

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Republic of Finland (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	AAA
Outlook:	Stable
Local Currency Long-term Issuer Rating:	AAA
Outlook:	Stable

Rationale

- (1) The ratings reflect the country's well-developed economy that boasts a high income level, the government's track records of sound policy management and strong commitments to structural reforms, and high resilience to stresses stemming from abundant financial assets held by the government. While the country's public finance deteriorated in 2020 due to higher spending on the measures to cope with the COVID-19 pandemic, its public debt remained at a relatively low level. Given that the government has been consistently pushing forward with reforms to ensure fiscal sustainability, JCR expects that both the fiscal deficit and public debt will be curbed through government efforts toward fiscal consolidation once the impact of the pandemic recedes. Based on the above, JCR has kept the ratings unchanged with a Stable outlook.
- (2) While Finland is a small economy with a population of only about 5.5 million, it is a high-income country that boasts one of the world's highest educational standards. Its GDP per capita (in PPP terms) exceeded USD50,000 in 2020. The economy slumped to negative growth for the three consecutive years between 2012 and 2014 due to a contraction of the ICT industry led by Nokia and the shift of production facilities abroad by the paper industry. Faced with the structural issues including such changes in the industries and population aging, the government has been pushing forward with reforms of the labor market and health and social welfare systems. In 2020, the economy contracted 2.9% mainly as private consumption fell due to the restrictive measures forced by the pandemic. As the downward pressure on the economy will gradually recede with the progress of vaccination and the relaxation of the restrictive measures, JCR holds that the economy will grow faster than 2% each in 2021 and 2022. Meanwhile, the country posted a small current account surplus in 2020 and ended with a minor external debt in terms of net international investment position.
- (3) The Finnish government has consistently pursued policies focused on fiscal sustainability through its consensus-based policy making. The general government deficit/GDP ratio stood below 1% in 2019, with the government debt/GDP ratio contained at 59.5%. The country's sound fiscal position prior to the onset of the pandemic provided it with much room to allow for a temporary fiscal deterioration stemming from the impact of the pandemic. In 2020, the fiscal deficit/GDP ratio widened to 5.5% and the debt/GDP ratio rose to 69% due to increased expenditures necessitated by the implementation of the economic support measures and reduced tax revenues resulting from the deterioration of the economy. However, the government debt was still lower than the average for the countries rated AAA by JCR. Moreover, the general government sector was in a net asset position exceeding 60% of GDP at the end of 2019 thanks to accumulation of financial assets in its pension funds. Considering the government's commitment to pursue fiscal consolidation in the medium term, JCR forecasts that the fiscal deficit will narrow and the government debt will be curbed as the economy recovers and the economic support measures end.
- (4) The country's financial system remains stable. Since 2008, housing prices have risen much faster than the growth of nominal GDP and the household debt has increased amid the low interest rates. In recent years, macro-prudential regulations have been strengthened in order to curb an excessive household debt. The banking sector has been keeping its nonperforming loan ratio low and retaining stable earnings even amid the pandemic.

Atsushi Masuda, Haruna Saeki

Rating

Issuer: Republic of Finland

<Affirmation>

Foreign Currency Long-term Issuer Rating: AAA Outlook: Stable

Local Currency Long-term Issuer Rating : AAA Outlook: Stable

Rating Assignment Date: July 15, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (November 7, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was not obtained from the rating stakeholder.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Republic of Finland
Rating Publication Date:	July 19, 2021

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base

The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base

The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions

The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Informational and explanatory materials published by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government
- B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer or some independent media etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting

improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Republic of Finland	Issuer(Long-term)(FC)	February 1, 2001	AAA	
Republic of Finland	Issuer(Long-term)(FC)	January 9, 2002	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	January 17, 2003	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	January 21, 2004	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	November 15, 2004	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	December 15, 2005	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	February 5, 2007	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	January 7, 2008	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	January 29, 2009	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	February 5, 2010	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	December 27, 2010	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	April 2, 2012	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	April 19, 2013	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	March 27, 2014	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	October 27, 2014	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	January 29, 2016	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	April 26, 2017	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	May 27, 2019	AAA	Stable
Republic of Finland	Issuer(Long-term)(FC)	August 4, 2020	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	January 9, 2002	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	January 17, 2003	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	January 21, 2004	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	November 15, 2004	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	December 15, 2005	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	February 5, 2007	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	January 7, 2008	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	January 29, 2009	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	February 5, 2010	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	December 27, 2010	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	April 2, 2012	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	April 19, 2013	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	March 27, 2014	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	October 27, 2014	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	January 29, 2016	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	April 26, 2017	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	May 27, 2019	AAA	Stable
Republic of Finland	Issuer(Long-term)(LC)	August 4, 2020	AAA	Stable

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Toshihiko Naito
General Manager of International Rating Department

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026