Creditreform Sovereign Rating

Creditreform Rating
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Rating Object	Rating Information	
REPUBLIC OF FINLAND	Assigned Ratings/Outlook: **AA+ /stable**	Type: Follow-up Rating, unsolicited
Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	Initial Rating Publication Date: Rating Renewal: Rating Methodologies:	28-10-2016 27-07-2018 “Sovereign Ratings”

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Rating Action

Neuss, 27 July 2018

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of “AA+” for the Republic of Finland. Creditreform Rating has also affirmed Finland’s unsolicited ratings for foreign and local currency senior unsecured long-term debt of “AA+”. The outlook is stable.

Key Rating Drivers

1. Economic growth strengthened on the back of robust domestic demand and rebounding net external trade; positive growth momentum should carry over into 2018, benefiting from competitiveness gains and a recovering labor market; medium-term growth prospects remain modest mainly due to demographics
2. Exceptionally high quality of institutional conditions, complemented by sound and forward-looking economic policy-making; Finland features one of the most business-friendly environments in the world
3. Driven by expenditure containment and cyclical upswing in the economy, fiscal deficit narrowed in 2017; budget consolidation is set to continue after temporary widening in the deficit due to tax concessions and reform costs in 2018
4. Favorable debt affordability metrics, declining government debt and a significant net asset position are balanced against risks stemming from elevated contingent liabilities and building expenditure pressure owing to demographics
5. Current account rebalancing on the back of improving external competitiveness and a broadly balanced NIIP set against risks stemming from elevated external funding needs of the banking sector and the central government

Reasons for the Rating Decision

The Republic of Finland continues to display a very favorable sovereign credit risk profile, implying a very low risk of not meeting its financial obligations fully and on time. Our assessment of Finland’s creditworthiness is underpinned by its macroeconomic performance profile, which balances high levels of wealth, an excellent business environment and the ongoing economic recovery against moderate medium-term growth prospects. As highlighted by IMF data, Finnish per capita income stood at USD 44,333 (PPP terms) in

2017, or 107.7% of GDP p.c. in the EU-28. Thus, Finnish per capita income was closely aligned with the median of AA-rated sovereigns, which posted at USD 44,225. What is more, Finnish GDP-p.c. grew vividly in 2016-17 as economic activity gathered steam. Nevertheless, Finland still exhibits lower per capita income levels than Germany (USD 50,425) or its Nordic neighbors Denmark (USD 49,883) and Sweden (USD 51,475).

After Finland's real GDP had contracted by a cumulative 2.7% in 2011-15 due to cost competitiveness losses, trade sanctions against Russia, and the decline of the domestic electronics and wood industry, real output expanded by 2.5% in 2016 before edging up to 2.8% in 2017. As in the previous year, domestic demand remained the key driver of Finland's economic recovery, with consumption and investment contributing almost equally to the increase in total output. Growing by 1.3% (2016: 2.0%), private consumption growth decelerated somewhat in light of decreasing real disposable income, with growth in wages and salaries slowing from 0.9 to 0.3% in 2017 and HICP inflation picking up from 0.4 to 0.8%. Hence, last year's increase in household consumption was credit-funded, as the Finnish households' net savings rate, which had already turned negative in 2016 (-0.7%), continued to decline (2017: -1.3%). Meanwhile, the recovery in investment, which started in 2016, continued. Gross fixed capital formation rose by 4.0% y-o-y (2016: 8.5%), contributing 0.9 p.p. to GDP growth. Still, capital spending remained dominated by construction, which expanded by a solid 5.1% in 2017 (2016: 10.0%). At the same time, machinery and equipment investment grew by 6.6% (2016: 13.7%) on the back of favorable financing conditions and vivid external demand.

That being said, the acceleration in last year's growth was chiefly the result of stronger net exports. In contrast to 2016, net external trade contributed positively to the economic expansion, adding 1.5 p.p. to real GDP (2016: -0.7 p.p.) as weaker import dynamics coincided with briskly growing external demand. Finnish exports thus posted the strongest growth in ten years, rising by 7.5% in 2017, mirroring new production facilities put into operation in the automotive and forestry industries, as well as improving cost competitiveness and accelerating growth in the economy's main export markets. According to Tulli data, exports to Germany, Sweden and the Netherlands increased by 18.0% on the year. In addition, external demand from Russia rebounded strongly, posting annual growth of 14.7% after declining by 5.7% in 2016.

In our view, Finland's growth prospects for 2018 remain favorable, with GDP growth likely to retain its momentum and expand by 2.8% this year, mainly buttressed by robust domestic demand. We expect that growing employment and, to a lesser extent, rising wages and income tax cuts will boost real disposable household income. As highlighted by European Commission data, consumer sentiment currently posts near record-high levels. As a result, we anticipate private consumption to grow at a similar pace as seen in 2017, while gross fixed capital formation should experience robust growth in 2018. Capacity utilization exceeded its long-term average (1993-2017: 82.3%) in Q3-17 and continued to trend upwards thereafter. Recently, capacity utilization in the industry sector amounted to 84.3% (Q2-18), up from 82.1% in the previous year's second quarter. Alongside increasingly tight production capacities, favorable financing conditions and a growing profitability in the Finnish corporate sector should buoy investment. According to Statistics Finland,

the net operating surplus of domestic NFCs has experienced double-digit y-o-y growth in each quarter since Q4-16. Meanwhile, we believe that domestic demand is set to stimulate import growth this year, while export dynamics should recede somewhat after an extraordinary strong 2017, leading to a somewhat smaller growth contribution of net exports.

Our expectation is underpinned by quarterly national accounts data, according to which the Finnish economy was off to a good start this year. After y-o-y growth rates of 2.4 and 2.6% were recorded in the second half of 2017, economic activity stepped up a gear in Q1-18, with the annual growth rate edging up to 2.9% (1.3% q-o-q). Finnish exports performed relatively weak in Q1-18 (+1.2% y-o-y), reflecting slowing growth in the euro area and concerns over rising protectionism, while private consumption spending was on track for strong performance in 2018 (Q1-18: +2.4% y-o-y; Q1-17: +0.7%).

Going forward into 2019, external tailwinds to growth should continue to taper off, as the global economic recovery is becoming more mature. In the same vein, we anticipate growth in private consumption to slow, as the positive impact of tax and social security concessions on disposable household income should fade. Thus, we forecast the Finnish economy to grow by 1.9% next year, still somewhat above the economy's potential growth rate, which is estimated at a moderate 1.5% by the EU Commission. In recent years, sluggish TFP growth and a declining working-age population had a dampening effect on potential growth. In 2010-15, working-age population and TFP growth averaged at -0.4% and +0.1% respectively. To be sure, the economy's medium-term growth prospects have somewhat brightened as reforms to restore cost competitiveness and improve labor market participation start to pay off.

Finland's export market share is thus showing signs of recovery – after having fallen from 0.66% in 2008 to 0.40% in 2015, its share in world total exports increased to 0.43% (2017, 2016: 0.42%) on the back of gradually improving cost competitiveness, which is reflected by the development of real unit labor costs (ULC). Since 2012, Finland's real ULC has declined by 7.0%, falling by 3.4% in 2016-17 alone, partly reflecting the implementation of the Competitiveness Pact. The reform, which was agreed on by social partners in Jun-16 and came into effect last year, included e.g. an extension of annual working hours and a wage freeze in 2017. It has to be highlighted that labor productivity growth is increasingly contributing to ULC adjustment. Labor productivity growth, which had been essentially flat in 2011-15 (avg.: -0.2%), came in at 1.9 and 1.5% in 2016/17. Assuming that these growth rates can be sustained in the near term, wages should evolve broadly in line with productivity over the next two years. According to the latest collective bargaining agreement from Oct-17, wages will increase by a moderate 1.6% annually in 2018/19 in the Finnish technology sector. In our view, this agreement may set the level for pay rises in other sectors.

Moreover, accelerating GDP growth translated into slightly improved labor market metrics last year. Employment growth remained moderate but strengthened to 1.0% in 2017, up from 0.5% in the previous year. Concurrently, the unemployment rate fell by 0.2 p.p. and came in at a still elevated 8.6%. Admittedly, last year's relatively modest decline in unemployment is partly explained by an increase in Finland's labor force. With the economic

upswing gaining momentum, people who had previously been discouraged joined the labor force again. In addition, the pension reform (see below) which entered into effect at the beginning of 2017 strengthened working incentives for the elderly. As a result, the participation rate of the elderly (55-64y) climbed from 66.4 to 67.8%, while the overall participation rate experienced more muted growth, edging up from 75.9 (2016) to 76.7% in 2017. At the current junction, we believe that job creation is set to firm in 2018. While the vacancy rate reached a multi-year high at 2.0% in Q1-18, employment growth accelerated to 2.6%, up from 0.5 and 2.4% in the second half of 2017.

Looking ahead, employment growth should be stimulated by recently enacted labor market reforms, which aim to boost both labor supply and demand. In order to strengthen labor incentives, the government adopted the so called activation model in Dec-17. Under the new legislation, job-seeking efforts of the unemployed are closely monitored. To avoid a 4.65%-reduction in the benefits for 65 days, an unemployed person has to work 18 hours or participate for five days in activities organized by the public employment service during a three-month period. Recently, the government proposed to ease the criteria for laying off workers for businesses with a maximum of 20 employees. To promote the employment of young people, employers should be allowed to hire under-30-year-old job seekers who have been jobless for at least three months on fixed-term contracts without having to provide justification for the recruitment decision.

The sovereign's credit ratings continue to be supported by the extraordinarily high quality of the country's institutional framework and its integration in European structures. In general, we believe that the Finnish economy continues to benefit from euro area membership, which entails broader and deeper capital markets as well as advantages related to the euro as a reserve currency. Monetary policy is conducted by the highly credible and accountable ECB. With regard to both inflation and MFI interest rates we observe no material deviations from trends in the euro area as a whole.

Similar to its Nordic neighbors Denmark, Sweden and Norway, Finland receives very high scores on World Bank's Worldwide Governance indicators (WGI). We note that the country persistently ranks among the top ten economies along all WGI dimensions we assess, outperforming its AA-rated peers by a wide margin. Ranking 2nd and 3rd on the respective World Bank indicators "control of corruption" and "voice & accountability", Finland is characterized by very low levels of corruption, while its citizens enjoy extensive participation rights. Moreover, the sovereign exhibits an extraordinarily high quality of policy formulation and implementation, mirroring a track record of stable and predictable policy-making. Recently, Finland was listed 8th out of 209 countries in terms of government effectiveness, well ahead of the AA-median rank (rank 20). In our view, exceptionally high governance standards remain a key competitive asset of the Finnish business environment. Our assessment is underlined by the World Economic Forum's (WEF) most recent global competitiveness report, which ranks Finland 10th out of 137 economies. According to the 2017-18 WEF-rankings, Finland's institutional quality (1st pillar) was the best worldwide. Moreover, the economy's performance continues to be buoyed by an excellent performance in higher education (rank 2), financial market development (rank 4), and innovation (rank 4). More importantly, the government is continuously making efforts to improve

to the domestic business environment. Recently, procedures for fast-tracking the permission processes of major industrial investment projects have been prepared, and the government established a new agency (Business Finland) to make public business services more effective.

The government's budgetary position, which has been characterized by recurrent but declining deficits in recent years, significantly improved in 2017. On the general government level, Finland's headline deficit narrowed to 0.6% of GDP from 1.8% in 2016. Thus, the actual fiscal outturn was better than projected by the government in its 2017 stability program. Alongside one-off revenues of 0.3% of GDP related to the sale of online gaming provider Supercell, measures agreed as part of the Competitiveness Pact had a major impact on last year's budgetary performance. In accordance with the pact, social security contributions were partly shifted from employers to employees to lower labor costs and stimulate job growth. At the same time, taxation of earned income was eased as a partial compensation to employees for their increased contributions. Mirroring the implementation of these measures, growth in income tax receipts from households slowed from 1.2 to a modest 0.6% in 2017, while net social security contributions dipped by 2.2% (2016: +3.7%). However, this revenue shortfall was more than offset by consolidating measures on the expenditure side of the budget. Total government outlays declined by 0.6% y-o-y in nominal terms. Spending on the public wage bill, which accounts for almost a quarter of total government expenditures, dropped by 2.4% (2016: -1.1%), or 0.8% of GDP, partly due to a temporary 30% cut in holiday bonuses of civil servants. Moreover, lower debt service costs and a government investment contributed 0.2 p.p. GDP to last year's reduction in the deficit. Meanwhile, gradually improving labor market conditions and saving measures limited the increase in social benefit spending. Except for basic social assistance, state benefits were not raised in line with inflation last year. As a result, growth in social expenditures came in at only 0.7%, which compares favorably to an average increase of 3.3% in 2014-16.

With regard to this year, we expect Finland's fiscal policy stance to ease somewhat. According to the government's 2018 budget, the ongoing implementation of the Competitiveness Pact should continue to exert pressure on government revenues. Another cut in labor taxes should lower revenues by EUR 300mn (roughly 0.1% of 2017 GDP) as compared with a no-change policy scenario. Additional revenue losses are associated with the reduction of early childhood education fees. Turning to the government's spending priorities, expenditures on defense and employment service are set to increase this year, and significant funds are allocated to prepare for the implementation of SOTE. Growth in pension outlays should also continue, albeit at a modest pace due to the prolongation of the index freeze. To be sure, the government has also budgeted some consolidating measures, such as a reduction in the deductible portion of mortgage interest, higher excise duties on alcohol and tobacco, as well as higher energy taxes. However, these measures should not make up for revenue losses and additional spending. Hence, we anticipate the headline deficit to widen to 0.8% of GDP this year before consolidation should resume in 2019, with the deficit presumably coming down to 0.5% of GDP.

Debt affordability metrics compare favorably with similarly-rated peers. Among our AA-rated sovereigns, Finland's interest-to-revenue ratio of 1.8% remained one of the lowest in the EA-19, while the country's debt-to-revenue ratio of 115.5% was significantly below the median of AA-rated entities (2017: 171.0%). We also note that Finnish government debt has limited exposure to interest and foreign currency risks. As of May-18, outstanding government debt is completely denominated in euros, and about 70% of Finland's debt carries fixed interest rates. At the same time, Finland continues to demonstrate its ability to issue long-term debt at very low rates. Recently, a bond maturing in 2034 came with an issuance yield of 1.13% (Jun-18).

With regard to the government's current debt metrics, Finland's position further improved in 2017. Driven by strong GDP growth and the first primary surplus since 2008, the government's debt-to-GDP ratio continued to decline. Down from its peak in 2015 (63.5% of GDP), Finland's debt-to-GDP ratio decreased to 63.0% in 2016 before dropping to 61.4% in 2017. On the back of sustained economic growth and small but growing primary surpluses, we expect the government's debt-to-GDP ratio to remain on its current downward trajectory. However, we continue to see risks which could derail debt consolidation in the medium term.

Above all, demographics imply a further increase in age-related expenditures from already elevated levels. In 2016, Finland's age-related spending of 29.8% of GDP was surpassed only by France (31.0% of GDP) in the EU-28. According to the European Commission's 2018 Ageing Report, spending pressure should intensify over the coming years. Age-related expenditure is projected to increase by another 2.3 p.p. of GDP until 2030, mainly due to rising outlays on long term care (+2.1 p.p.) and pension payments (+1.4 p.p.). To curb pension expenditure, the government implemented a pension reform in 2017 which aims to extend working life. Under the new pension legislation, the retirement age will rise by three months annually to 65 years by 2027 and linked to life expectancy thereafter.

Going forward, however, we believe that the implementation of comprehensive fiscal reforms has become more challenging in light of increasing political fragmentation. After the split of the Finns party into an EU-sceptic Finns Party Parliamentary Group and a new group of more moderate Finns members forming the Blue reform party, the government has only a narrow parliamentary majority. Together, the three parties of the new governing coalition (Centre Party, National Coalition Party and Blue Reform) hold 105 of 200 seats. Currently, the government's ambitious health care and regional reform (SOTE) is facing stiff opposition, also from its own ranks. On 28 June, PM Juha Sipilä (Centre Party) informed the parliament that the implementation of SOTE will be postponed by another year and should now come into effect in 2021 (initially planned in 2019). In our view, implementation risks are compounded by the uncertain electoral outcome of the upcoming general election in April 2019. The reform, which is expected to reduce annual costs in the healthcare sector by EUR 3bn, is a cornerstone of the three-party coalition's plan to rein in age-related expenditure going forward. In general, SOTE aims to boost competition in health care provision between public and private providers by opening up more

opportunities to the private sector. It is also planned to establish 18 new healthcare regions (counties) that will assume the provision of services from local governments.

Although this is not our baseline scenario, a materialization of sizeable contingent liabilities could also lead to a weakening of public finances. Drawing on Finnish treasury data, state guarantees amounted to 23.3% of GDP at the end of last year. The bulk of guarantees can be attributed to the state-owned export credit agency Finnvera and government funds (mainly the Housing Fund of Finland), which accounted for 12.4% and 6.2% of GDP respectively. To be sure, we believe that Finland's significant net asset position provides the government with a sizable fiscal buffer in the event of a of contingent liability shock. Last year, the Finnish government's net asset position of 61.3% of GDP was the largest in the EU-28. What is more, we regard the sovereign's assets as relatively liquid. As revealed by the government's financial accounts, currency, deposits and investment fund shares made up for 42.9% of total assets in 2017.

Meanwhile, we consider fiscal risks stemming from the banking sector as limited, as Finnish banks appear to be sound in terms of asset quality and capital buffers. The CET1-ratio – one of the highest in the EU-28 – remains comfortably above 20%-mark since Q3-15 and posted at 21.1% in Q4-17 (Q4-16: 22.4%). At the same time, asset quality is extraordinarily high. Non-performing loans accounted for only 1.5% of total loans outstanding (Q4-17), thus Finland's NPL-ratio remained well below EU-28 levels (4.0%). However, it has to be emphasized that the domestic banking sector faces some risks emanating from its heavy reliance on wholesale funding, rising household indebtedness and strong cross border linkages with the Nordic financial system.

Although we see no excessive credit growth at the current juncture, pockets of vulnerability in household lending persist. The rapid increase in consumer lending, which has posted y-o-y growth in the 4-5% range over the last twelve months, as well as the large share of mortgages with high LTV-ratios coupled with increasing household indebtedness, warrants further monitoring. As revealed by the Financial Supervisory Authority's latest financial stability report, more than 30% of newly extended mortgages exhibited an LTV-ratio above 90% in Q4-17. At the same time, household indebtedness continued on its upward trajectory. Up from 126.4% in 2016, the debt-to-disposable income ratio reached 128.2% last year, having almost doubled since 2000 (67.5%). To address potential financial stability risks associated with increasing household indebtedness, additional macroprudential and fiscal measures were implemented this year. After the government had lowered the tax deductibility of mortgage interest at the beginning of the year, authorities tightened the loan-to-value cap from 90 to 85% in July.

What is more, the significant presence of Danish and Swedish subsidiaries leaves the Finnish banking sector vulnerable to a sharp correction of house prices in these countries, and would probably have an adverse impact on credit supply in Finland. Looking ahead, the exposure of Finland's financial sector to economic developments in its neighborhood will further increase. In Mar-18, Swedish Nordea won its shareholders' approval to move its headquarters to Finland by the end of the year in order to join the European Banking Union. Following Nordea's relocation, the size of the Finnish banking sector (end-of 2017: 202.2% of GDP) will rise significantly. According to our calculations, Nordea

assets outside of Finland accounted for 213.4% GDP at the end of last year. Nordea's move will also entail a substantial increase in the Finnish deposit guarantee schemes' commitments, as the entire Nordea group's guaranteed deposits will fall under the responsibility of the Finnish deposit guarantee system.

Assessing Finland's external position, risks appear limited at present. Recent gains in cost competitiveness and robust economic activity in the euro area were also mirrored in Finland's external accounts. It is notable that the current account balance improved for the fifth consecutive year, shifting into surplus for the first time since 2010. After the current account was close to balance in 2016 (-0.3% of GDP), a surplus of 0.7% of GDP was recorded in 2017. Both the trade in goods and service balances contributed equally (0.6 p.p. of GDP) to last year's improvement in the current account. While the trade in goods surplus increased from 0.4 to 1.0% of GDP, Finland'' trade in services deficit narrowed from -1.1 to 0.5% of GDP. We expect the Finnish economy to sustain a positive current account balance going forward, albeit the surplus should shrink somewhat due to weaker terms of trade. In the absence of major valuation effects and/or foreign exchange movements, sustained current account surpluses should be supportive to the economy's net international investment position (NIIP), which improved from 3.3 to 5.7% of GDP last year. Notwithstanding the positive headline NIIP, some sectors within the Finnish economy display significant external liabilities, implying elevated external funding needs. The NIIP of the central government and the banking sector posted at -36.8 and -56.2% of GDP in 2017 respectively. By contrast, Finnish households (+6.8% of GDP) and in particular social security funds (+61.7% of GDP) remained in a net creditor position.

Rating Outlook and Sensitivity

Our Rating outlook on the long-term sovereign rating is stable, as we assume that the risk situation underlying the key factors affecting sovereign credit risk – including macroeconomic performance, institutional structure, fiscal sustainability, and foreign exposure – is likely to remain fundamentally unchanged in the next 12 months.

Factors which could translate into a rating upgrade include total output moving on a higher growth trajectory and a further declining unemployment rate, as well as sustained fiscal consolidation and absence of fiscal slippages, reflected in a durable reduction in the headline deficit and a declining government debt trend. More importantly, reforms in the area of healthcare and social services should be implemented swiftly in order to curtail fiscal costs of an ageing population. In the same vein, enhancing potential growth via structural reforms should remain a high priority to the government.

Conversely, we could lower our rating if medium-term GDP growth significantly falls short of our current expectations. This would entail adverse repercussions as lower GDP dynamics put pressure on the sovereign's fiscal and debt metrics via the denominator effect. In the same vein, delaying or watering down structural reforms, which help the economy to preserve its external cost competitiveness and keep medium- to long-term fiscal sustainability in check, could lead to fiscal slippages and result in a reversion of the sovereign's debt-to-GDP ratio.

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Ratings*

Long-term sovereign rating	AA+ /stable
Foreign currency senior unsecured long-term debt	AA+ /stable
Local currency senior unsecured long-term debt	AA+ /stable

*) Unsolicited

Economic Data

	2012	2013	2014	2015	2016	2017	2018e
Real GDP growth	-1.4	-0.8	-0.6	0.1	2.5	2.8	2.8
GDP per capita (PPP, USD)	40,340	40,490	40,772	41,115	42,408	44,333	46,343
HICP inflation rate, y-o-y change	3.2	2.2	1.2	-0.2	0.4	0.8	1.1
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	80.7	81.1	81.3	81.6	81.5	n.a.	n.a.
Fiscal balance/GDP	-2.2	-2.6	-3.2	-2.8	-1.8	-0.6	-0.8
Current account balance/GDP	-2.3	-2.2	-1.8	-0.7	-0.3	0.7	n.a.
External debt/GDP	227.5	207.7	218.7	214.0	198.5	184.7	n.a.

Source: International Monetary Fund, Eurostat, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	28.10.2016	AA+ /stable
Follow-up Rating	01.09.2017	AA+ /stable
Follow-up Rating	27.07.2018	AA+ /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. Neither the rated sovereign nor a related third party participated in the credit rating process. Creditreform Rating AG had no access to the accounts, representatives or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The rating was conducted on the basis of CRAG´s "Sovereign Ratings" methodology in conjunction with its basic document "Rating Criteria and Definitions". CRAG ensures that methodologies, models and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on the following internet page: www.creditreform-rating.de/en/regulatory-requirements/.

To prepare this credit rating, CRAG has used following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, Bank of Finland, Statistics Finland, Republic of Finland – Ministry of Finance, Tulli.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision".

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website. In case of providing ancillary services to the rated entity, CRAG will disclose all ancillary services in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as "initial rating"; other updates are indicated as an "update", "upgrade or downgrade", "not rated", "affirmed", "selective default" or "default".

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available on the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

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