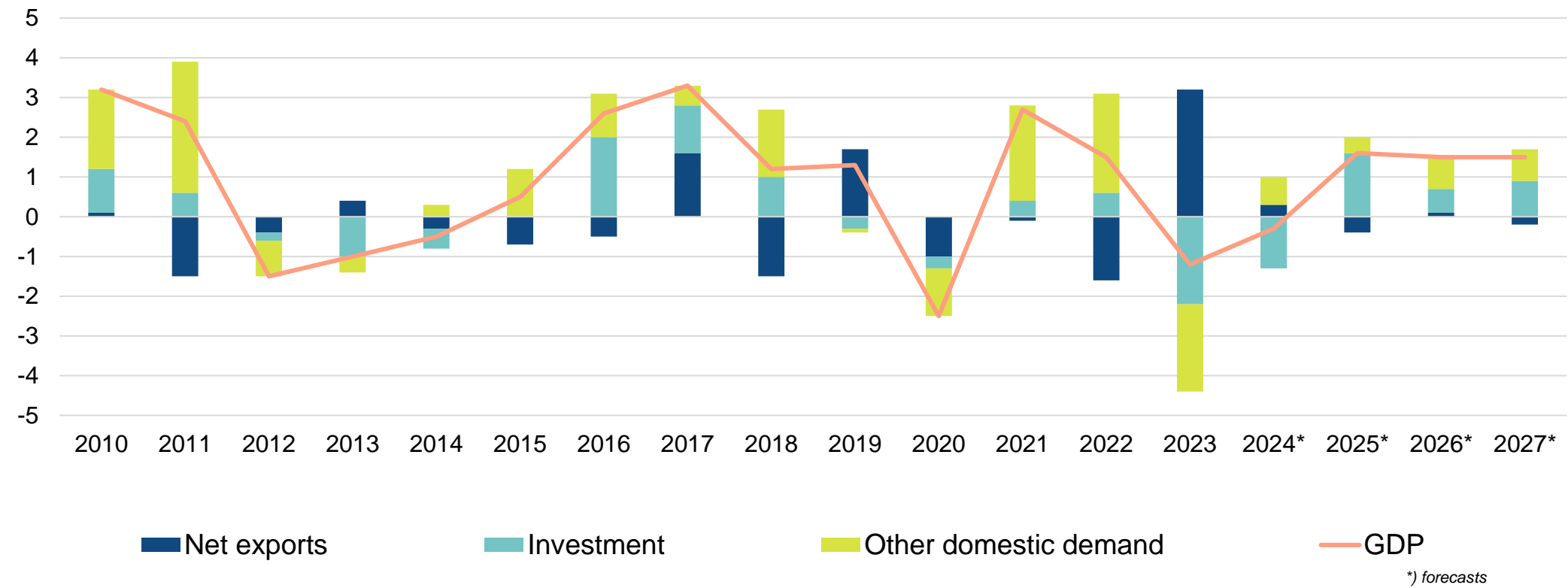
- Consumption and investments will accelerate growth as inflation slows down, interest rates fall, and real household income increases
- Falling interest rates particularly meaningful for Finland given the high proportion of variable-rate mortgages
- Growth in exports is picking up
- Turnaround in labour market expected during 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, %	-0.2	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

Consumption and investments to drive GDP growth from 2025

Contribution to GDP growth in Finland

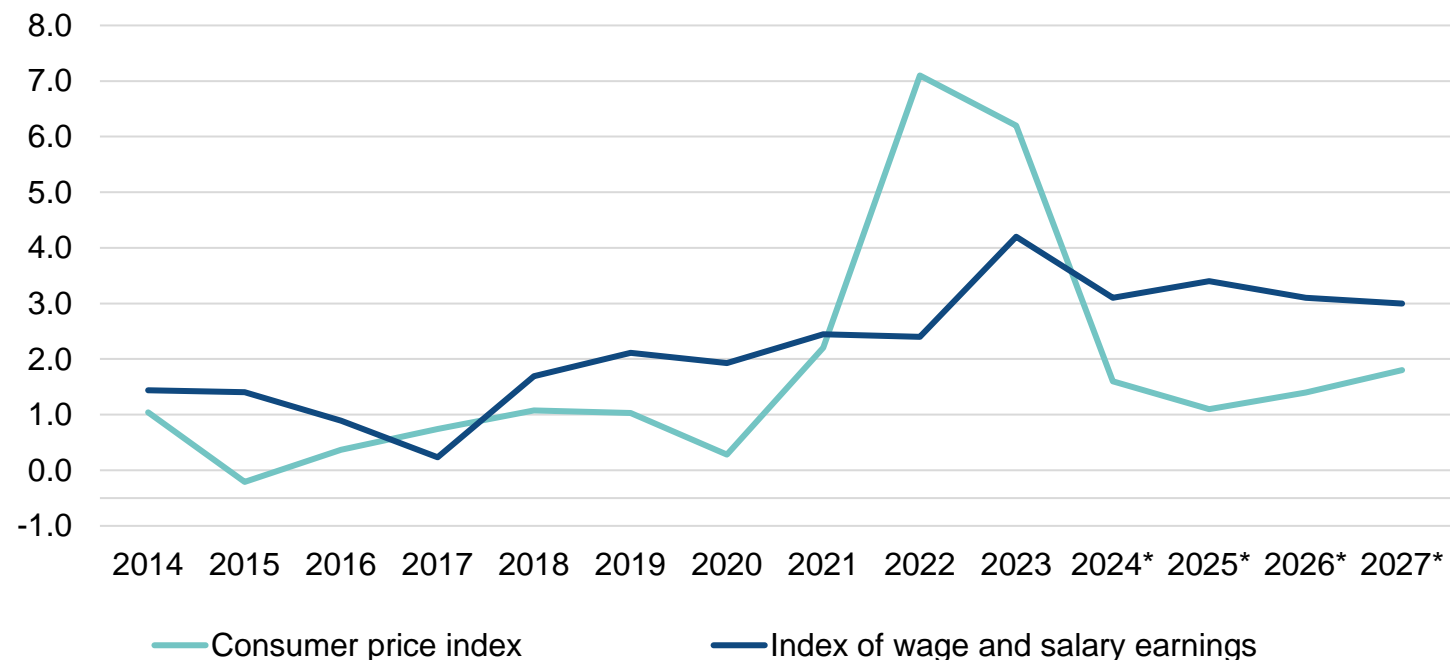
percentage points



Inflation has slowed considerably, upward pressures on prices low

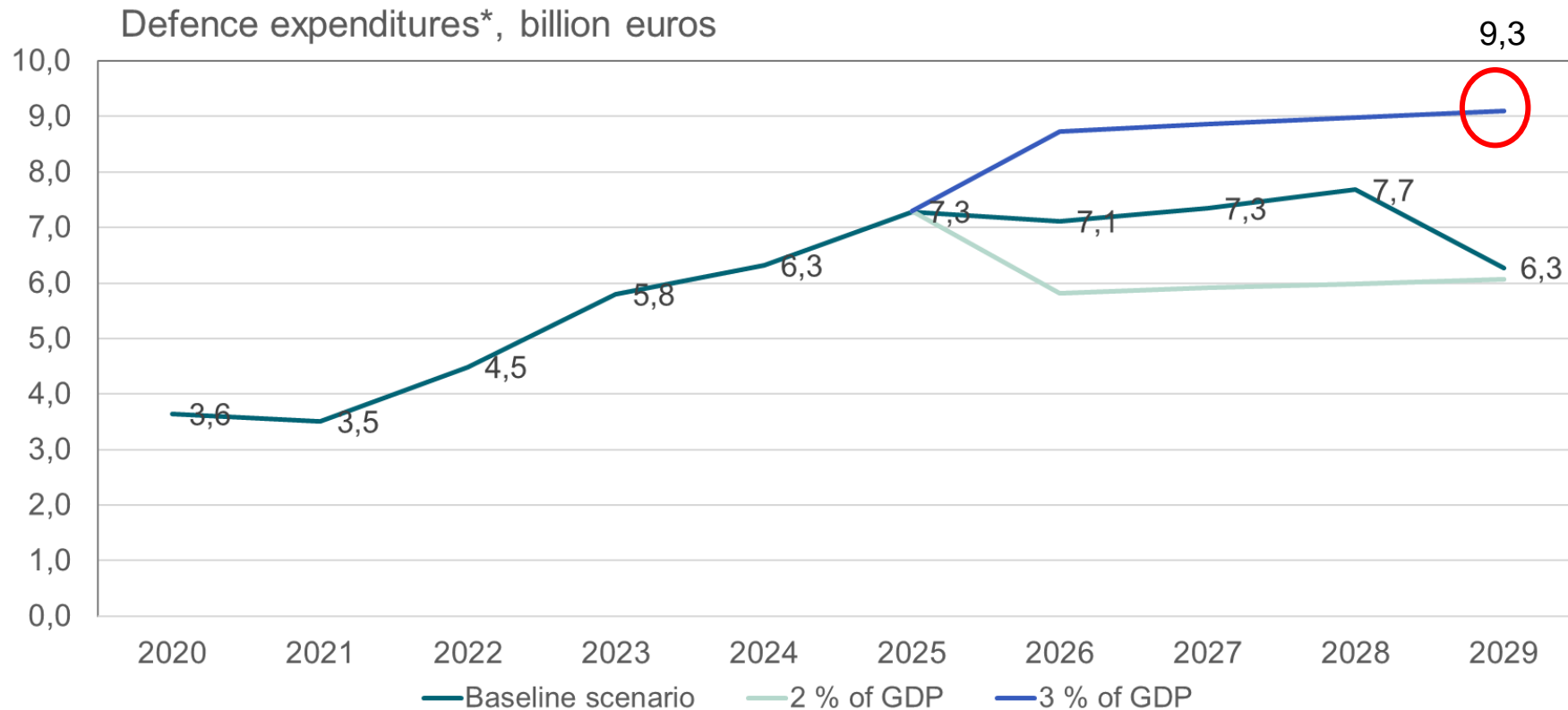
Consumer price index and index of wage and salary earnings

change yoy, %



*)forecasts

Finland will increase defence spending to at least 3% of GDP by 2029



* Defence expenditures are based on-budget figures. In addition to the defense administration budget, the estimate includes military pensions, part of the Border Guard's and crisis management expenses.

Source: Ministry of Finance



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

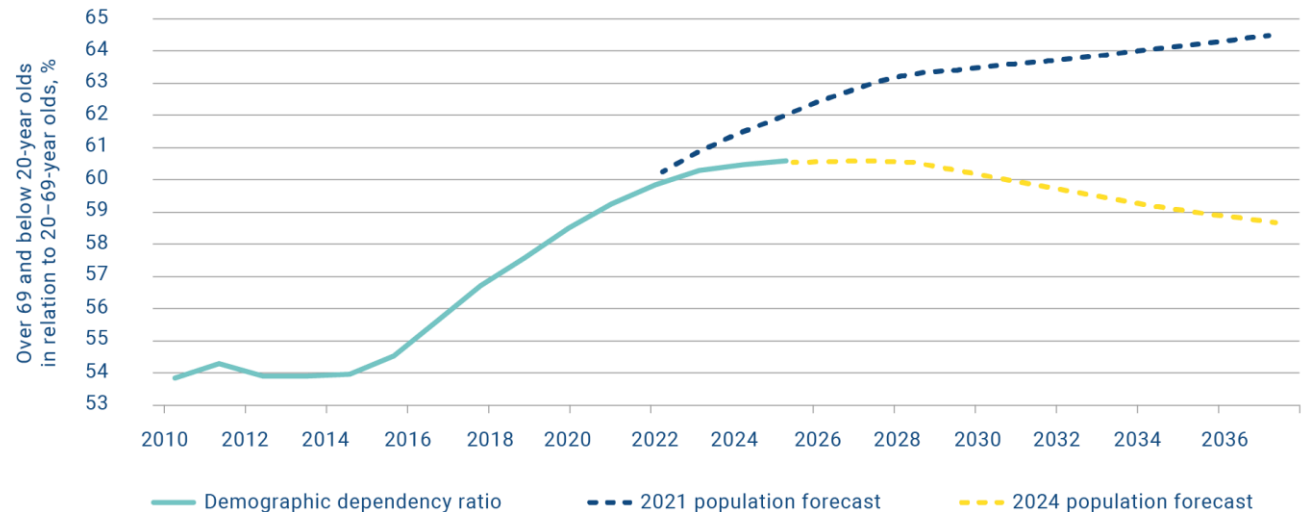
- Government committed to fiscal consolidation worth of **EUR 9bn** (EUR 6bn in government programme of 2023 + EUR 3bn of additional measures decided in spring 2024)
- Package consists of **spending cuts (EUR 5.4bn)**, **tax measures (EUR 1.6bn)** and **structural reforms (EUR 2bn)** especially in labour market and social security
- This package is already in implementation, corrective measures possible in spring 2025 if needed

Key medium-term strenghts:

- Growth package that includes increased public R&D spending to meet total target of 4% of GDP by 2030 + other measures
- Labour market reforms, stronger-than-expected growth of net immigration
- Dependency ratio to stabilize → Reduces costs related to an aging population and improves productivity
- Competitive wage levels → Maintaining strong export performance and encouraging investments and economic growth
- Strong commitment to a green transition supported by a high share of clean energy sources in the energy mix

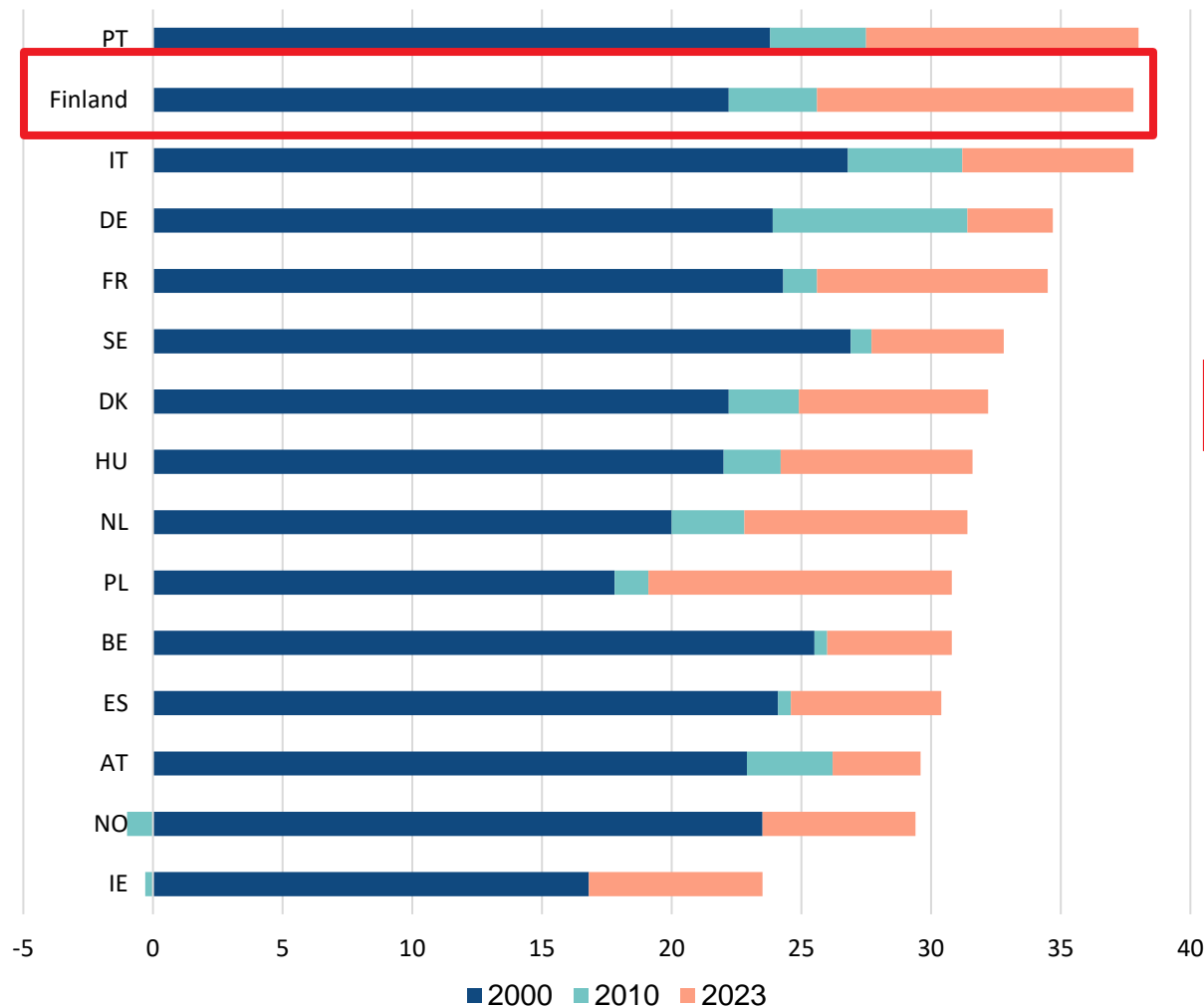
Dependency ratio

Sources: Macrobond, Statistics Finland

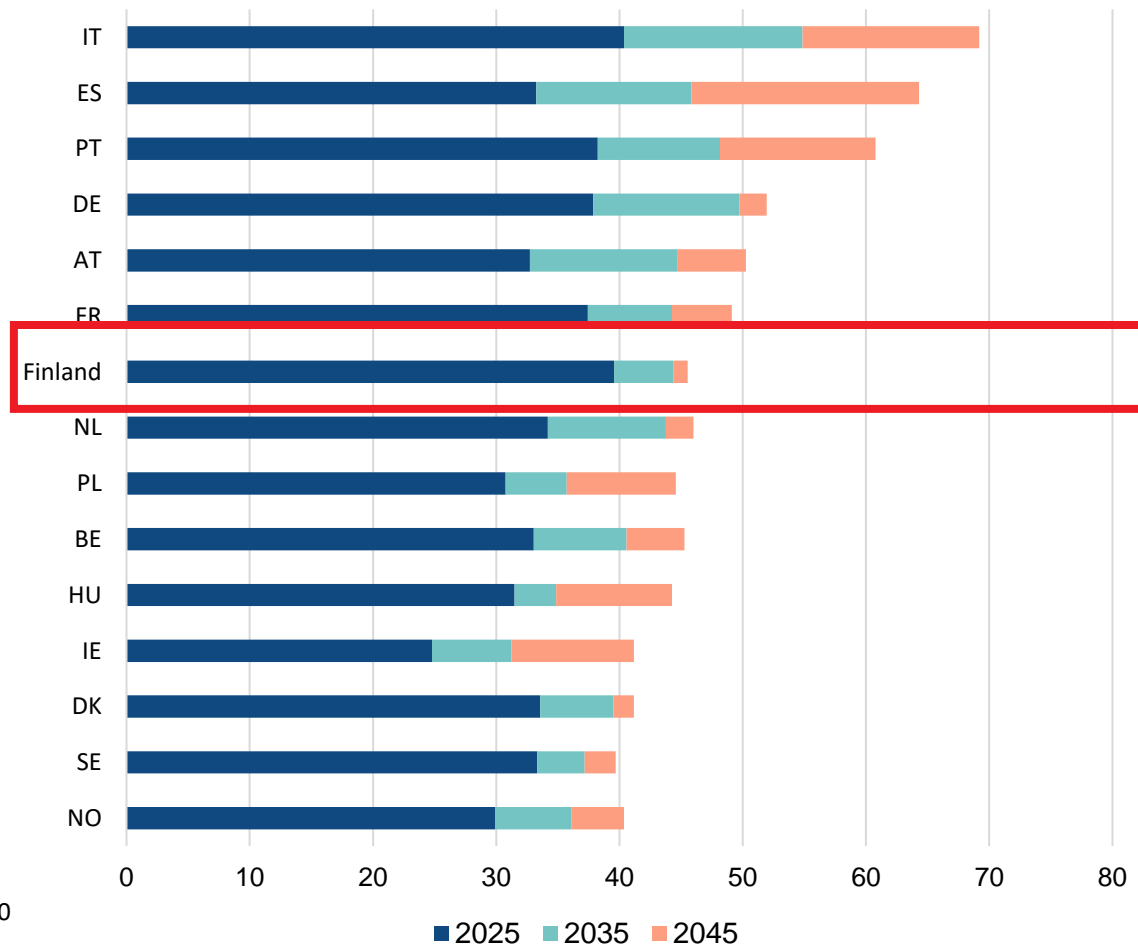


Aging: Finland's relative position improving

Old age dependency ratios in Europe, %



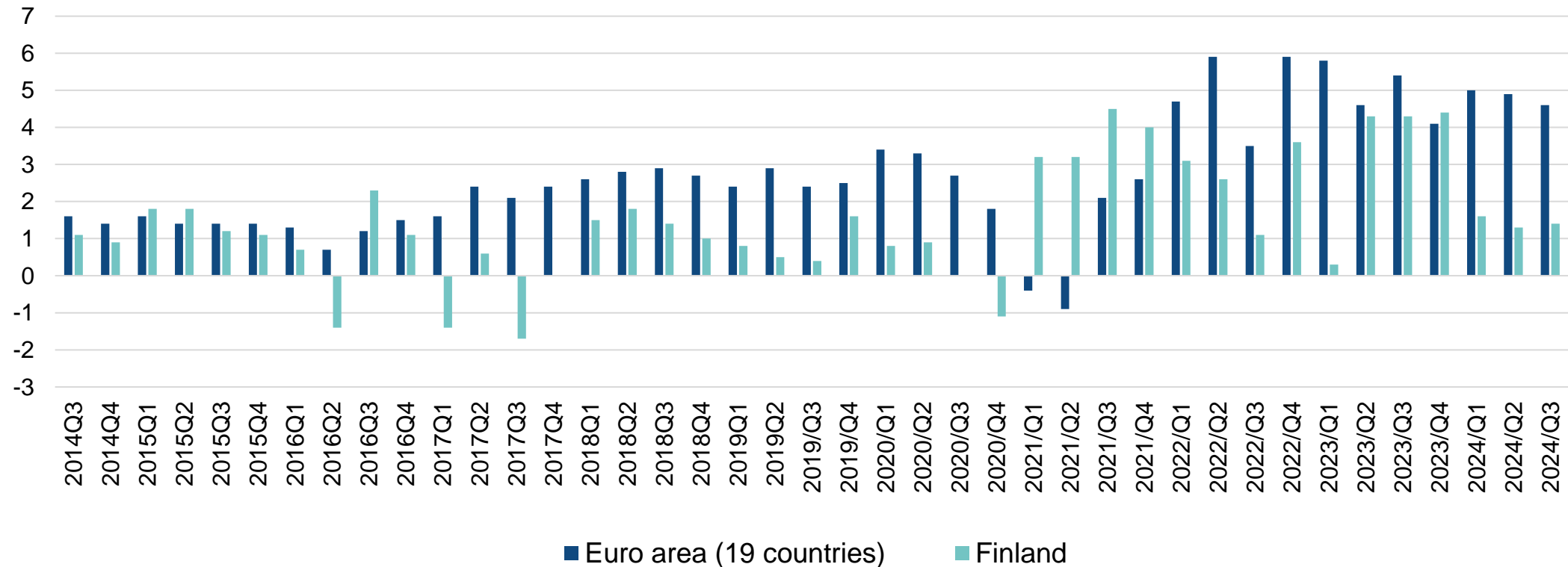
Old age dependency ratio forecasts in Europe, %



Labour costs competitiveness is in good shape

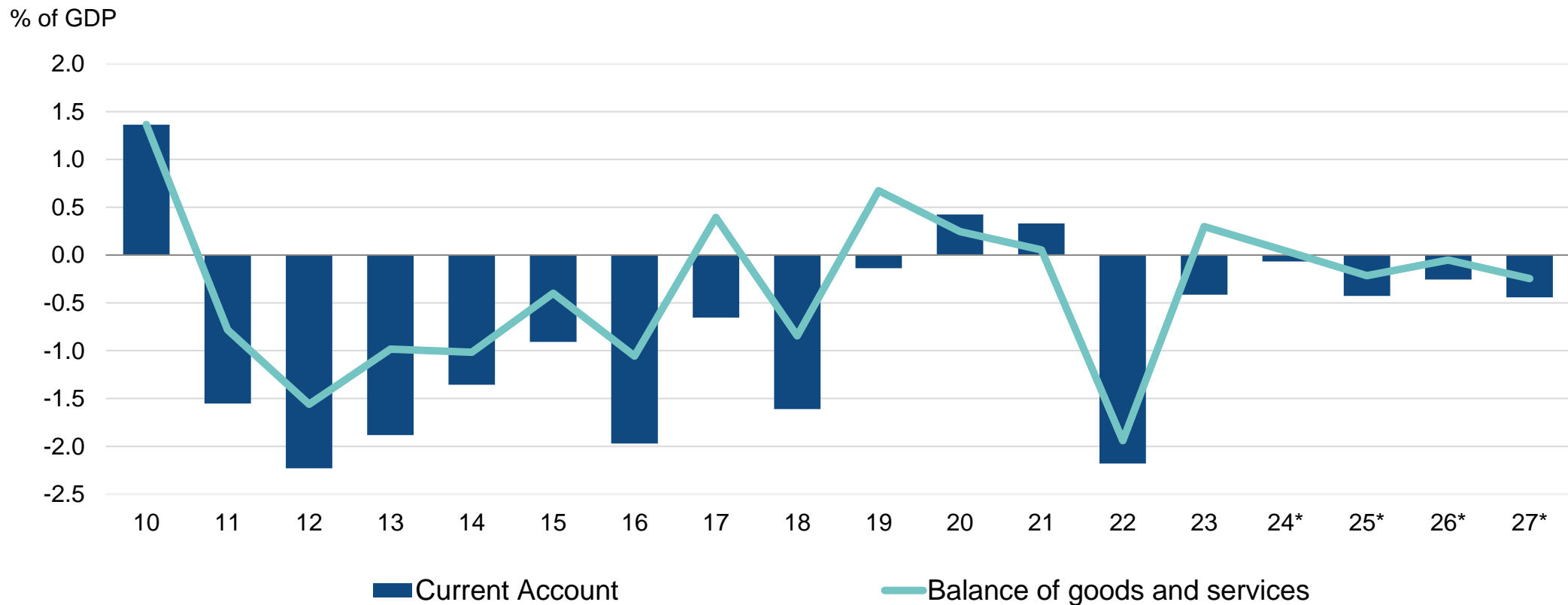
Hourly labour cost

% change from previous year



Improved price competitiveness has contributed to balancing the current account deficit

Current account

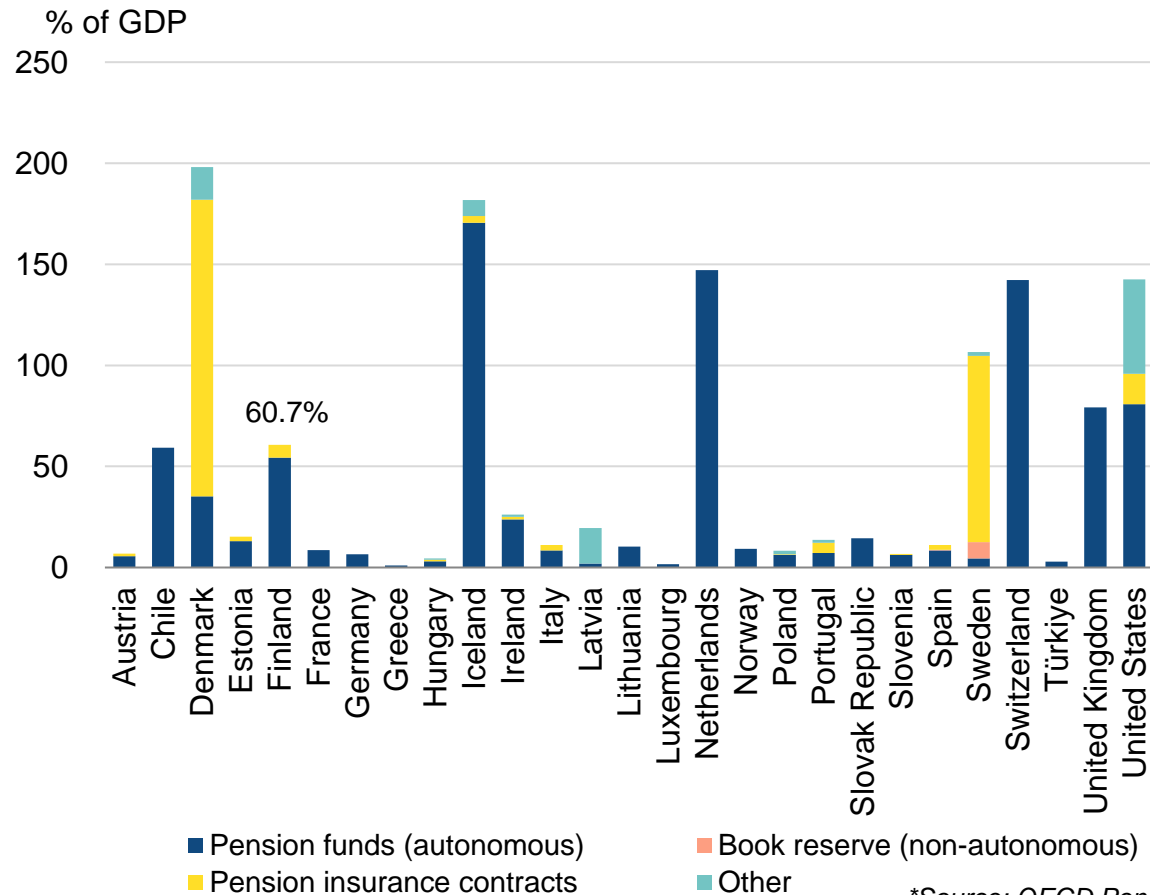


*)forecasts

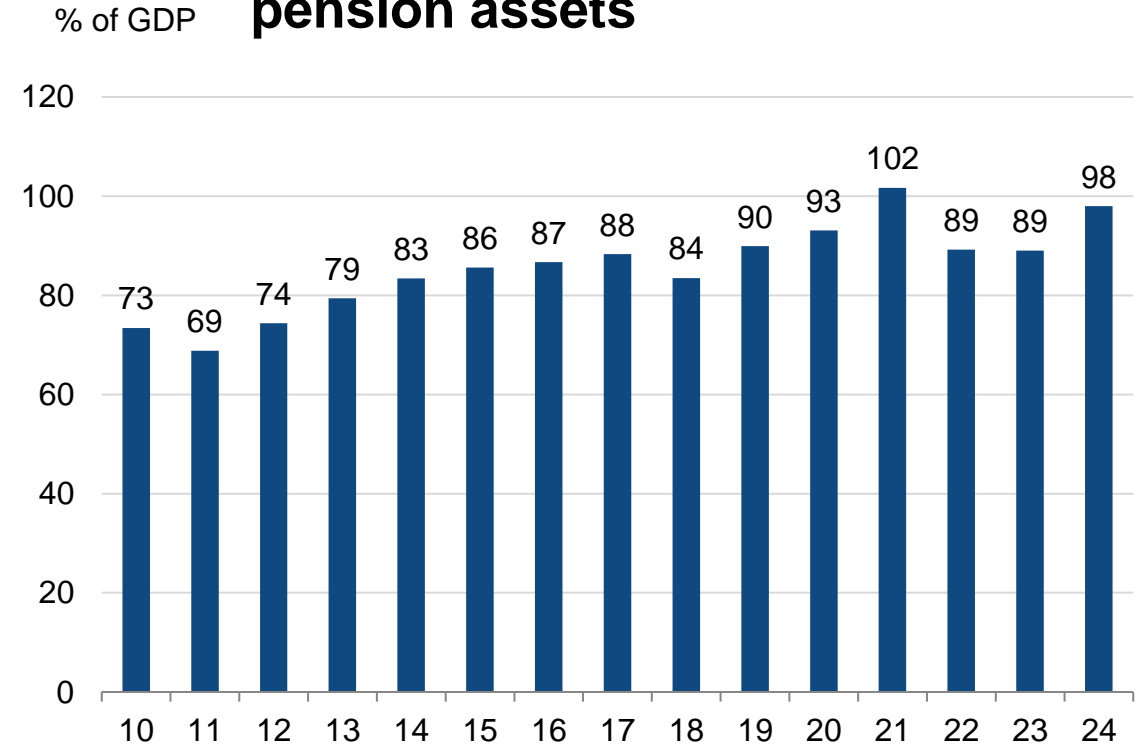


Earnings-related pension assets as % of GDP

Pensions assets 2023



Finland: Earnings-related pension assets



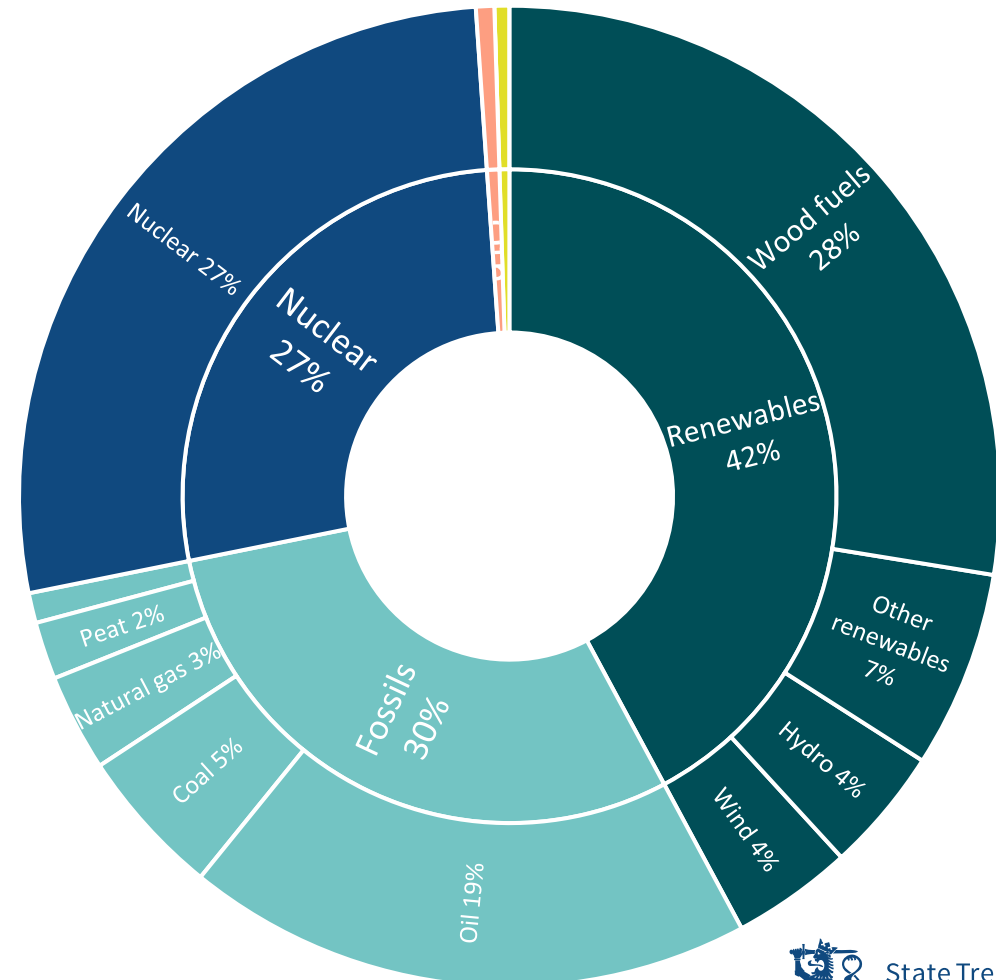
Source: Finnish Pension Alliance, Earnings related pension assets, including public sector pension assets

*Source: OECD Pension Indicators (Pension assets, excluding public sector pension assets)

Firmly on the path to green transition

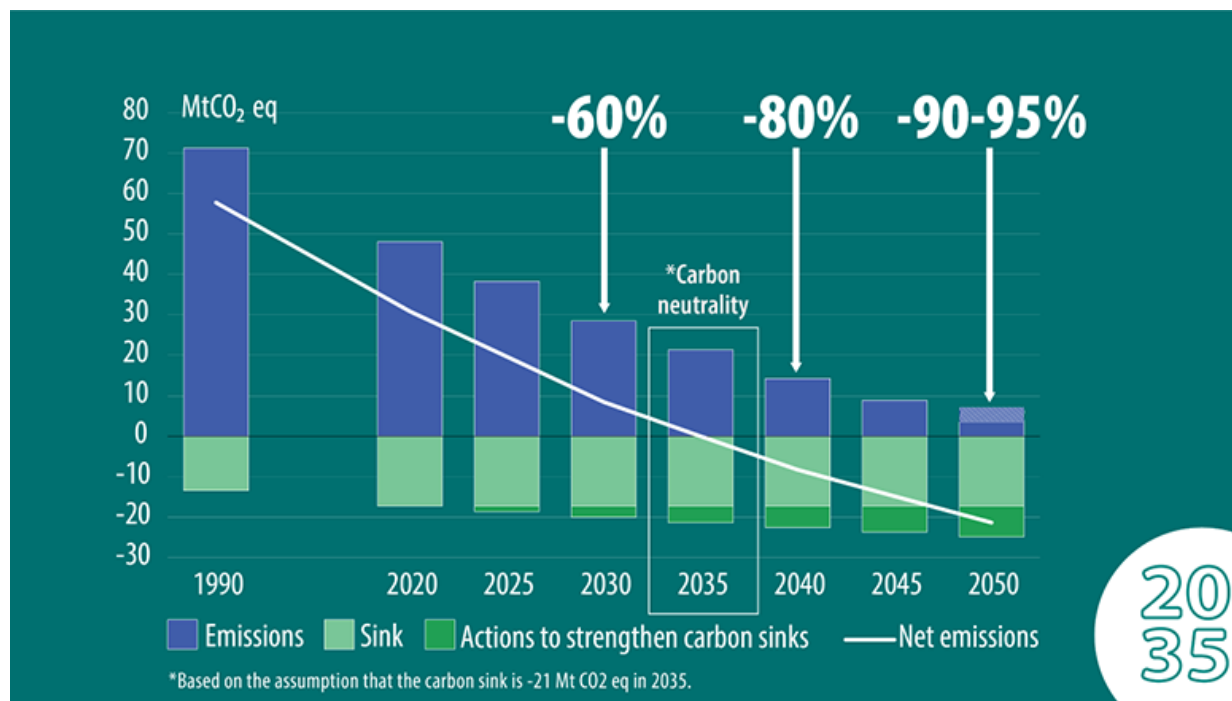
- In Finland, the share of renewables of the energy mix is at 42% the second highest in EU.
- Growth of nuclear, wind, and hydro power have accelerated Finland's energy transition.
- Consumption of fossil fuels decreased by 10% in 2023 compared to the previous year.
- Finland close to self-sufficiency 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



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

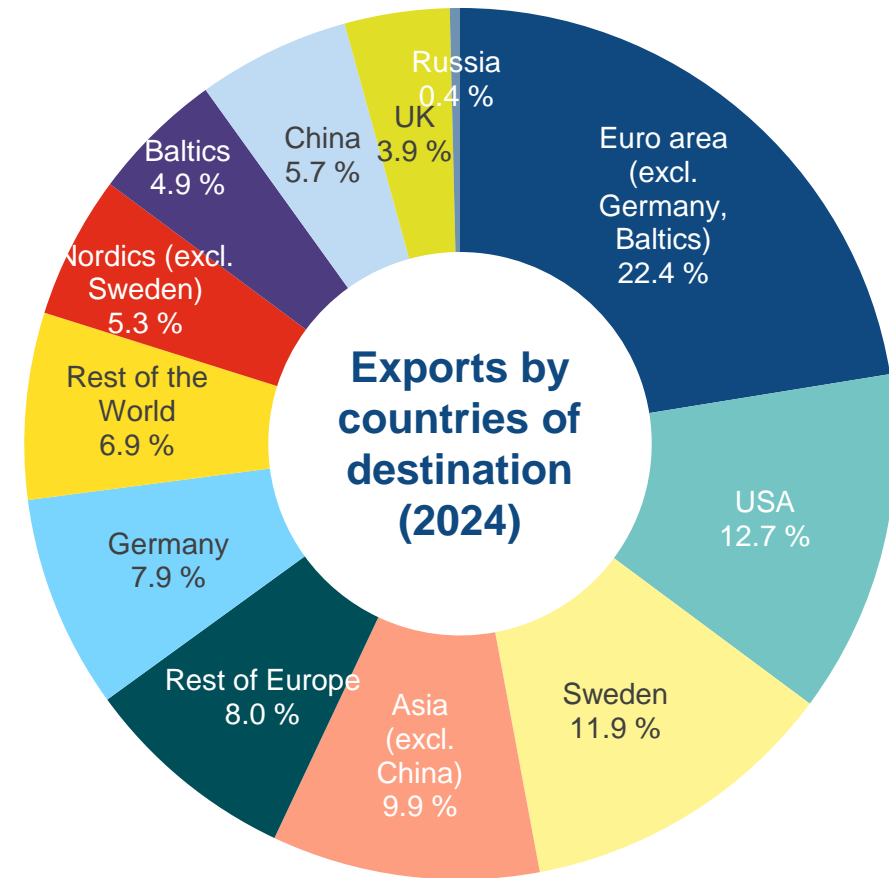
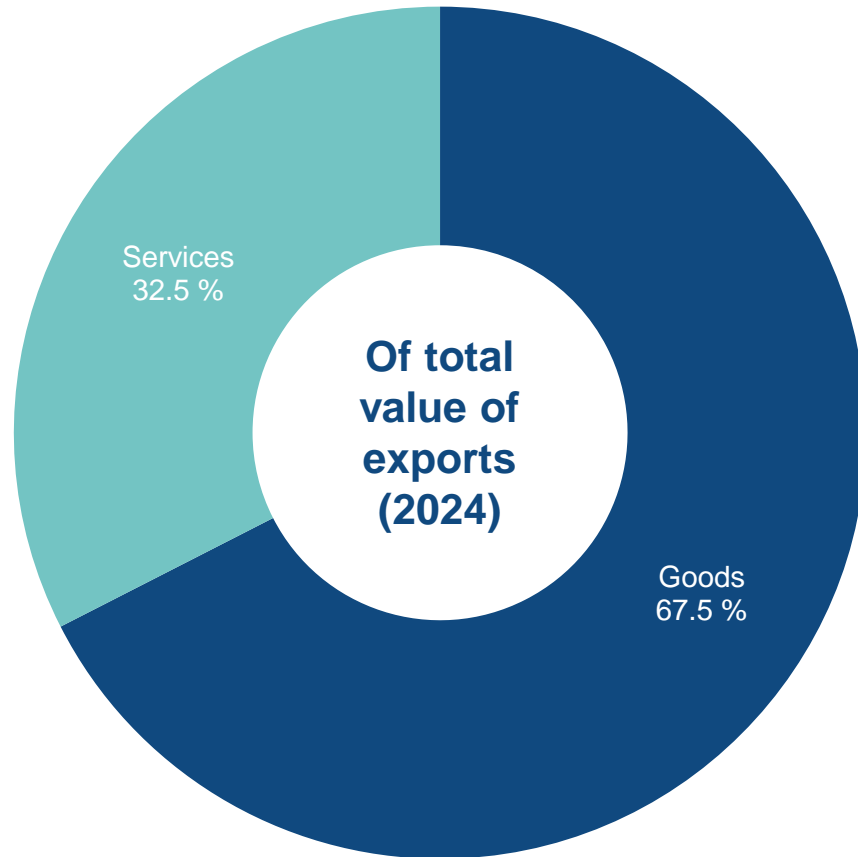
Emissions reduction targets set in the Climate Change Act



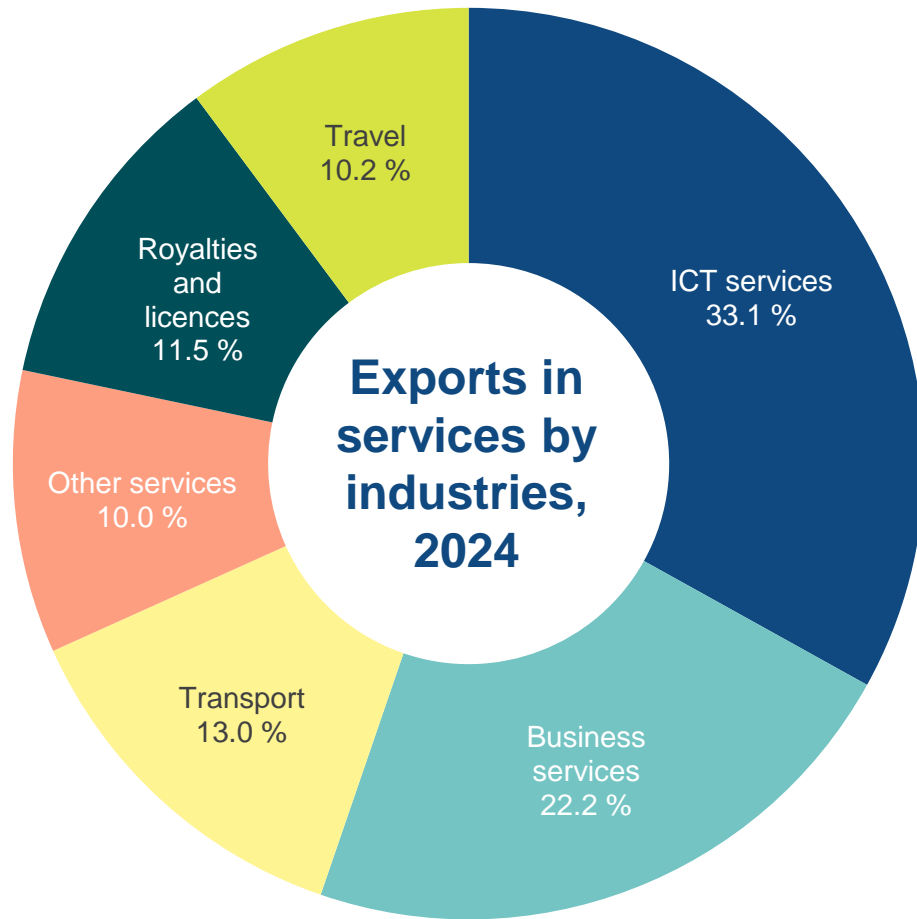
Latest estimate: rate of emission reductions in line with the 2030 target of climate act

- Finland's total emissions in 2023, 41.0 Mt Co₂ eq (excl. LULUCF), is **43% less than in 1990**
- Over past five years, rate of GhG emission reductions has averaged around 6% a year
- GhG emissions have decreased fast in energy production, where the use of fossil fuels has been replaced by nuclear, hydro and wind power
- 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**

Exports account for 40% in relation to GDP – exports in services make up 1/3



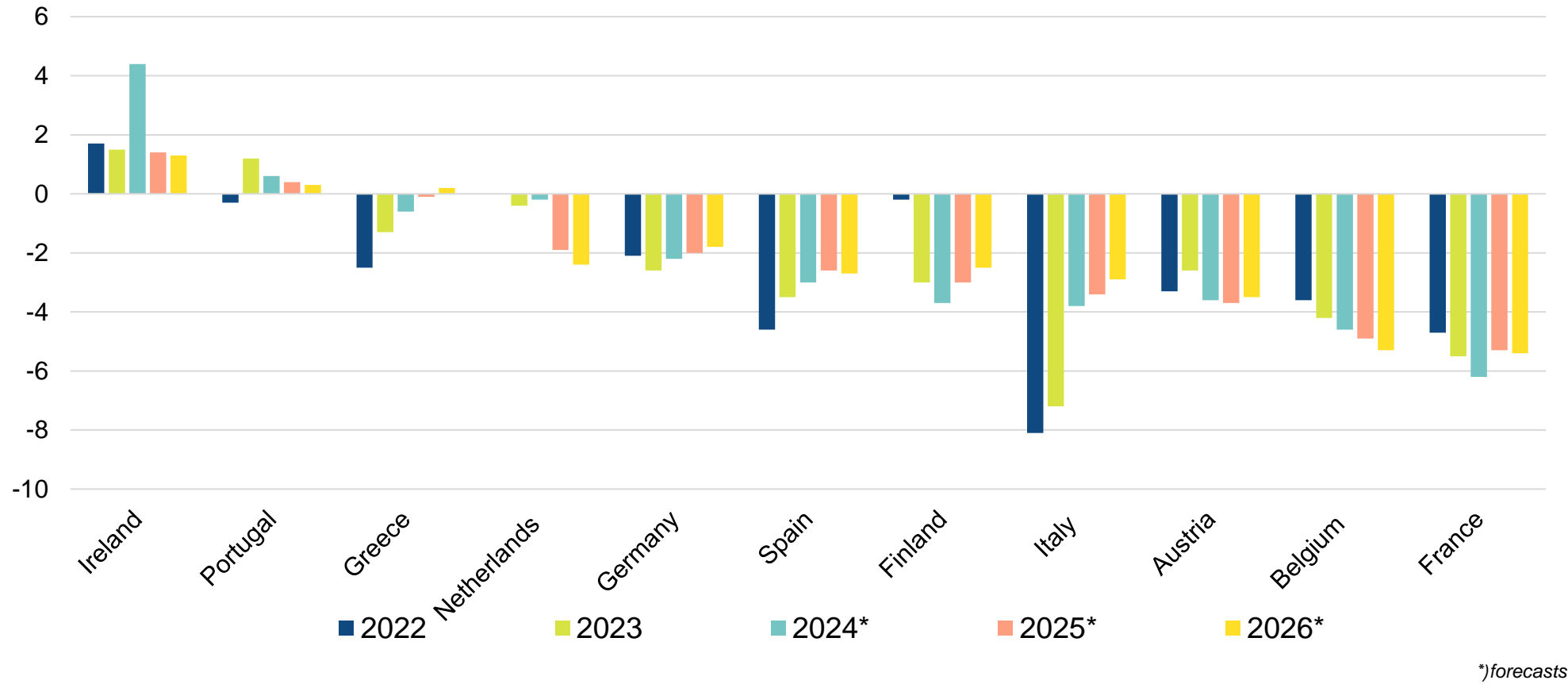
Finnish main exports in services and goods



EMU general government financial balance

EMU general government financial balance

in ratio to GDP, %



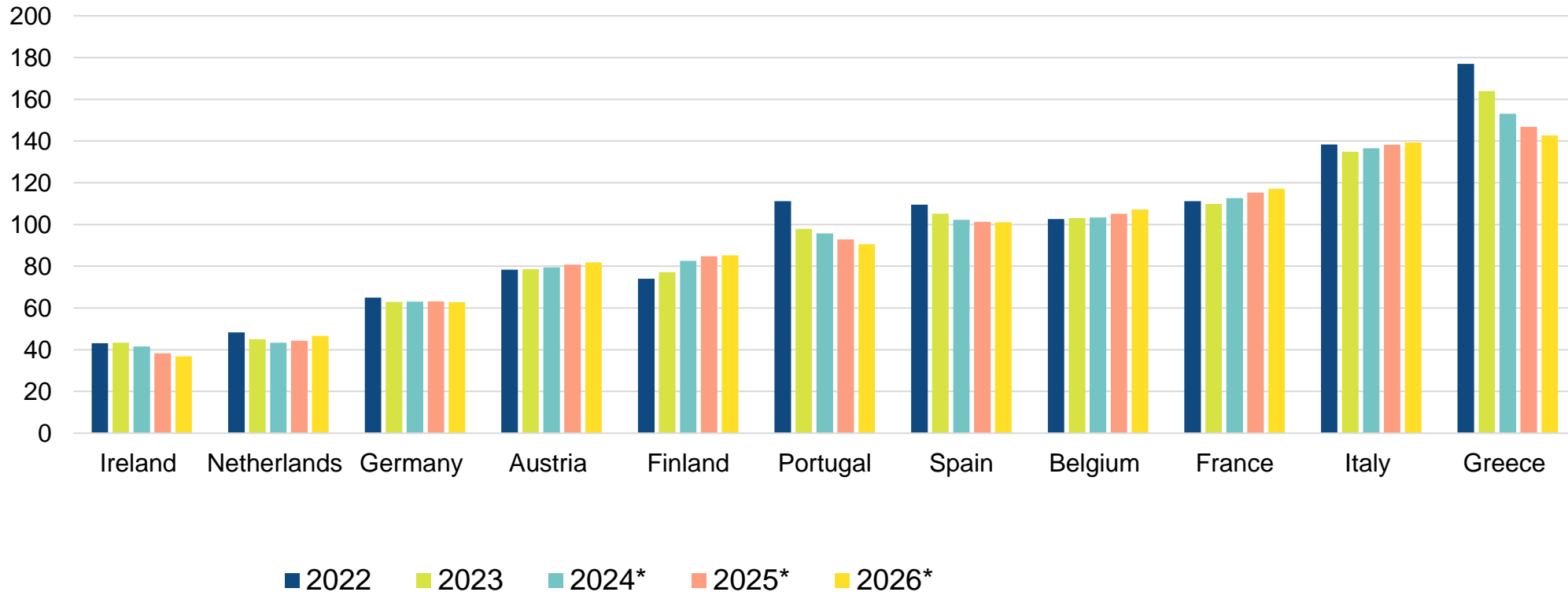
*)forecasts

Source: European Commission, Autumn 2024
*)forecasts

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

EMU General Government Gross Debt

% of GDP



*)forecasts

Source: European Commission, Autumn 2024
*)forecasts



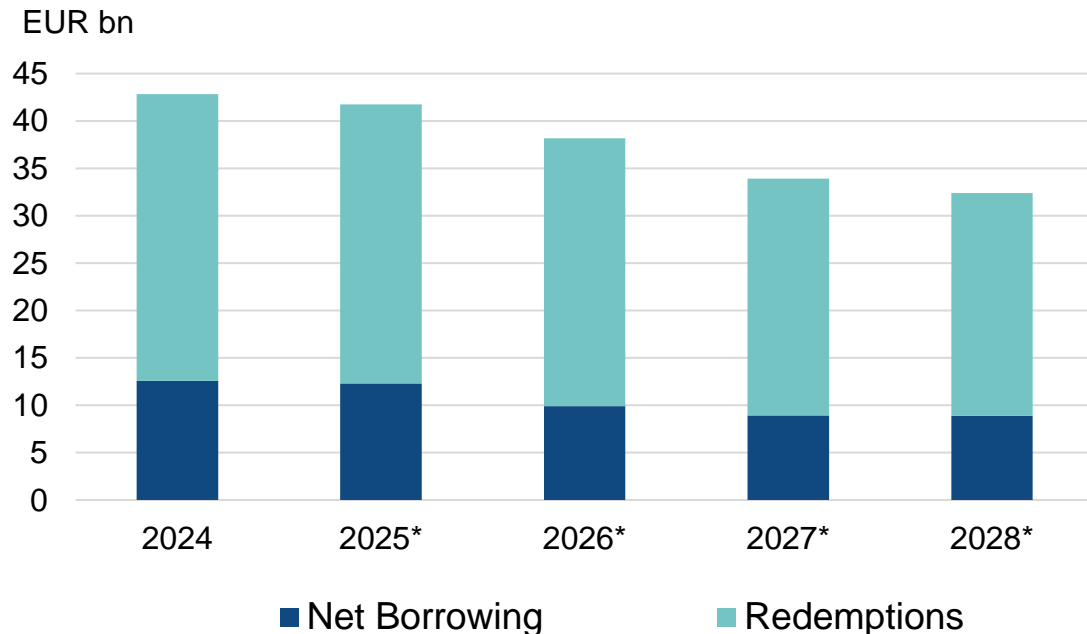


2 Funding

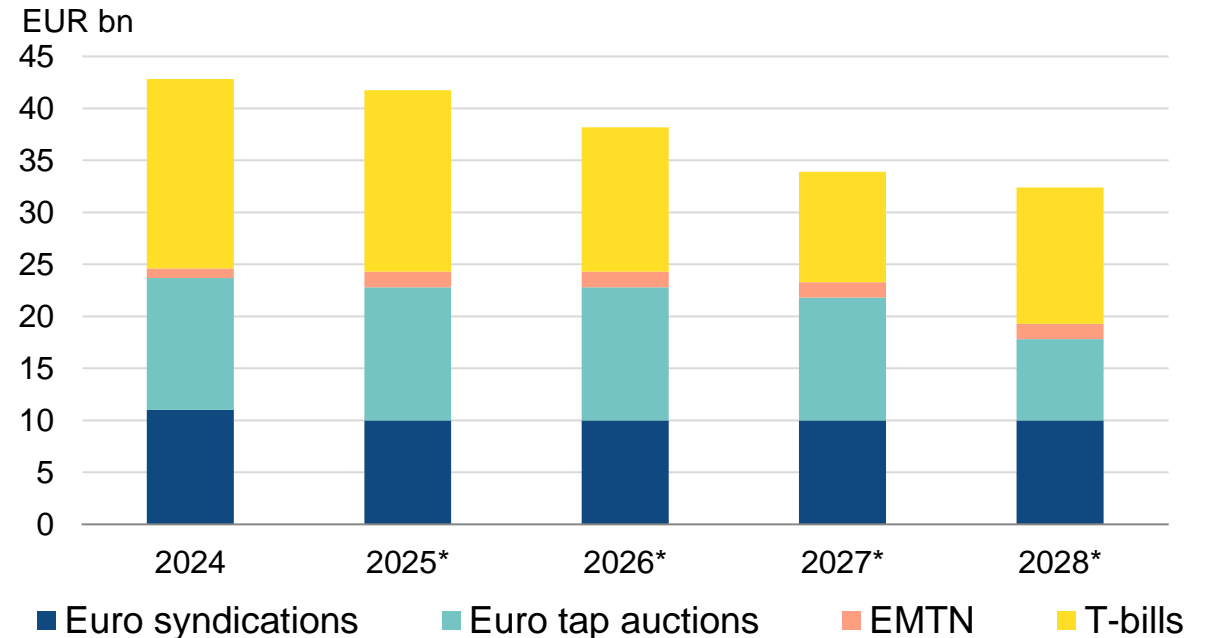


Central government gross borrowing estimate and projected funding instrument allocation

Central government gross borrowing



Projected funding instrument allocation

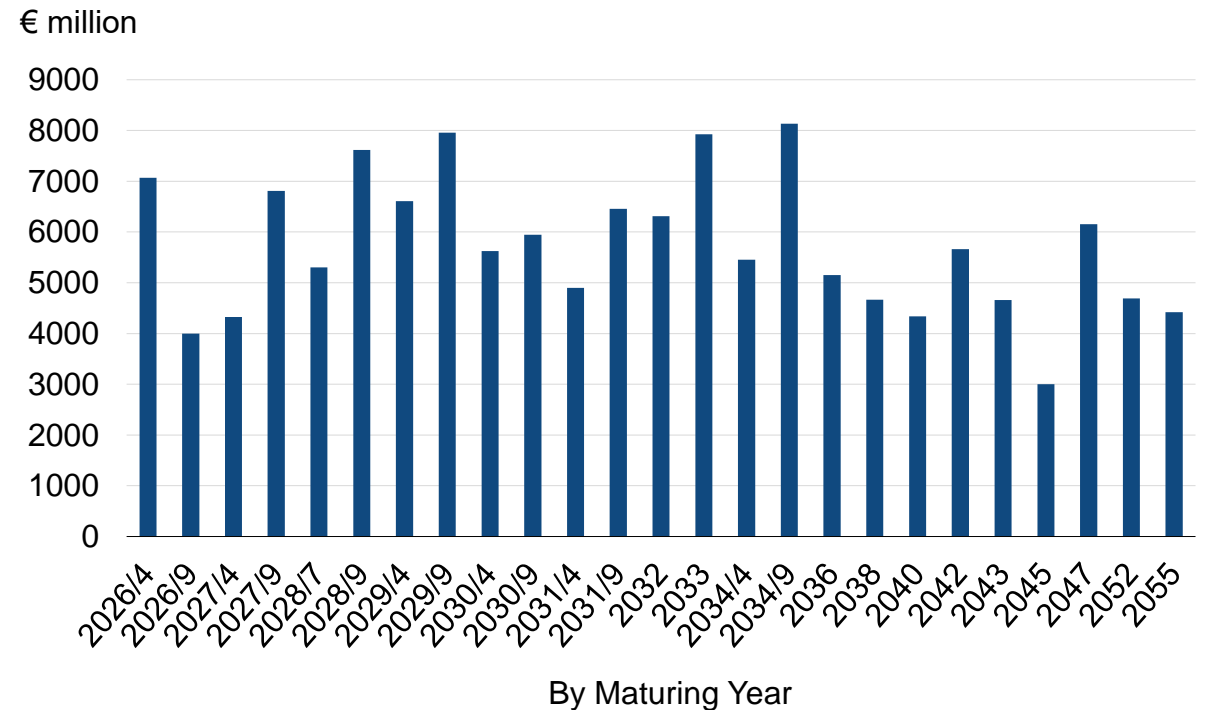


Funding strategy

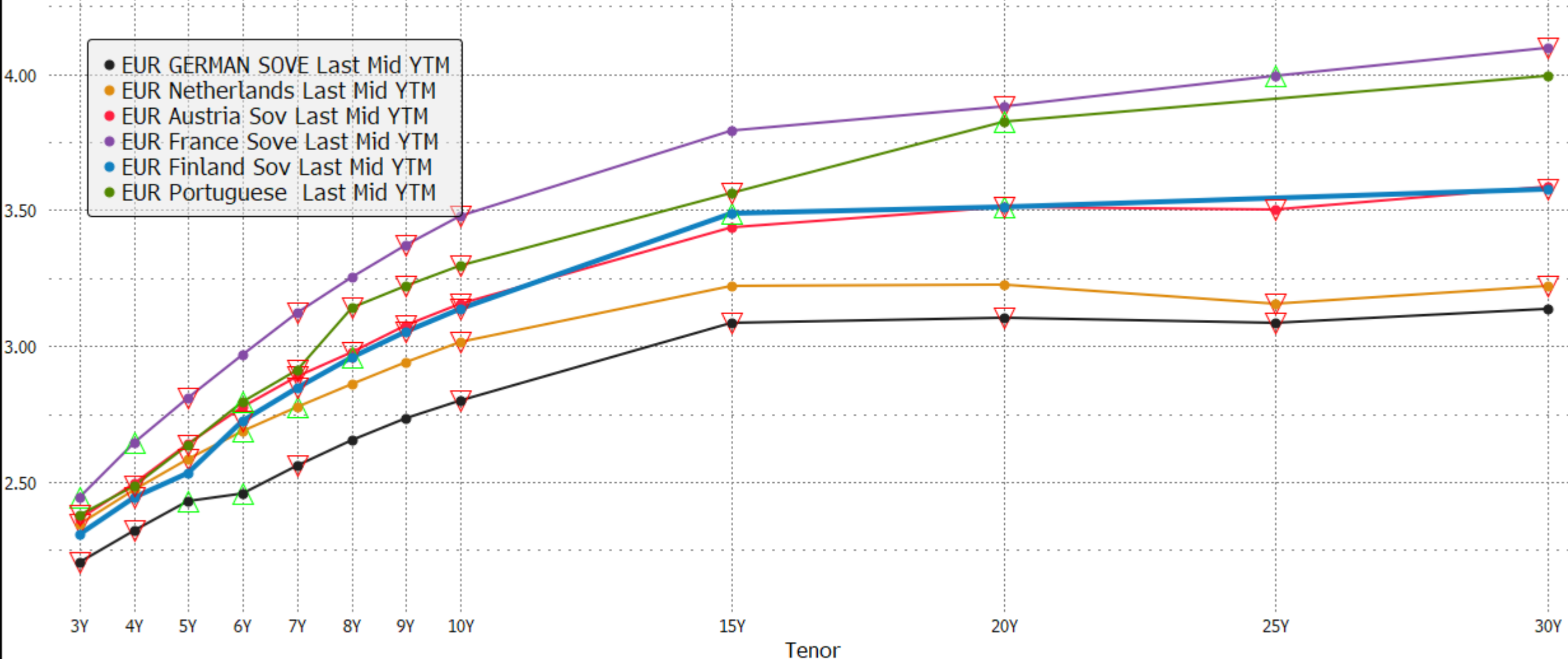
“Maintaining a globally diversified investor base by geography and investor type”

- Euro benchmark bond curve to 30 years
- Three syndicated euro benchmark bonds per year complemented by tap auctions
- Liquidity in focus – Primary Dealers have a quoting obligation.
- EMTN issuance complements euro benchmark bonds

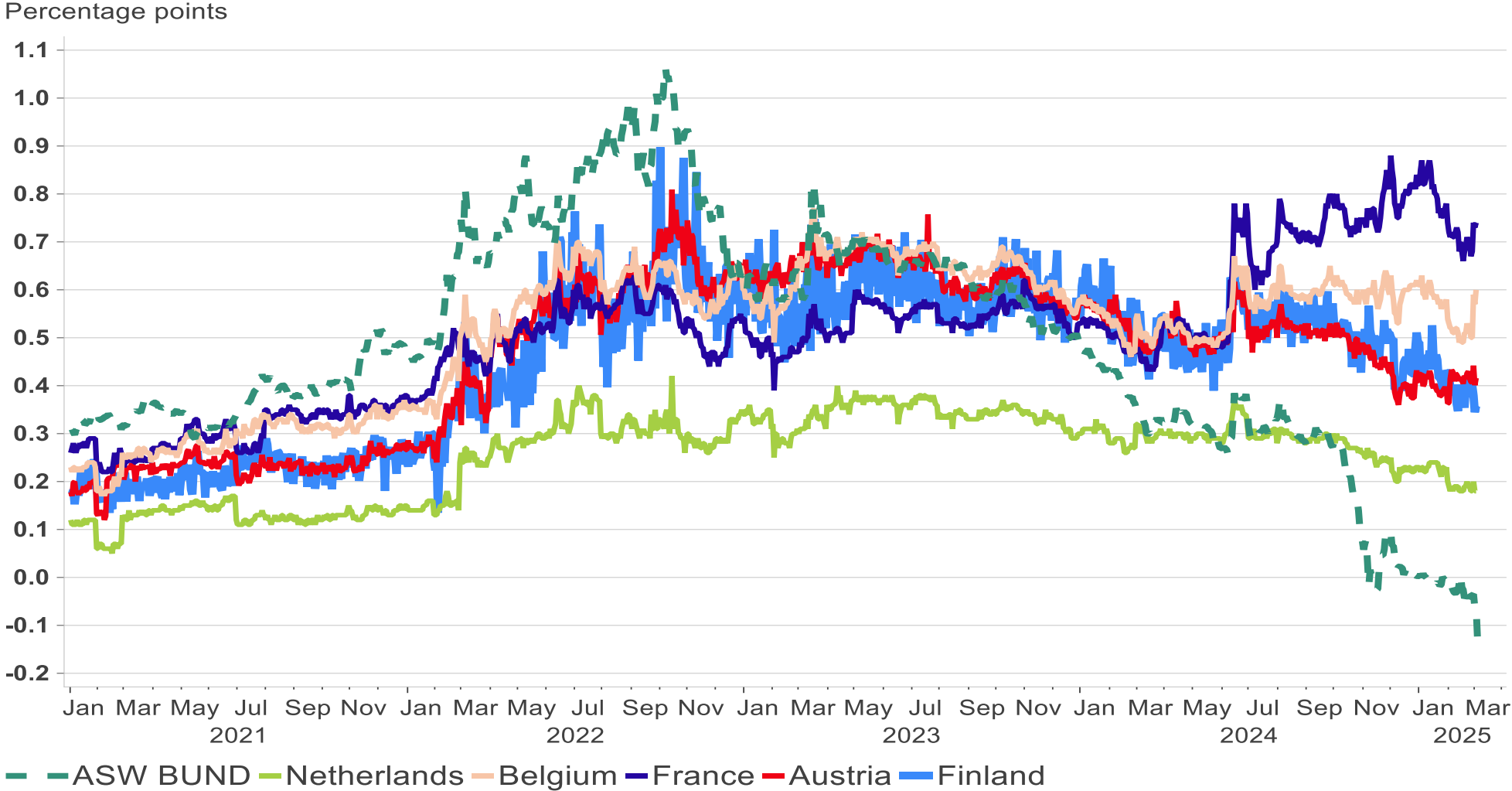
Benchmark bonds outstanding



10-year yield curves, Finland and peers



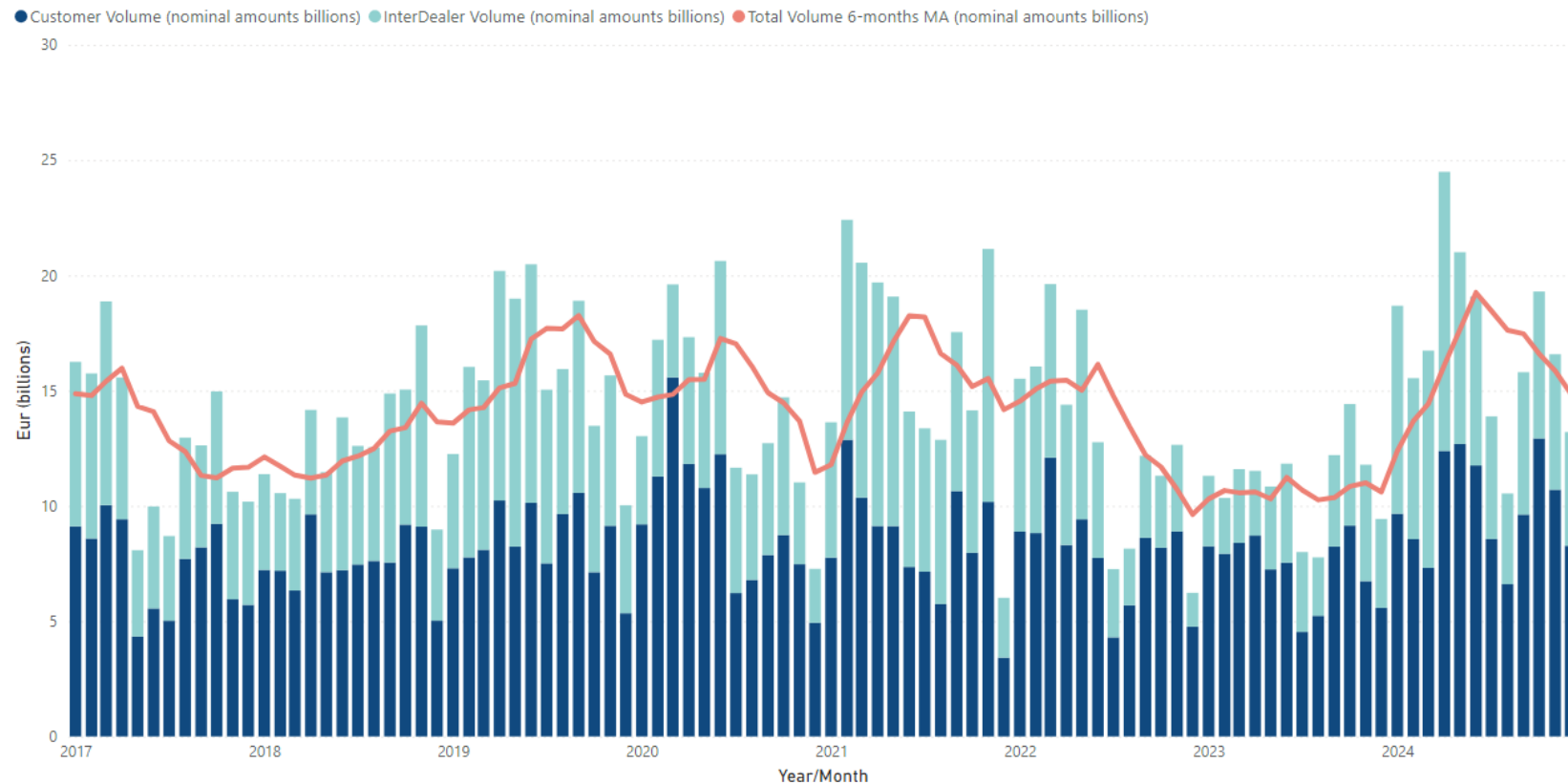
10-year government bond yield spreads to Germany & ASW BUND



RFGB secondary market activity improved in 2024

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

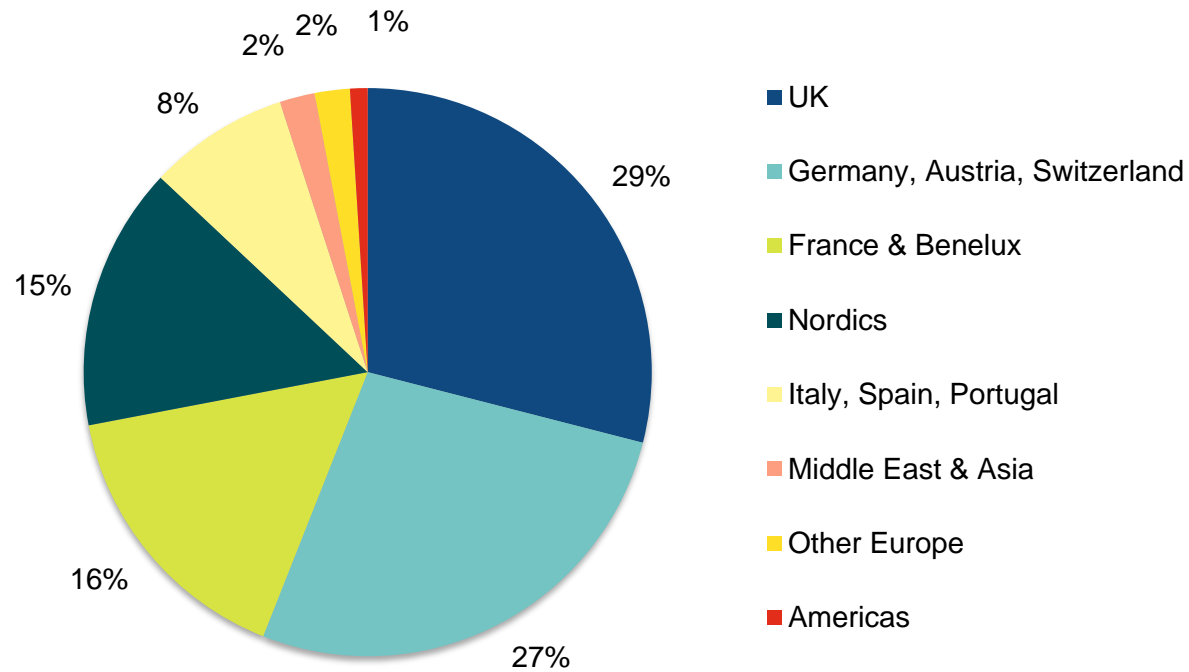
Deutsche Bank

Goldman Sachs

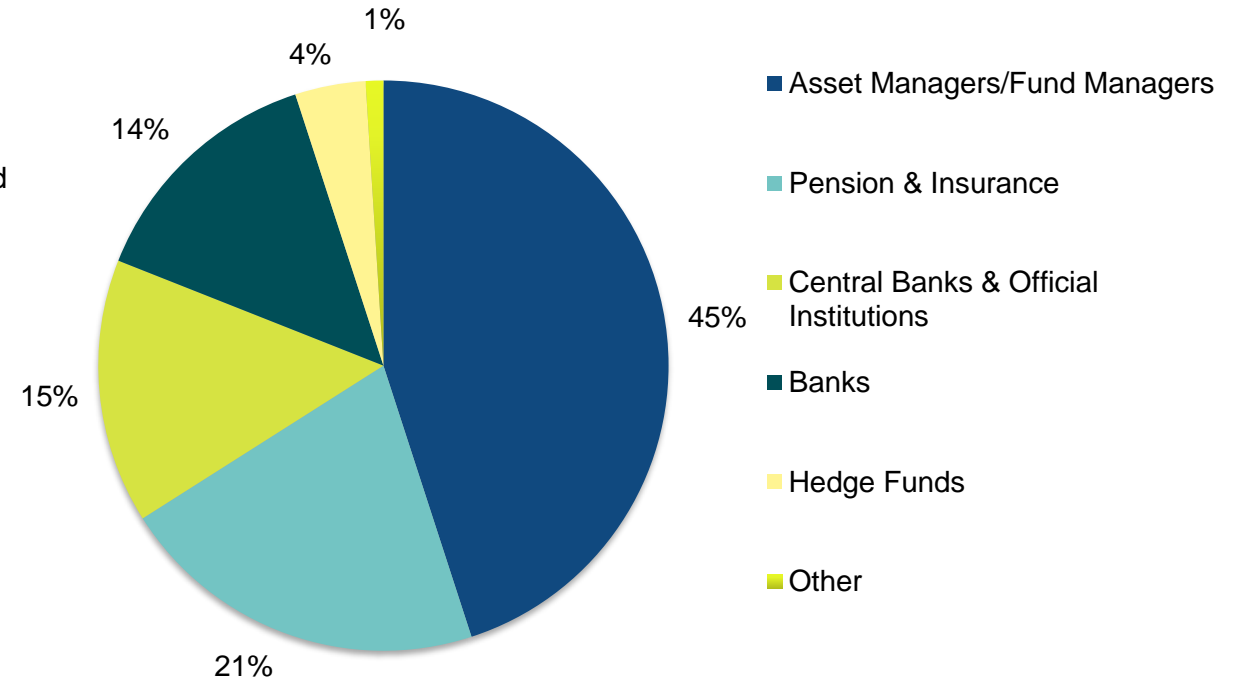
Investor base for RFGB 3.200% EUR 3bn due 15 April 2045

- Launched in January 2025
- Allocated to over 220 investors

Distribution of the bond by region



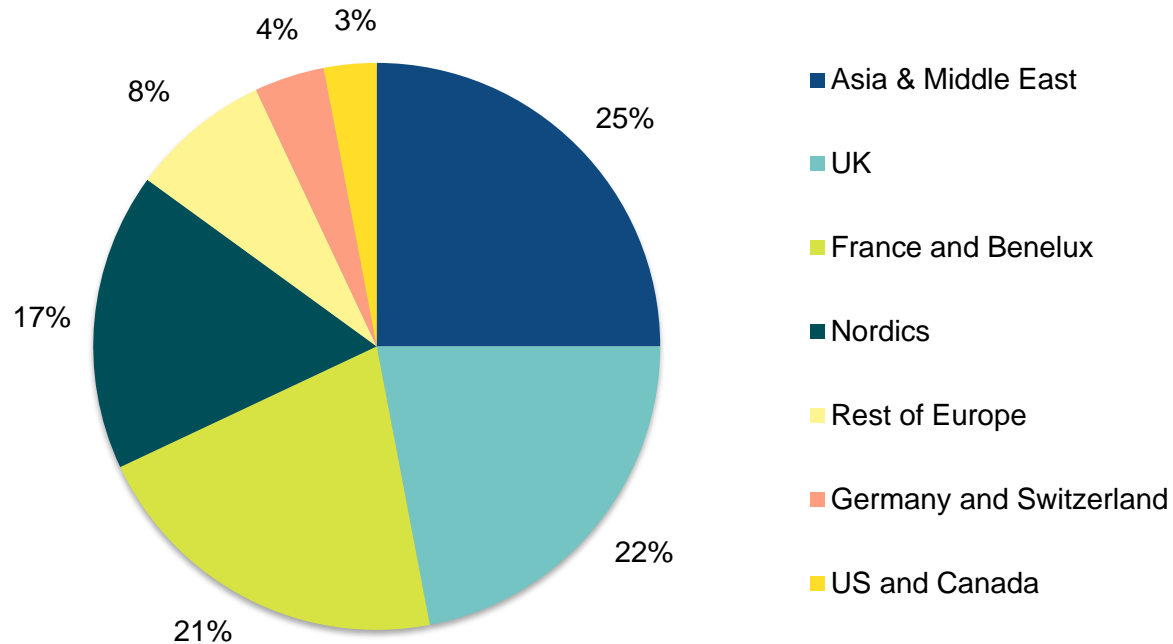
Distribution of the bond by investor type



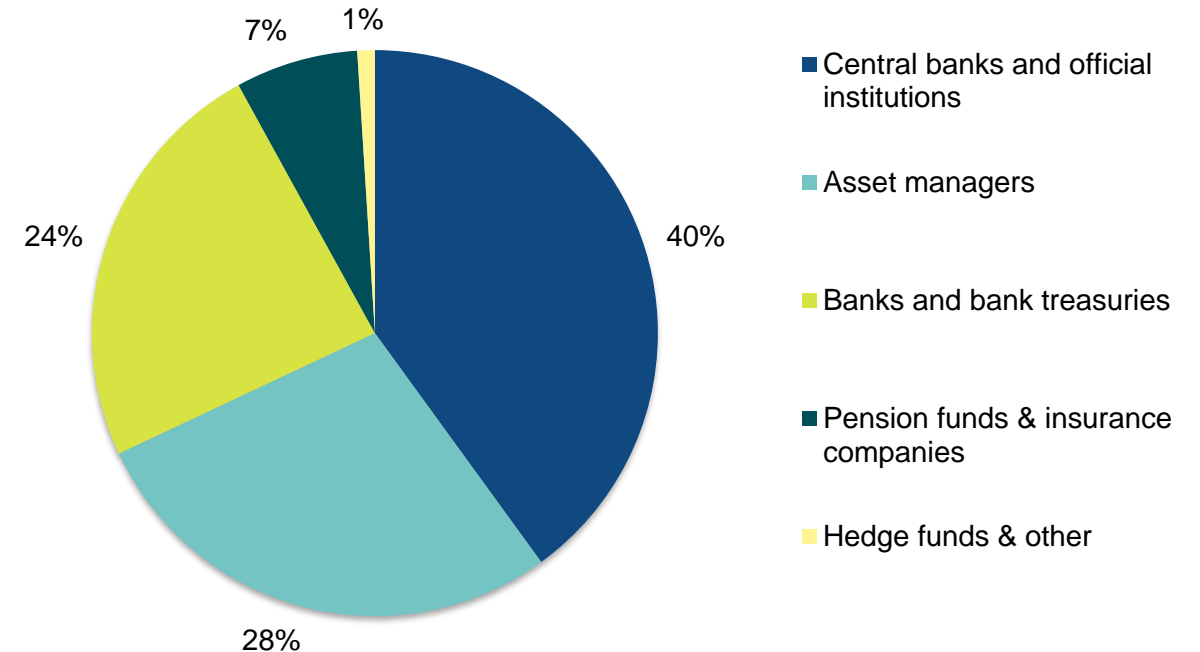
Investor base for RFGB 2.500% EUR 4bn due April 2030

- Launched in August 2024
- Allocated to circa 80 investors

Distribution of the bond by region



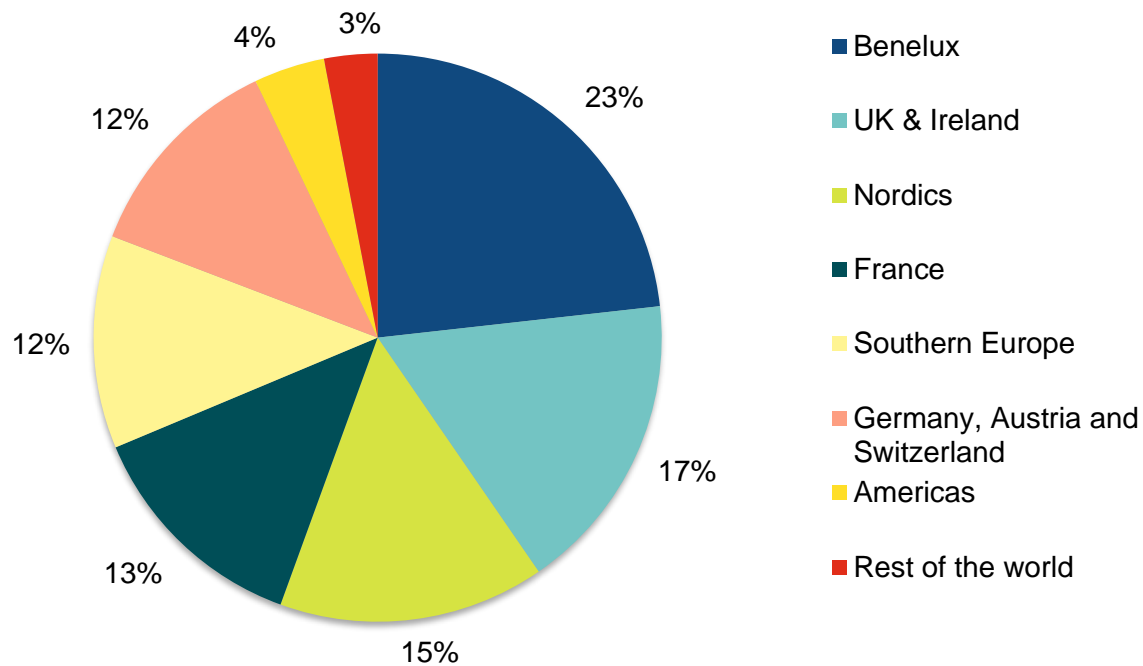
Distribution of the bond by investor type



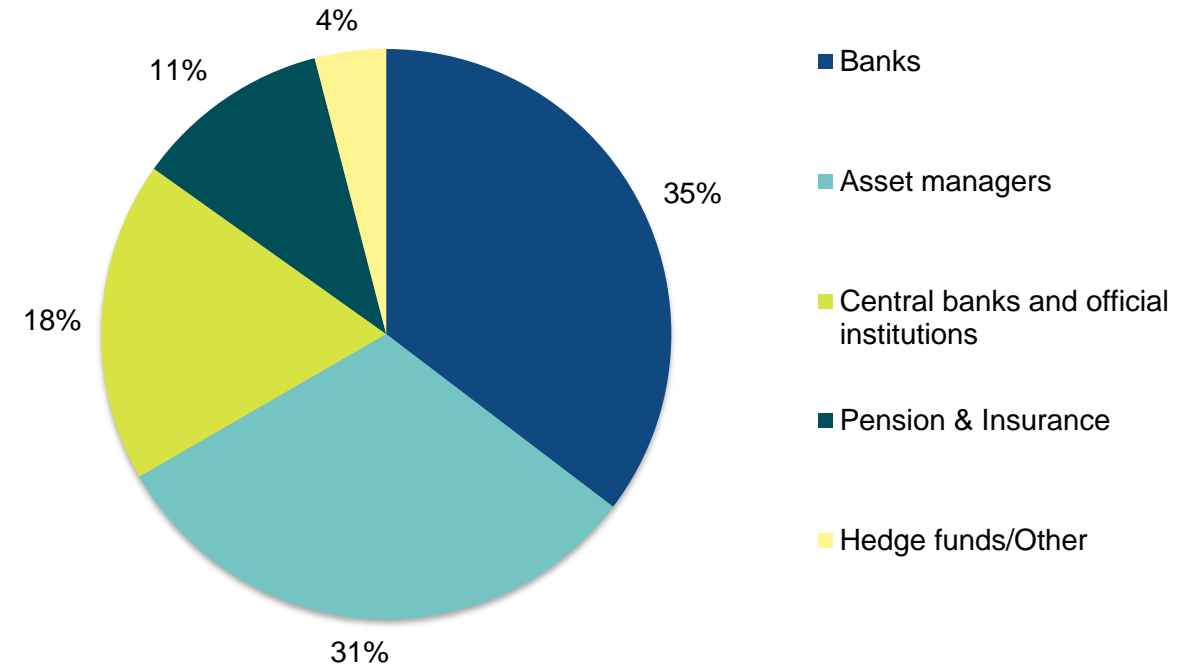
Investor base for RFGB 3% EUR 4bn due September 2034

- Launched in April 2024
- Allocated to over 160 investors

Distribution of the bond by region



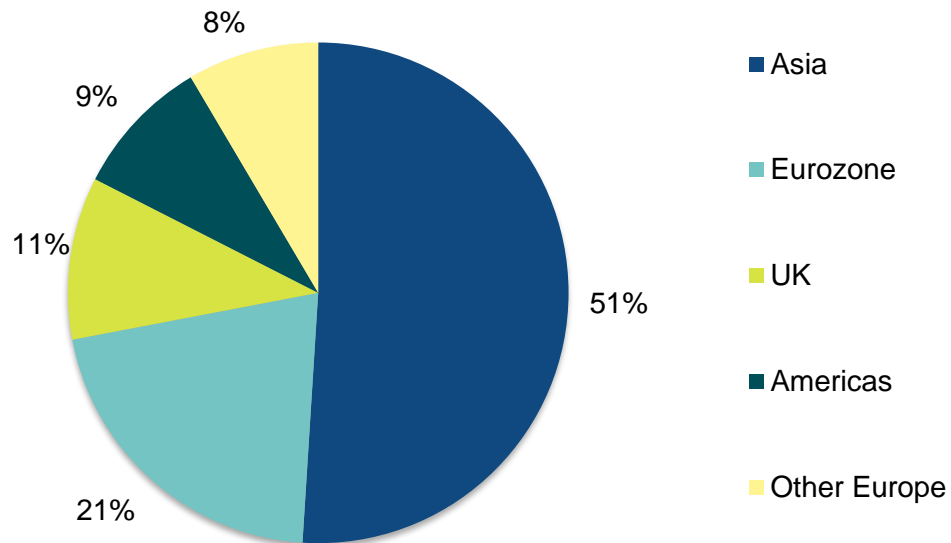
Distribution of the bond by investor type



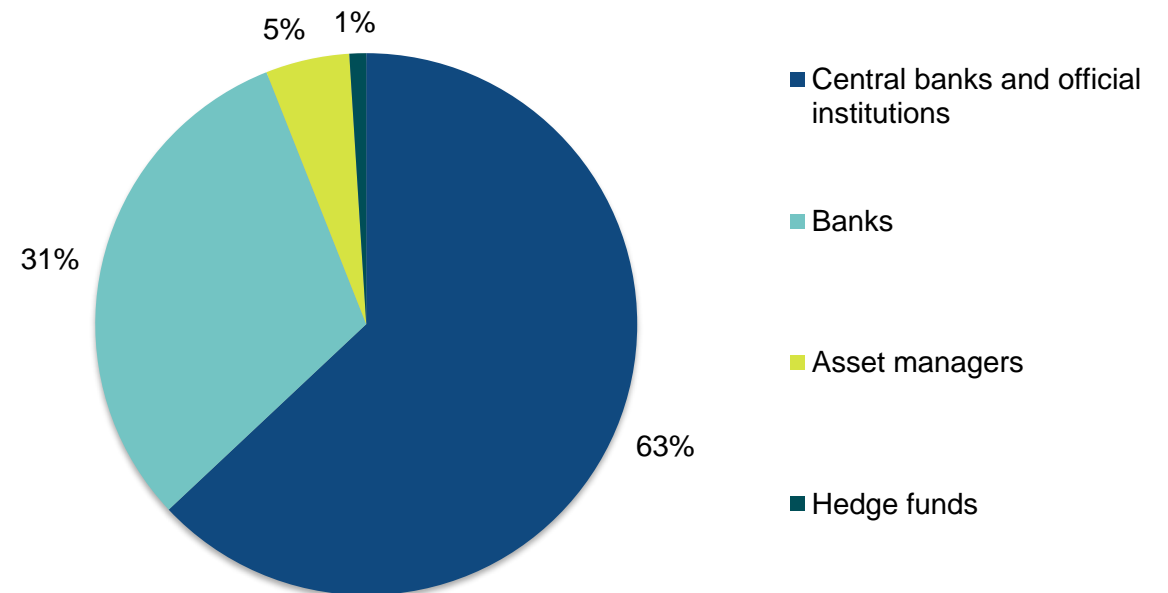
Investor base for FINL 4.375% USD 1bn due July 2034

- 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**

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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