PRESS RELEASE

SEPTEMBER 18, 2026

Morningstar DBRS Confirms Republic of Finland at AA (high), Stable Trend

SOVEREIGNS

DBRS Ratings GmbH (Morningstar DBRS) confirmed the Republic of Finland's Long-Term Foreign and Local Currency - Issuer Ratings at AA (high). At the same time, Morningstar DBRS confirmed the Republic of Finland's Short-Term Foreign and Local Currency - Issuer Ratings at R-1 (high). The trend on all credit ratings is Stable.

KEY CREDIT RATING CONSIDERATIONS

The Stable trend reflects Morningstar DBRS' view that Finland's prospects for strengthening economic growth and medium-term fiscal consolidation remain intact. Following subdued economic performance in recent years, improved economic sentiment and early 2026 data point to a cyclical strengthening. Real GDP growth is projected at 1.7% in 2026 followed by 1.6% in 2027. Private consumption and investment are poised to strengthen on rising household incomes and improving external demand. However, more pronounced spillovers from the Middle East conflict, particularly through sustained higher energy prices, pose downside risks to near-term growth and fiscal performance. Public finances have come under strain in recent years from structurally increased government consumption, higher defence expenditure, and rising interest costs amid subdued economic performance. After implementing significant fiscal reforms in recent years, the government eased fiscal policy in 2026 and 2027 to deliver support to the economy ahead of the April 2027 parliamentary election. The fiscal deficit is projected to widen to 4.2% of GDP in 2026, and to remain above 4% in 2027. While deficits are projected to remain high on a current policy basis, Morningstar DBRS considers that the new fiscal framework and broad political support for fiscal targets could support fiscal consolidation over the medium term.

Finland's credit profile is underpinned by high institutional quality and participation in international arrangements such as the EU, the Euro area and NATO. The country has a track record of sound economic and fiscal policymaking, maintains a strong innovative capacity and has high income-per-capita levels. External accounts are sound. Longer-term fiscal sustainability is supported by partially-funded pension systems. Nevertheless, the government gross debt burden, at close to 90% of GDP, is moderate-to-high and set to increase further over the medium term. As a medium-sized open economy, Finland remains potentially susceptible to adverse external developments. In addition, a large, interconnected banking system poses a potential vulnerability to macrofinancial stability.

CREDIT RATING DRIVERS

Morningstar DBRS could upgrade the credit ratings if (1) fiscal consolidation places the public debt ratio on a firm downward trajectory; and (2) economic growth potential improves materially.

Morningstar DBRS could downgrade the credit ratings if persistently wide fiscal deficits result in a material increase in the public debt ratio.

CREDIT RATING RATIONALE

Recovering Domestic Demand to Drive Stronger Growth; Headwinds from Middle East Conflict Remaining

Economic growth is expected to strengthen after several years of subdued performance. Weak household consumption, a sharp downturn in construction, and external trade challenges weighed on Finland's economy in recent years. Economic sentiment has improved substantially over the past year, particularly in the industrial and services sectors. Moreover, strengthening household consumption, business investment and net exports point to firmer economic momentum. The Bank of Finland (BoF) projects real GDP growth of 1.7% in 2026, after 0.8% in 2025, followed by 1.6% in 2027 and 1.3% in 2028. The outlook rests on the expectation of a continued recovery in household consumption, investment and external demand over the near term. Rising real wages, supported by reductions in income taxes, are expected to strengthen household purchasing power, while firmer demand from Euro area trading partners should support Finnish exports and business investment. However, sustained higher energy prices and elevated uncertainty related to the Middle East conflict could delay the recovery in consumption and weaken external demand.

Finland benefits from a strong regulatory environment, high productivity levels, and substantial investment in R&D and education. Industrial electricity prices are comparatively low relative to the European Union average, supporting cost competitiveness. Nevertheless, structural challenges constrain longer-term growth prospects. As a medium-sized open economy, Finland will likely remain relatively susceptible to adverse external developments. Labour productivity growth (per hour worked) has broadly stagnated over the past decade, while the number of hours worked has declined. The unemployment rate rose to 10.5% in July 2026 (Eurostat, seasonally-adjusted) from 9.7% on average in 2025. Although the increase is partly cyclical, it also reflects comparatively high structural unemployment. Moreover, Finland's population is ageing and a resultant stagnation or decline in the labour force over the medium- to long term could increasingly weigh on growth potential.

Parliamentary Election Coming Up In 2027; High Institutional Quality and Relatively Stable Political Environment

Finland benefits from a strong institutional framework and a high degree of political stability, as reflected in its comparatively strong performance in World Bank's Worldwide Governance Indicators. Relatively contained political polarisation, strong administrative capacity, and typically consensus-oriented policymaking support effective policy implementation and continuity. This was recently demonstrated by the broad agreement on a new fiscal framework including intergovernmental medium-term fiscal targets. The next parliamentary election is scheduled for April 2027. The current four-party coalition government will likely continue to prioritise strengthening the economy and national security throughout its remaining term in office. Finland is strengthening national defence capacities since the intensification of the Russia/Ukraine conflict in 2022. The country joined NATO in 2023 and has enhanced bilateral defence cooperation with the U.S. and European partners. Potentially elevated exposure to external security risks is illustrated by occasional security incidents in recent years, including infrastructure disruptions, airspace violations and border security challenges. Morningstar DBRS considers that enhanced defence capabilities and international cooperation support Finland's capacity to contain these risks.

Fiscal Policy Loosened to Prioritise Near-Term Economic Support, Delaying Consolidation

The fiscal deficit will likely be elevated in the near term, reflecting higher defence spending, rising interest costs and accommodative measures to support the economy. Defence spending rises materially in 2026, to an estimated at 2.6% of GDP in 2026 from around 1.7% in 2025 (COFOG definition) and is likely to increase further over the medium term to work towards NATO spending targets. Moreover, faced with weak economic momentum ahead of the 2027 election, the government loosened fiscal policy somewhat in 2026 and 2027. Measures include income-tax reductions for employees and corporations (to be implemented in 2027), only partially offset by additional expenditure restraint. Prospective savings resulting from recent labour market and healthcare-administration reforms have not yet fully materialised but could support the fiscal position over the medium term. The BoF projects the fiscal deficit to widen to 4.2% of GDP in 2026, from 3.8% in 2025, and under no-policy-change conditions to remain above 4% in 2027 and 2028. The Middle East conflict presents additional risks to the fiscal outlook, in particular as weaker-than-expected economic outcomes could weigh on tax revenue and require additional support measures. While fiscal pressures are projected to remain substantial on a current policy basis, Morningstar DBRS expects Finland will remain committed to fiscal consolidation after the 2027 election.

Recent fiscal outcomes prompted the EU Council to place Finland in Excessive Deficit Procedure (EDP) in January 2026, increasing fiscal scrutiny. Finland introduced a new fiscal framework aligned with new EU rules from beginning of 2026 with strong parliamentary involvement. Under the framework, fiscal targets for the next legislative term (2027-2031), agreed in line with the new procedures, have generally garnered broad political support across government and opposition parties. The next government's willingness and capacity to specify and implement measures of approximately 2-3 percentage points of GDP until the end of the legislative term will test the commitment to the framework. Additional debt-reduction mechanisms under the framework could prove more fiscally constraining than EU requirements over the long term.

Public Debt Burden is Moderate-to-High; Partially-Funded Pension Systems Support Longer-Term Fiscal Sustainability

The public debt burden is set to remain moderate-to-high over the medium term. The general government debt-to-GDP ratio rose by 23 percentage points over the past six years, reflecting temporary crisis-related spending, subdued economic growth, and structurally higher government consumption expenditure. Elevated primary deficits and rising interest costs will likely continue outweighing the countervailing effect from moderate economic growth and inflation on public debt dynamics. The BoF projects general government debt to rise from an estimated 88.5% of GDP in 2026 to about 97% by 2028. Gross interest expenditure is projected to increase to 2.1% of GDP in 2028 from 1.6% in 2025. Debt dynamics are also affected by guarantees for social housing loans and asset purchases of pension funds within the government sector, which among other factors contribute to typically positive stock-flow adjustments. Nevertheless, the composition of Finland's public debt is sound and benefits from a diversified investor base. Central government debt is largely denominated in local currency EUR and there is no currency risk (after hedges). The average maturity is extended at 7.8 years as of August 2026.

Finland's overall public balance sheet position remains strong, with a net financial asset position of 61% of GDP as of 2026Q1. This largely reflects the assets accumulated under partially-funded statutory private- and public sector pension systems, amounting to a total of 104% of GDP as of 2026Q2, or covering around one-quarter of estimated long-term pension liabilities. The state pension fund, which supports future public-sector pension expenditure, holds assets of around 9% of GDP. Returns generated on these assets cover a significant share of the annual state pension expenditure and mitigate potential pension-related pressure on public finances. This supports a positive qualitative adjustment to the "Debt and Liquidity" building block assessment. Notably, budgetary financing in 2027 will be supplemented by a small one-off withdrawal (of about 0.4% of GDP) from the state pension fund. In principle, such assets are not available for budgetary financing beyond yearly fixed contributions. Furthermore, while notional amounts of contingent liabilities are elevated, we view the risk of materialisation as limited. Guarantees (those not already included in general government debt) amount to around 17% of GDP in 2026 and mainly relate to the state-owned export agency.

External Position to Remain Sound Despite Elevated Uncertainty; High Cross-Border Exposure of Banking Sector

Finland's external position is set to remain sound over the medium term despite heightened tensions and uncertainty in the external environment. The country benefits from a net external asset position and a broadly balanced current account. The BoF projects current account balances of between 0% and 0.3% of GDP during 2026-28. Finnish exports have remained resilient to higher U.S. tariffs and the adverse impact of the Middle East conflict. Going forward, a further strengthening of demand from key European trading partners, is likely to support export growth. At the same time, import needs will also likely be higher, stemming from rising defence and private investments, elevated energy prices and stronger private consumption. Finland's net international investment position is in surplus, at 16% of GDP as of 2026Q1, primarily reflecting Finnish companies' stock of direct investment abroad and growing foreign-equity portfolio investment held by Finnish residents. Nevertheless, elevated gross external debt, at around 208% as of 2026Q1, remains a potential vulnerability, with a large share related to cross-border exposure of the Finnish banking sector.

Financial Sector is in Sound Condition While Structural Vulnerabilities Persist; Inflation is Contained

Finland benefits from a sound macroprudential framework, profitable and well-capitalised banks, and robust private sector balance sheets. Corporate lending has strengthened this year, while household borrowing remains subdued and activity in the residential and commercial real estate markets continues to be weak. Overall asset quality remains strong with non-performing loans at a very low 1.1% of total loans as of 2026Q1 (EBA). Finnish banks are well capitalised supporting their capacity to absorb potential losses, with the CET1 ratio standing at 18% as of 2026Q1. The Financial Supervisory Authority (FIN-FSA) has maintained the systemic risk buffer at 1% of risk-weighted assets since 2023, and the countercyclical buffer unchanged at 0% since 2015, while applying additional buffers to systemically important institutions. Household sector debt is comparatively high at 62% of GDP as of 2026Q1, largely reflecting a high mortgage stock. Mortgages are typically variable-rate with short refixing periods, heightening households' sensitivity to interest rate changes and potentially amplifying economic downturns. Morningstar DBRS considers the principal structural vulnerabilities of the financial sector to be the large size of the Finnish banking sector relative to the economy, the related interconnectedness with the wider Nordic financial sector and banks' large real-estate exposure. These factors account for a negative qualitative adjustment to the "Monetary Policy and Financial Stability" building block assessment.

Finnish inflation is expected to remain broadly consistent with the ECB's 2%-target over the medium term. Consumer price inflation (HICP) inflation stood at 2.4% YOY in August, accelerating from 1.7% at 2025YE, primarily because of higher energy prices associated with the Middle East conflict. The BoF forecasts average inflation of 2.4% in 2026, 1.4% in 2027, and 1.8% 2028, assuming energy prices moderate. Underlying inflation remains comparatively contained amid high unemployment and economic slack. Nevertheless, sustained higher energy could pass-through to broader inflation and intensify price pressures over the medium term.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS
ESG Considerations had a relevant effect on the credit analysis.

Governance (G) Factors

The following Governance factor had a relevant effect on the credit analysis: Peace and Security. Finland joined NATO in 2023 and has enhanced bilateral defence cooperation with the U.S. and European partners. The country, sharing a direct border with Russia, is expanding national defence capacities and enhancing border security since the intensification of the Russia/Ukraine conflict in 2022. Morningstar DBRS considers that Finland would likely respond to hostilities involving neighbouring governments. Occasional security incidents in Finnish maritime and airspace, as well as cyberattacks against institutions and the economy, illustrate the country's potentially elevated exposure to external security risks. Finland intends to increase defence spending over the medium term. Morningstar DBRS has taken this factor into account within the "Fiscal Management and Policy" and "Political Environment" Building Block.

There were no Environmental or Social factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (20 July 2026) https://dbrs.morningstar.com/research/485522

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments: https://dbrs.morningstar.com/research/489373.

EURO AREA RISK CATEGORY: LOW

Notes:
All figures are in Euro (EUR) unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (06 July 2026) https://dbrs.morningstar.com/research/484620. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings https://dbrs.morningstar.com/research/485522 in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

The sources of information used for these credit ratings include Suomen Pankki/Bank of Finland (BoF): Forecast for the Finnish Economy (June/September 2026), Financial Stability Assessment (June 2026); Ministry of Finance of the Republic of Finland: Economic Survey (Summer 2026), Draft budget 2027, Fiscal Plan for 2027-2030; State Treasury of the Republic of Finland; Statistics Finland; International Monetary Fund (IMF):

Staff Report for the Art. IV Consultation (2026), World Economic Outlook (April 2026), Financial System Stability Assessment (2023); World Bank (WB); European Commission (EC): Economic Forecast (May 2026), Debt Sustainability Monitor 2025, Eurostat; European Central Bank (ECB); European Banking Authority (EBA); Bank for International Settlements (BIS); Macrobond. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

With respect to FCA and ESMA regulations in the United Kingdom and European Union, respectively, these are unsolicited credit ratings. These credit ratings were not initiated at the request of the issuer.

With Rated Entity or Related Third Party Participation: YES
With Access to Internal Documents: YES
With Access to Management: NO

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: https://registers.esma.europa.eu/cerep-publication. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see https://data.fca.org.uk/#/ceres/craStats.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: https://dbrs.morningstar.com/research/489371.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit https://dbrs.morningstar.com

Ratings

Finland, Republic of

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
18-Sep-26	Long-Term Foreign Currency - Issuer Rating	Confirmed	AA (high)	Stb	EU U
18-Sep-26	Long-Term Local Currency - Issuer Rating	Confirmed	AA (high)	Stb	EU U
18-Sep-26	Short-Term Foreign Currency - Issuer Rating	Confirmed	R-1 (high)	Stb	EU U
18-Sep-26	Short-Term Local Currency - Issuer Rating	Confirmed	R-1 (high)	Stb	EU U

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