Finnvera Group Half-Year Report H1/2019

1 January–30 June 2019

FINNVERA

Finnvera Group, Stock Exchange Release 23 August 2019

Finnvera Group's Half-Year Report 1 January–30 June 2019

Demand for export financing grew during the first half of the year - in Finland, the share of growth enterprises out of all financing increased

CEO Pauli Heikkilä:
"During the first half of the year, Finnvera granted more export credit guarantees and special guarantees than in the corresponding period last year and the trend-like growth of demand for new guarantees continued. Demand for export credits also increased although the volume of new credits granted during the first half of the year decreased year on year. Financing granted concentrated on cruise shipping, telecommunications and pulp and paper. The world's largest cruise shipping companies are undergoing a boom of investments in fleet renewal, which can be seen in the shipyard capacity being booked for years to come. Finland is one of the few countries in the world that has capability for carrying out the most demanding cruise ship building projects, and research has indicated that this creates significant added value for the national economy.

The timing of individual large export transactions has an impact on the annual variation in financing volumes. However, it is still important that the Government Programme ensures the adequacy of Finnvera's authorisations considering risk management needs. The impact of export financing extends widely through subcontracting networks and jobs created, which strengthens its importance for the national economy. When measured with several financial indicators, the first six months of the year went well; however, the trade conflict between great powers has impaired growth prospects especially in emerging markets.

In addition to the fact that demand for Finnvera's services has grown, the commercial financial market has become more active in export financing and some of Finnvera's exposures were prepaid. The same phenomenon has been witnessed in domestic financing, too. The SME and midcap financing granted by Finnvera during the first half of the year decreased slightly year on year. However, the relative share of growth enterprise financing out of all financing granted increased. The share of investments in the overall projects financed was 40 per cent, at the same level as last year. In line with the strategy, 85 per cent of financing granted was allocated to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.

The Group's profit for the first six months of the year was EUR 72 million, increasing by 47 per cent year on year. The positive result increases Finnvera's financial reserves for the future. In line with the goal of self-sustainability set for Finnvera, we expect that the income received from the company's operations covers, in the long run, the company's operating expenses."

Finnvera Group, business operations and the financial performance

H1/2019 (H1/2018)

- Loans and guarantees granted: EUR 430 million (EUR 442 million), change -3%
- Export credit guarantees and special guarantees granted: EUR 2,259 million (EUR 1,411 million), change 60%
- Export credits granted: EUR 132 million (EUR 1,124 million), change -88%
    - The credit risk for export credits is covered by the parent company's export credit guarantee
    - Individual large tenders in cruise shipping and telecommunications have an impact on the amount of export credit guarantees and export credits during the periods under review

Finnvera Group, H1/2019 (vs. H1/2018)

Profit for the period H1/2019 **72 MEUR** (49), change 47%	Balance sheet total 30 June 2019 **EUR 12.2 bn** (11.0), change 10%
Average number of employees H1/2019 **363** (376), change -3%	Non-restricted equity and The State Guarantee Fund 30 June 2019 **EUR 1.9 bn** (1.8), change 4%
Expense-income ratio H1/2019 **24.6%** (29.3), change -4.7 pp	Equity ratio 30 June 2019 **11.8%** (12.3), change -0.5 pp
Focus of financing H1/2019 **85%*** (86), change -1 pp	Net promoter score index H1/2019 **64** (70), change -6 points

* of SME and midcap financing focused on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.

Finnvera Group, Stock Exchange Release 23 August 2019

30 June 2019 (30 June 2018)

- Exposure, loans and guarantees for SMEs and midcap enterprises: EUR 1,949 million (EUR 1,974 million), change -1%
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export credit guarantees: EUR 23,665 million (EUR 23,631 million), change 0%
  - of which drawn guarantees amount to EUR 11,056 million (EUR 10,275 million), change 8%
  - Includes exposure for export credit guarantees that covers the credit risk for export credits
- Exposure, export credits: EUR 6,992 million (EUR 5,981 million), change 17%

The Group's profit for January–June was EUR 72 million (EUR 49 million), showing a year-on-year increase of 47 per cent. The financial performance was improved especially by the positive changes in the fair value of liabilities and derivatives as well as the notable year-on-year decrease in realised and expected losses. The increase in net fee and commission income and expenses also improved the result when compared to the corresponding period last year.

Outlook for financing

The growth of the Finnish economy is expected to slow down in 2019. The Bank of Finland lowered its growth forecast in June: according them, GDP will grow by 1.6 per cent this year.

Finnvera's goal is to keep the focus of SME and midcap financing especially on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership. The slowing down of economic growth may financing offered by banks less readily available, highlighting Finnvera's role in supplementing the financing market. In the autumn, Finnvera will introduce a new financial product that enables us to better fulfil the financing needs of small growth enterprises. In line with the strategy, the aim is to increase the number of SMEs utilising export financing as well as to continue to offer advisory services related to financing export transactions and preparing for risks. This is expected to increase demand for export financing this year. The acceleration of transfers of ownership continues, and demand for related financing is expected to remain high.

Finnvera Group Financial performance	H1/2019 MEUR	H1/2018 MEUR	Change MEUR	Change %	2018 MEUR
Net interest income	19	23	-4	-17%	42
Net fee and commission income	68	65	3	5%	135
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	17	0.1	17	-	-9
Administrative expenses	-23	-23	-0.3	-1%	-46
Realised and expected credit losses	-9	-27	-19	-68%	-45
Credit loss compensation from the State	7	13	-5	-43%	24
Operating profit	77	51	26	50%	100
Profit for the period	72	49	23	47%	98

Demand for export financing has grown during the first half of the year. Demand for export credit guarantees and export credits is expected to remain strong in 2019 and to continue to focus on cruise shipping, telecommunications and pulp and paper. As in previous years, the overall demand is affected by the realisation of individual major projects. Regionally, the strongest demand is anticipated to occur in the United States and Latin America and, to an increasing extent, in other emerging markets. Typically, the role of export credit agencies in financing export transactions becomes more significant when financial and political uncertainties increase.

Further information:

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Half-year report 1 January–30 June 2019 (PDF)

Distribution:

NASDAQ Helsinki Ltd, London Stock Exchange, the principal media, www.finnvera.fi

The half-year report is available in Finnish and English at www.finnvera.fi/financial_reports

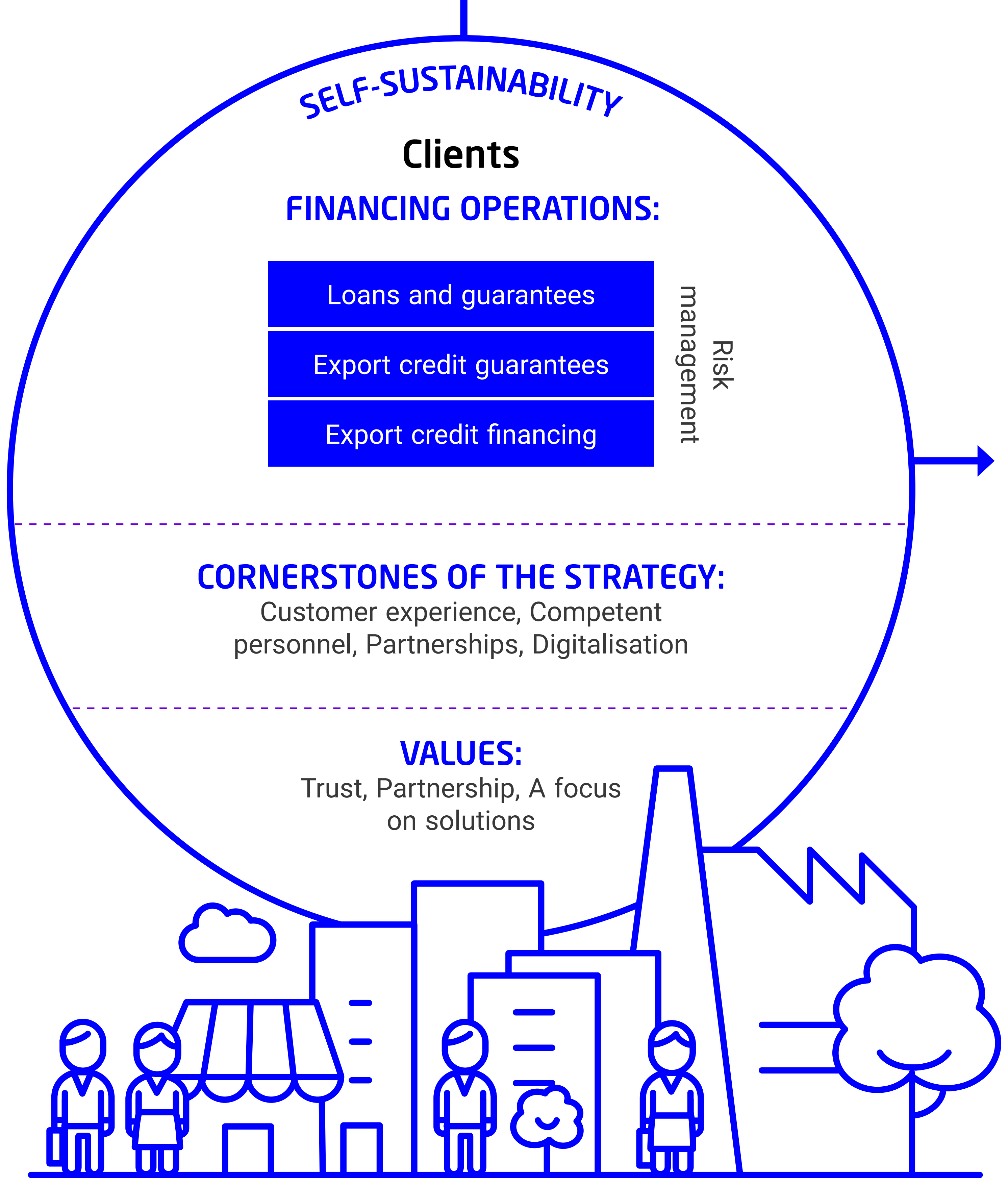
FINNVERA

How Finnvera creates value

Finnvera improves and diversifies financing opportunities available for Finnish enterprises and supplements the financial markets, and with its operations, promotes the development of enterprises and exports.

Our vision is:

Our clients' success strengthens the Finnish economy



Number of clients: 25 000

- Micro-enterprises: 89%
- SMEs and midcap enterprises: 11%
- Large corporates: 0.6%

Products and services

Loans and guarantees granted
To micro-enterprises, SMEs and midcap enterprises EUR 0.4 billion in total

Export credit guarantees and special guarantees granted
To SMEs, midcap enterprises and large corporates EUR 2.3 billion in total

Export credits granted
EUR 0.1 billion in total

Authorisations and exposures

Loans and guarantees
For SMEs and midcap enterprises
- authorisation EUR 4.2 billion
  – of which EUR 1.9 billion used
- exposure EUR 1.9 billion

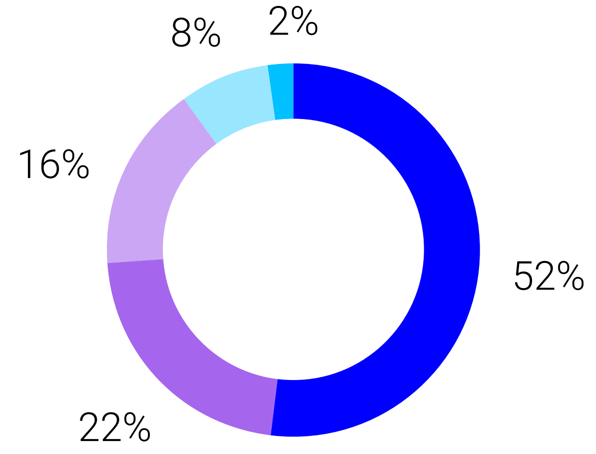
Export credit guarantees
- authorisation EUR 27.0 billion
  – of which EUR 19.0 billion used
- exposure EUR 23.5 billion

Export credits
- authorisation EUR 22.0 billion
  –of which EUR 12.2 billion used
- exposure EUR 7.0 billion

Special guarantees
(shipping and environmental guarantees and raw material guarantees)
- authorisation EUR 3.2 billion
  – of which EUR 0.2 billion used
- exposure EUR 0.2 billion

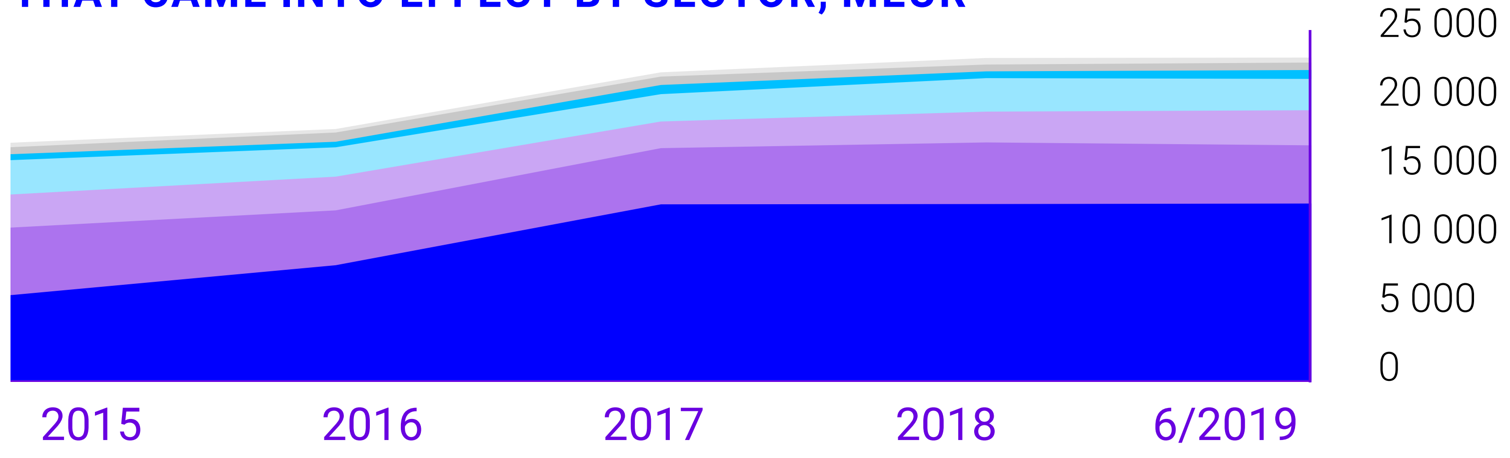
The exposure defined in the Act on the State's Export Credit Guarantees covers export credit guarantee commitments and half of offers given at the closing date's exchange rate. The total exposure arising from export credit guarantees and special guarantees overs export credit guarantee and special guarantee commitments and offers given, including export guarantees. The credit risk for export credits is covered by the parent company's export credit guarantee.

EXPOSURE BY SECTOR 30 JUN 2019
LOANS, GUARANTEES AND EXPORT GUARANTEES



- Industry
- Services to business
- Trade and consumer services
- Tourism
- Rural trades

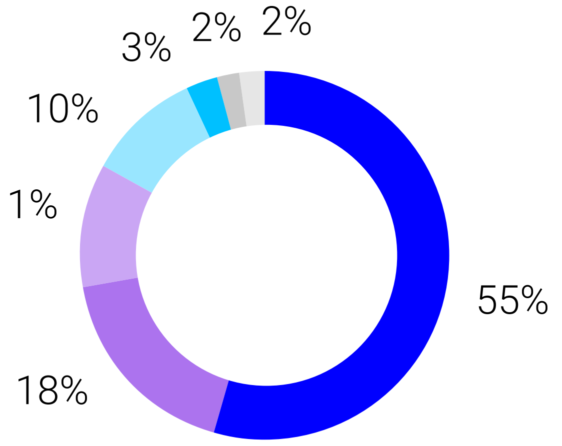
EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES THAT CAME INTO EFFECT BY SECTOR, MEUR



- Cruise shipping
- Telecommunications
- Pulp and paper
- Others*
- Energy
- Other industries
- Mining and metals

* Including other risks such as sovereign risks related to states and bank risks

EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES, EXPOSURE BY SECTOR 30 JUN 2019, %

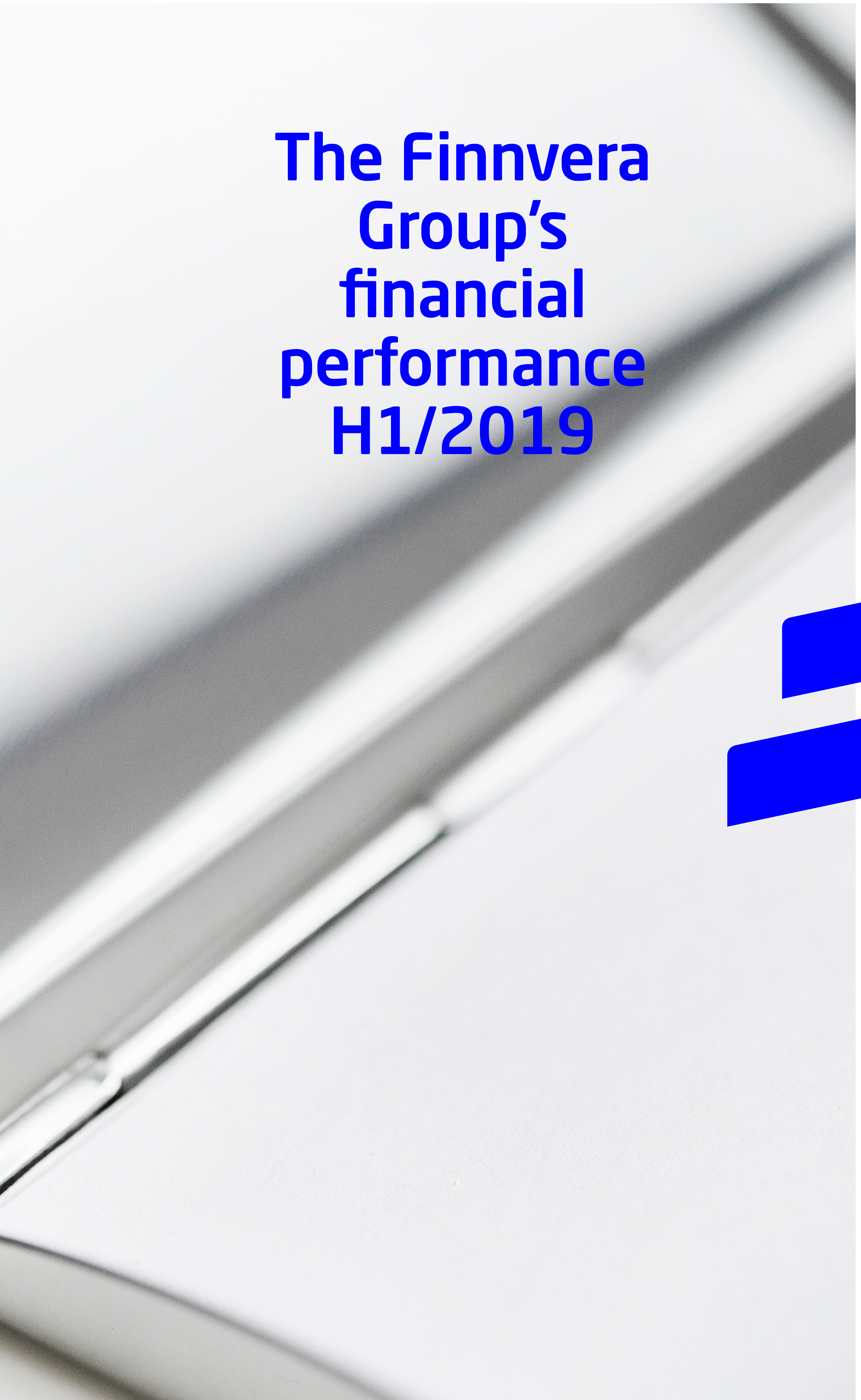


- Cruise shipping
- Telecommunications
- Pulp and paper
- Others*
- Other industries
- Energy
- Mining and metals

* Including other risks such as sovereign risks related to states and bank risks

The parent company of the Finnvera Group is Finnvera plc.
Its subsidiaries are Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd.

Finnvera Group's Half-Year Report 1 January–30 June 2019



The Finnvera Group's financial performance H1/2019

Finnvera Group

Profit for the period
72 MEUR
(H1/2018: 49 MEUR)

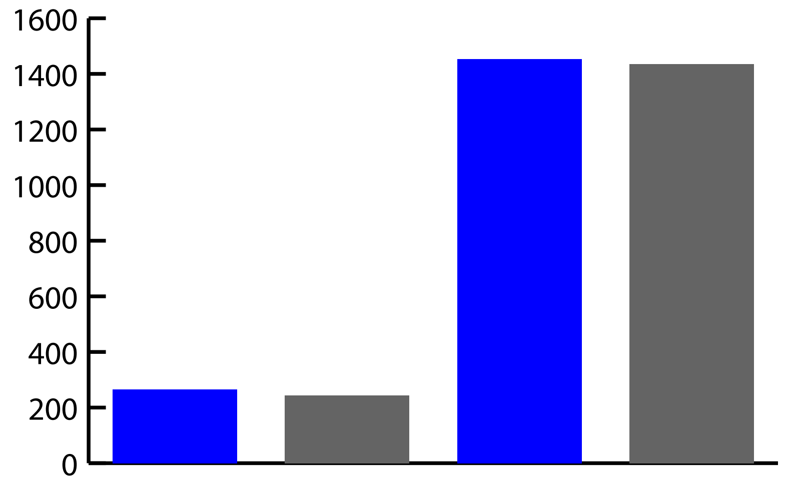
Balance sheet total
EUR 12.2 bn
(31 Dec 2018: 11.0 bn)

Expense-income ratio
24.6%
(2018: 29.3%)

Equity ratio
11.8%
(31 Dec 2018: 12.3%)

Average number of employees
363
(H1/2018: 376)

Reserve for domestic operations and reserve for export credit guarantees and special guarantees and the SGF



Reserve for domestc operations 266 MEUR

Reserve for export credit guarantees and special guarantees and SGF 1,5 billion

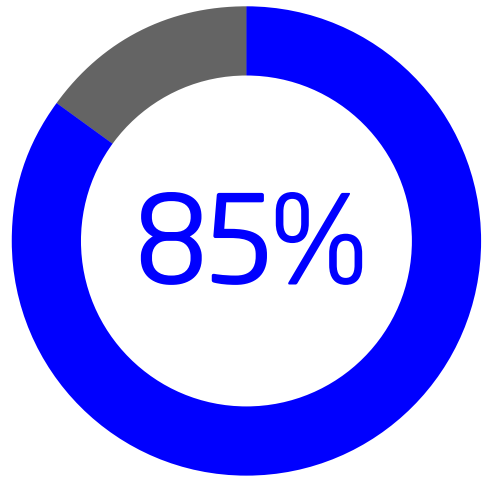
● 30 June 2019 ● 31 Dec 2018

SGF= The State Guarantee Fund

Finnvera awarded as the best export credit agency

In June 2019, Finnvera was awarded as the best export credit agency in the world in a survey conducted by TXF Media, an international export trade and finance analyst.

Focus of financing



of SME and midcap financing focused on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.

Net promoter score index

64

Clients are willing to recommend Finnvera.

Financial performance

The Finnvera Group in January–June 2019

The Group's profit for January–June was EUR 72 million (EUR 49 million), showing a year-on-year increase of 47 per cent. The financial performance was improved especially by the positive changes in the fair value of liabilities and derivatives as well as the notable year-on-year decrease in realised and expected losses. The increase in net fee and commission income and expenses also improved the result when compared to the corresponding period last year.

Net interest income for January–June was EUR 19 million (EUR 23 million), showing a year-on-year decrease of 17 per cent due to higher interest expenses. During the first half of the year, interest income from receivables from interest from loans passed on to the clients grew by 31 per cent and interest income from receivables from credit institutions and from debt securities nearly doubled. Interest expenses were 64 per cent higher than for the corresponding period last year, which was due to the funding executed to cover future export credit commitments by the subsidiary Finnish Export Credit Ltd. During the first six months of the year, the amount of funds acquired from the market by Finnvera was EUR 1 billion. The amount of debt securities in issue at the end of June was 15 per cent higher than at the same time last year.

During the first six months of the year, the net value of fee and commission income and expenses increased by 5 per cent year on year, to EUR 68 million (EUR 65 million). The net value was increased especially by fee and commission income from export credit guarantee and special guarantee operations, growing by 14 per cent as a result of an increase in the drawn exposure and individual significant prepayments. In export credit guarantee operations, the amount of new reinsurance arrangements has been further increased, which has resulted in higher reinsurance fee and commission expenses. During the first half of the year, reinsurance expenses increased 39 per cent year on year.

In January–June, gains from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses amounted to EUR 17 million, whereas last year, the item was only mildly positive. The positive changes in the value in January–June was mainly increased by the recognition of derivatives and liabilities at fair value. On the other hand, impairment losses from shares and participations owned by venture capital investment activities were higher than in the corresponding period last year.

Realised credit losses in January–June were EUR 14 million, whereas in the corresponding period last year, they amounted to EUR 28 million. Expected credit losses were also lower than last year. Expected credit losses decreased by EUR 5 million, whereas last year, they decreased by EUR 1 million. Expected losses were decreased by changes in the IMF's economic development forecast and S&P's updates to actual insolvency information, which decreased the expected losses associated with export credit guarantee and special guarantee exposures in the Large Corporates business.

In January–June, the Group's operating expenses were EUR 23 million (EUR 24 million) and depreciation amounted to EUR 3 million (EUR 1 million). The total amount of operating expenses and depreciation decreased somewhat year on year as a result of a decrease in other administrative expenses. On 1 January 2019, Finnvera adopted the IFRS 16 Leases standard, according to which leased items are recorded on the balance sheet as an item under fixed assets and as a lease liability. The item under fixed assets is amortised over the lease period instead of the earlier practice of being recorded as a lease expense. This decreased lease expenses in January–June by EUR 1 million when compared to last year and increased depreciation by an equal sum. Finnvera applied the standard's transition option, on the basis of which information for the comparison period was not adjusted to reflect the adoption of the IFRS 16 standard.

The quality of the SME and midcap financing credit portfolio remained at the targeted level during the first half of the year. Risks pertaining to individual clients and the amounts of non-performing credits and arrears remained at a reasonable level. Expected loss (EL) for exposure remained unchanged during the first six months of the year and was 3 per cent of total exposure at the end of the period under review.

Approximately 75 per cent of the outstanding guarantees and binding offers in the Large Corporates business were associated with euro-area countries and OECD countries. The main sectors were cruise shipping, telecommunications and pulp and paper. At the end of June, these sectors accounted for a total of 84 per cent of total exposure. Altogether, 67 per cent of the exposure was in risk category B1, which reflects investment grade, or in better risk categories.

At the end of June, the most significant market risks associated with asset management were within the risk limits of the asset and liability management policy. The most significant of these risks was the EUR 49 million investment portfolio price risk. The funding-related cost risk due to structural underfunding was EUR 48 million, the balance sheet's interest rate sensitivity was EUR 17 million for a 200-basis-point change, and the open foreign exchange position was EUR 4 million.

Financial performance of Finnvera plc and the Group companies

The profit of the parent company, Finnvera plc, for January–June stood at EUR 53 million (EUR 40 million), of which the Large Corporates business accounted for EUR 44 million (EUR 49 million) and the SMEs and Midcap business for EUR 9 million (EUR -8 million).

The subsidiaries had an impact of EUR 19 million (EUR 9 million) on the Group's profit. Finnish Export Credit Ltd accounted for EUR 21 million (EUR 7 million) of this impact. The result of venture capital investment activities showed a loss, EUR -2 million (EUR 1 million).

Separate result for export credit guarantee and special guarantee operations

In January–June, the separate result for export credit guarantee and special guarantee operations came to EUR 44 million (EUR 46 million).

Analysis of financial performance in January-June 2019

Interest income and expenses and interest subsidies

The Group's net interest income during the first half of the year was EUR 19 million (EUR 23 million), showing a year-on-year decrease of 17 per cent due to higher interest expenses.

Interest income for January–June increased by 36 per cent year on year, totalling EUR 89 million (EUR 65 million). This increase was driven by interest from loans passed on to the clients, which grew by 31 per cent. At the end of June, outstanding export credits granted by the subsidiary Finnish Export Credit Ltd were at a 25 per cent higher level than at the same time last year and interest income from receivables from interest from loans during the first half of the year was 49 per cent higher. On the other hand, outstanding loans in SME and midcap financing provided by the parent company, Finnvera plc, decreased by 14 per cent year on year, which decreased interest income from SME and midcap financing in a nearly equal proportion. In addition to the increase in interest income from export credits, the total interest income was also increased by interest income from receivables from credit institutions and from debt securities, totalling EUR 11 million (EUR 6 million), or nearly doubling from last year.

In January–June, interest expenses were EUR 70 million (EUR 43 million), showing a year-on-year increase of 64 per cent. The increase was due to the funding executed to cover future export credit commitments. During the first six months of the year, the amount of funds acquired from the market by Finnvera was

EUR 1,000 million. The amount of debt securities in issue at the end of June was EUR 9,675 million, 15 per cent higher than at the same time last year.

Change in the principles for drawing up the report

As of the beginning of 2019, the interest on all interest rate and foreign exchange derivatives related to funding have been treated as an adjustment item for interest expenses. Previously the interest on cross currency swaps used for acquiring funds to cover foreign currency commitments (previously cross currency swaps taken out to hedge receivables) was treated as an adjustment item for interest income Furthermore, starting from the beginning of 2019, the interest on interest rate and foreign exchange derivatives taken out for liquidity management purposes is treated as an adjustment item for interest income, whereas previously the interest of currency swaps related to these items was treated as an adjustment item for interest expenses.

The comparison figures in the income statement and the cash flow statement have been adjusted to reflect the new accounting principles. The change in the accounting principles does not impact net interest income.

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses increased by 5 per cent year on year and was EUR 68 million (EUR 65 million).

Fee and commission income grew by 10 per cent to EUR 84 million (EUR 77 million). Fee and commission income was increased especially by fee and commission income from export credit guarantee and special guarantee operations, growing by 14 per cent as a result of an increase in the drawn exposure and individual significant prepayments. On the other hand, export credit commitment fees decreased by 7 per cent from the corresponding period last year as undrawn exposure decreased. Of fee and commission income, the parent company's export credit guarantee and special guarantee operations accounted for 71 per cent (68 per cent), while SME and midcap financing accounted for 21 per cent (22 per cent). Export credits accounted for 8 per cent (10 per cent) of fee and commission income.

Fee and commission expenses amounted to EUR 16 million (EUR 12 million), showing a year-on-year increase of 38 per cent, and consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc. The company has increased the volume of new reinsurance arrangements made to cover the exposure for export credit guarantees, which increased fee and commission expenses also during the first half of the year.

Gains from items recognised at fair value through profit or loss and net income from foreign currency operations

During the first half of the year, the Group's gains from items recognised at fair value through profit or loss and net income from foreign currency operations totalled EUR 17 million (EUR 0 million), of which the change in the fair value of liabilities, debt securities and interest rate derivatives accounted for EUR 19 million (EUR 0 million). The change in the fair value of venture capital investments and gains and losses from sales of from venture capital investments and SME bonds amounted to EUR -3 million (EUR 0 million). Net income from foreign currency operations was EUR 1 million (EUR 0 million).

Finnvera applies hedge accounting in the valuation of liabilities, when the hedging instrument and the hedged item meet the criteria for hedge accounting. At the end of June, the carrying amount of these liabilities was EUR 6,068 million (EUR 4,731 million). The liabilities are hedged for changes caused by market interest rates. Credit risk changes are not part of the hedging relationship. During the first half of the year, the change in the fair value of the liabilities covered by hedge accounting and the derivatives that are used for hedging the liabilities had a net impact of EUR 3 million (EUR 1 million) on profit.

The fair value option is applied to the valuation of liabilities that are hedged with derivative contracts but where hedge accounting is not applied. The valuation of the liabilities is based on market quotes. The credit risk portion of the fair value change of the liabilities is presented in other comprehensive income. At the end of June, the carrying amount of these liabilities was EUR 3,607 million (EUR 3,713 million). During the first half of the year, the liabilities subject to the fair value option and the derivatives that are used for hedging the liabilities had an net impact of EUR 4 million (EUR 0 million) on profit.

In addition to derivatives that are used in hedging liabilities, Finnvera has taken out individual long-term cross currency swaps to cover foreign currency commitments. At the end of June, the nominal value of these swaps was EUR 1,204 million (EUR 356 million) and the change in the fair value had an impact of EUR 13 million (EUR -1 million) on profit. A significant factor behind this impact on profit was an increase in the costs of USD-denominated funding on the cross currency swap market during the first half of the year.

Investments in debt securities designated at fair value through profit and loss (fair value option) and interest rate swaps hedging them as well as other interest rate swaps taken out for liquidity management purposes had an impact of less than EUR 1 million on profit. There were no similar transactions during the comparative period in 2018.

Other income

Other operating income was EUR 3 million lower than in the corresponding period last year, as a result of the grant received last year from the State for SME development.

Operating expenses and depreciation

In January–June, the Group's operating expenses, or administrative expenses and other operating expenses, were EUR 23 million (EUR 24 million). Depreciation amounted to EUR 3 million (EUR 1 million). The total amount of operating expenses and depreciation decreased somewhat year on year as a result of a decrease in other administrative expenses.

Administrative expenses were at the same level as last year, amounting to EUR 23 million (EUR 23 million). Of administrative expenses, personnel expenses accounted for EUR 15 million (EUR 14 million) and other administrative expenses for EUR 8 million (EUR 8 million). Personnel expenses grew by 4 per cent in January–June but other administrative expenses decreased by 10 per cent, or nearly EUR 1 million. The decrease in other administrative expenses resulted from lower IT, office and travel expenses.

The impacts of the adoption of the IFRS 16 Leases standard

On 1 January 2019, Finnvera adopted the IFRS 16 Leases standard, according to which leased items are recorded on the balance sheet as an item under fixed assets and as a lease liability. The item under fixed assets is amortised over the lease period instead of the earlier practice of being recorded as a lease expense. The adoption of the IFRS 16 standard decreased lease expenses in January–June by EUR 1 million when compared to last year and increased depreciation by an equal sum. Finnvera applied the standard's transition option, on the basis of which information for the comparison period was not adjusted to reflect the adoption of the IFRS 16 standard.

Realised and expected losses

The Group's realised and expected credit losses amounted to EUR 9 million (EUR 27 million). After the compensation for credit losses by the State and, until 2018, the European Regional Development Fund (ERDF), the Group's liability for realised losses during the first half of the year amounted to EUR 2 million (EUR 15 million).

During the first half of the year, realised credit losses totalled EUR 14 million (EUR 28 million), showing a year-on-year decrease of 51 per cent. The credit loss compensation covering these losses amounted to EUR 7 million (EUR 13 million). According to the lower credit loss compensation adopted at the beginning of 2018, the State's compensation for losses was 50 per cent of the losses realised.

The change in expected losses during the first half of the year was EUR 5 million positive (EUR 1 million). During the period under review, expected losses in SME and midcap financing increased by EUR 1 million, and expected losses in the Large Corporates business decreased by EUR 6 million.

The parent company Finnvera plc has a significant receivable from export credit and special guarantee operations related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. At the end of June, the carrying amount of receivables from Finnvera's export credit and special guarantee operations was EUR 131 million (EUR 125 million), the majority of which was receivables from Oi S.A.

Change in expected credit losses by business area

When calculating expected credit losses (ECL), Finnvera adheres to the general principles of the IFRS 9 Financial Instruments standard that are used in the banking sector in general. Calculation is specific to each financing instrument and is based on a significant increase in the credit risk of the financial instrument when compared to the moment when it was originally granted. Significant individual exposures are always estimated separately.

At the end of last year, expected losses in SME and midcap financing stood at EUR 84 million. At the end of June, the corresponding expected loss amount was EUR 85 million. This means that expected losses increased by EUR 1 million during the first six months of the year, which impaired the profit.

Large Corporates business' expected losses related to export credit guarantees and special guarantees stood at EUR 51 million at the end of last year and at EUR 43 million at the end of June. Therefore the expected loss decreased by EUR 8 million during the first half of the year, which improved the result. In addition, the expected losses related to receivables increased by EUR 2 million.

Non-performing exposure

Calculated according to the method harmonised at the EU level, the amount of non-performing exposure in SME and midcap financing stood at EUR 120 million at the end of June (EUR 119 million). When the impairment losses recognised are considered, non-performing exposure accounted for 5.7 per cent (5.5 per cent) of total exposure. The ratio of non-performing exposure to total exposure was 2.8 per cent (2.8 per cent) when the compensation for credit losses received from the State for SME and midcap financing is taken into account.

The amount of non-performing exposure in export financing stood at EUR 105 million at the end of June (EUR 110 million). The ratio of non-performing exposure to total exposure was 0.4 per cent (0.5 per cent).

Long-term economic self-sustainability

In its operations, Finnvera is expected to attain economic self-sustainability, which means that the income received from the company's operations must, in the long run, cover the company's operating expenses. The period for reviewing self-sustainability is 10 years for SME and midcap financing and 20 years for export financing.

Self-sustainability in Finnvera's SME and midcap financing has been attained over a 10-year period when the cumulative result is calculated up to the end of June. Correspondingly, export financing has been economically self-sustainable during Finnvera's 20 years of operation.

The company's risk-based pricing and the extent and risk level of Finnvera's total exposure will have a significant impact on the company's financial performance and long-term economic self-sustainability in the coming years. In examining the financial performance, it is important to note that, at the end of June, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 23,665 million (EUR 23,631 million) and the exposure for the credits and guarantees of SMEs and midcap enterprises stood at EUR 1,949 million (EUR 1,974 million). Seen against these exposures, non-restricted equity was about 5 per cent (4 per cent) and the equity about 6 per cent (5 per cent).

Balance sheet and contingent liabilities 30 June 2019

At the end of June, the consolidated balance sheet total was EUR 12,158 million (EUR 11,039 million). The balance sheet total increased by 10 per cent, or EUR 1,119 million, during the first half of the year. The main factors behind the increase were the funding executed to cover export credit commitments and an increase in the export credits drawn. At the end of June, the Group's outstanding credits came to EUR 7,693 million (EUR 6,731 million), or 14 per cent more than at the start of the year. The amount of debt securities in issue grew by 10 per cent during the first half of the year, to EUR 9,675 million (EUR 8,783 million).

The parent company's outstanding guarantees in SME and midcap financing increased slightly during the first six months of the year and was EUR 1,137 million at the end of June (EUR 1,103 million).

The exposure for export credit guarantees defined in the Act on the State's Export Credit Guarantees (commitments and half of offers given at the closing date's exchange rate) totalled EUR 18,974 million at the end of June (EUR 19,108 million), nearly the same amount as at the end of last year. The parent company's total exposure arising from export credit guarantees and special guarantees (commitments and offers given, including export guarantees) totalled EUR 23,665 million (EUR 23,631 million), of which drawn guarantees amounted to EUR 11,056 million (EUR 10,275 million). The amount of drawn guarantees increased by 8 per cent during the first half of the year. The off-balance sheet exposure for export credit guarantees and special guarantees in the Group amounted to EUR 14,914 million (EUR 15,800 million). The maximum indemnity amount of reinsurance arrangements valid at the end of June was approximately EUR 1.4 billion, or 13 per cent of drawn guarantees.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments, and consequently, the assets and liabilities of venture capital investment activities have been transferred to assets and liabilities held for sale. At the end of June, the Group's assets held for sale totalled EUR 48 million (EUR 51 million) and liabilities held for sale EUR 18 million (EUR 19 million).

The Group's long-term liabilities as per 30 June totalled EUR 9,781 million (EUR 9,075 million), nearly all of this sum consisting of bonds.

At the end of June, the Group's non-restricted equity was EUR 1,198 million (EUR 1,126 million), of which the reserve for domestic operations accounted for EUR 266 million (EUR 244 million), the reserve for export credit guarantee and special guarantee operations for EUR 773 million (EUR 756 million), the reserve for venture capital investments for EUR 15 million (EUR 15 million) and retained earnings for EUR 145 million (EUR 111 million).

At the end of June, the accumulated loss reserve amount in export credit guarantee and special guarantee operations was EUR 1,453 million (EUR 1,435 million), when the State Guarantee Fund's assets, EUR 681 million (EUR 680 million), are taken into account in addition to the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet. The loss reserves amounted to EUR 1,879 million (EUR 1,806 million), or 7 per cent of exposures (7 per cent), with the other non-restricted equity included.

Finnvera Group Balance sheet	30 June 2019 MEUR	31 Dec 2018 MEUR	Change MEUR	Change %
Share capital	197	197	0	0%
Share premium and fair value reserve	44	35	9	26%
Non-restricted equity, in total	1 198	1 126	72	6%
Reserve for domestic operations	266	244	22	9%
Reserve for export credit guarantees and special guarantees	773	756	17	2%
Other	15	15	0	0%
Retained earnings	145	111	34	30%
Equity attributable to the parent company's shareholders	1 440	1 358	82	6%
Balance sheet total	12 158	11 039	1 119	10%

Funding

During the first half of the year, the Group's long-term funding totalled EUR 1,019 million (EUR 1,861 million). EUR 710 million in long-term loans was paid back (EUR 161 million).

Capital adequacy

The Act on Finnvera (443/1998) stipulates that domestic operations must be kept separate from export credit guarantee and special guarantee operations. In consequence, losses from domestic operations are covered from the reserve for domestic operations, while losses from export credit guarantees and special guarantees are covered from the reserve for export credit guarantee and special guarantee operations.

According to the Act on the State Guarantee Fund (444/1998), the State is responsible for export credit guarantees and special guarantees. Should the reserve for export credit guarantee and special guarantee operations lack sufficient assets to cover the losses incurred in the respective operations, the losses are covered from assets in the State Guarantee Fund, which are supplemented, whenever necessary, by an appropriation from the State Budget.

Capital adequacy in domestic operations

According to the goal set by the State of Finland, the owner of Finnvera, the Group's capital adequacy ratio for domestic operations should be at least 15 per cent. Capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of June, the Group's capital adequacy ratio for domestic operations, Tier 1, stood at 28.8 per cent (27.2 per cent) and the leverage ratio was 24.2 per cent (21.1 per cent).

The risk-weighted receivables in the Group's domestic operations totalled EUR 1,851 million at the end of June (EUR 1,889 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,590 million (EUR 1,610 million), or 86 per cent (85 per cent) of risk-weighted receivables.

Finnvera Group Domestic operations	30 June 2019	31 Dec 2018	Change	Change
Capital for calculating capital adequacy	**MEUR**	**MEUR**	**MEUR**	**%**
Equity excluding profit for the period	1 314	1 276	38	3%
Intangible assets	-9	-9	0	0%
Reserve for export credit guarantees and special guarantees	-773	-756	17	2%
Profit for the period	0	91	-91	-100%
Profit for the period attributable to export credit guarantees	0	-88	88	-100%
Total	**533**	**514**	**19**	**4%**

Finnvera Group Domestic operations	30 June 2019	31 Dec 2018	Change	Change
Risk-weighted items	**MEUR**	**MEUR**	**MEUR**	**%**
Receivables from credit institutions	5	12	-7	-59%
Receivables from clients	1 590	1 610	-20	-1%
Investments and derivatives	83	95	-11	-12%
Receivables, prepayments, interest and other receivables, other assets	26	29	-3	-11%
Binding promises for loans	62	58	4	7%
Operational risk	85	85	0	0%
Total	**1 851**	**1 889**	**-38**	**-2%**

Capital adequacy in export financing

No specific requirement has been set for the capital adequacy of Finnvera's export financing. Ultimately it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for export financing, considering its special industrial policy task in promoting exports. However, if capital adequacy is calculated taking into account the assets in the State Guarantee Fund, in addition to the assets in the reserve for export credit guarantee and special guarantee operations, the estimated capital adequacy of export financing in accordance with Tier 1 would be 6.6 per cent (6.8 per cent).

Risk position

At the end of June, SME and midcap financing exposure was EUR 2,292 million (EUR 2,326 million), down by EUR 34 million from the turn of the year. Demand for new financing focused on financing for working capital.

During the first half of the year, the quality of the SME and midcap financing credit portfolio remained at the targeted level. Risks pertaining to individual clients and the amounts of non-performing credits and arrears remained at a reasonable level. In its financing, Finnvera focuses on start-ups, enterprises seeking growth, as well as enterprises in situations of change. The operational risks faced by these enterprises are often greater than the risks of established companies. Expected loss (EL) for exposure remained unchanged during the first six months of the year and was 3 per cent of total exposure at the end of the period under review. The distribution of exposure by risk category also remained virtually unchanged. Altogether 76 per cent of Finnvera's exposure falls into the intermediate credit rating category B2 or a better category. Realised and expected losses totalled EUR 15 million (EUR 25 million). The amount of credit losses was clearly lower than last year because there have been no similar extraordinary items this year. The average maturity of SME and midcap financing exposure is approximately three years.

At the end of June, exposure of the Large Corporates business was EUR 23,313 million (EUR 23,276 million), up by EUR 37 million from the end of last year. Approximately 75 per cent of the outstanding guarantees (totalling EUR 18,750 million) and binding offers (totalling EUR 4,563 million) were associated with euro-area countries and OECD countries.

The main sectors were cruise shipping, telecommunications and pulp and paper. These sectors accounted for a total of 84 per cent of total exposure. Altogether, 67 per cent of the exposure was in risk category, which reflects investment grade, or in better risk categories.

Similarly to last year, there were no significant export credit guarantee losses during the first half of the year. Among the subsidiaries, the exposure arisen for Finnish Export Credit Ltd from the financing of export credits totalled EUR 13,709 million at the end of June; this was EUR 889 million less than at the end of last year. In addition to credits drawn, the exposure includes binding credit commitments and offers. The credit risks associated with the exposure are fully covered by means of export credit guarantees granted by the parent company Finnvera plc. These export credit guarantees are included in the above-mentioned exposure for export financing. The average maturity of exposure of the Large Corporates business is approximately six years.

In asset management, the liquidity portfolio consisting of deposits in banks and investments in liquid assets stood at EUR 3,547 million, excluding cash collateral received, at the end of June, down by EUR 122 million from the end of last year. All investments are at least in risk category, which reflects investment grade, or in better risk categories, and all long-term (exceeding 12 months) investments are made in assets with a minimum credit rating of A- (S&P and Fitch) or A3 (Moody's). A total of 93 per cent of assets were in investments or account banks with a minimum rating of A3- (Finnvera's risk category). Expected loss (EL) for deposits and investments was EUR 2 million, or 0.05 per cent.

The company hedges interest rate and currency risks using derivatives, the nominal value of which was EUR 13,172 million at the end of June, up by approximately 15 per cent from the end of last year. The minimum credit rating of all derivative contract counterparties was A- (S&P and Fitch) or A3 (Moody's). The derivative-related counterparty risk is mitigated with collateral agreements.

In June 2019, the most significant market risks associated with asset management were within the risk limits of the asset and liability management policy. The most significant of these risks was the EUR 49 million investment portfolio price risk. The funding-related cost risk due to structural underfunding was EUR 48 million, the balance sheet's interest rate sensitivity was EUR 17 million for a 200-basis-point change, and the open foreign exchange position was EUR 4 million.

Corporate governance

Personnel

At the end of June, the Group had 383 employees (30 June 2018: 386), of whom 335 (347) held a permanent post and 48 (39) a fixed-term post.

Of the fixed-term personnel, 25 (22) were summer workers. The Group's average number of employees during the period under review was 363 (376) and personnel expenses totalled EUR 15 million (EUR 14 million).

Supervisory Board, Board of Directors and auditor

On 29 March 2019, Finnvera's Annual General Meeting elected new members to the company's Board of Directors and Supervisory Board.

The new members of the Board of Directors were Antti Neimala, Director General; and Pekka Nuuttila, Forester. Neimala was elected as First Vice Chairman of the Board.

Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, continues as Chairman of Finnvera's Board of Directors and Terhi Järvikare, Director General, continues as Second Vice Chairman. The members continuing on the Board of Directors are Ritva Laukkanen, M.Sc. (Econ.); Pirkko Rantanen-Kervinen, B.Sc. (Econ.); and Antti Zitting, M.Sc. (Tech.).

The new members of the Supervisory Board were Anette Vaini-Antila, M.Sc. (Econ.); and Jaana Möntti, Finance Manager, as personnel representative.

Antti Rantakangas, Member of Parliament, continues as Chairman of the Supervisory Board. The members continuing on the Supervisory Board are Pia Björkbacka, Adviser, International Affairs; Eeva-Johanna Eloranta, Member of Parliament; Lasse Hautala, Agrologist; Timo Kalli, Farmer; Pia Kauma, Member of Parliament; Leila Kurki, Senior Adviser; Anne Louhelainen, Vocational Qualification in Business and Administration; Kari Luoto, Managing Director; Veli-Matti Mattila, Director, Chief Economist; Ville Niinistö, Member of the European Parliament; Carita Orlando, CEO; Eero Suutari, Entrepreneur; and Tommi Toivola, Director.

Krista Kiuru resigned from her position as Vice Chairman of Finnvera's Supervisory Board as from 5 June 2019, after having been elected to the Finnish Government. Laura Huhtasaari resigned from Finnvera's Supervisory Board as of 1 July 2019, due to her election to the European Parliament.

On 29 March 2019, the Annual General Meeting elected KPMG Oy Ab as Finnvera's regular auditor, with Marcus Tötterman, Authorised Public Accountant, as the principal auditor.

Changes in Finnvera's Management Group

Tapio Jordan, M.Sc. (Econ.), B.Sc. (Agriculture and Forestry), was appointed the Head of Finnvera's Credit Decision Unit and a member of Finnvera's Management Group. He started in the position on 15 April 2019. Minna Kaarto, M.Sc. (Tech.), was appointed Finnvera's Development Director (CDO, Chief Digitalisation Officer) and a member of Finnvera's Management Group. She started in the position on 1 June 2019.

Other events during the period under review

Finnvera to become an intermediary of the COSME guarantee programme

Finnvera and the European Investment Fund (EIF) have signed an agreement that makes Finnvera an intermediary of the COSME guarantee programme. The aim is to launch the new product, arranged through banks, in the autumn. Within the framework of the programme, Finnvera can grant an unsecured 80 per cent guarantee for a loan of a maximum of EUR 150,000.

Finnvera issued a EUR 1 billion bond

Finnvera issued a EUR 1 billion 10-year bond on 2 April 2019. This was Finnvera's first bond issue this year. The issue was very successful, more than 90 investors participated and the subscriptions exceeded EUR 2.8 billion. The bond was issued under Finnvera's EMTN (Euro Medium Term Note) programme, and consequently, it is guaranteed by the State and its rating corresponds to the rating assigned to the Republic of Finland for its long-term liabilities.

Finnvera awarded as the best export credit agency

In June 2019, Finnvera was awarded as the best export credit agency in the world in a survey conducted by TXF Media, an international export trade and finance analyst. Globally, 300 representatives from export enterprises, buyers and banks took part in the TXF survey. The results underlined Finnvera's industry expertise and flexibility. Exporters give thanks to Finnvera for quick answers and flexible solutions. Banks and financers value the fact that both export credit guarantee and financing are available in the same place.

New Regional Directors appointed

Anna Karppinen, M.Sc. (Econ.), was appointed Regional Director for Finnvera's Southern Finland region as of 1 January 2019. She has worked as a Finance Manager in the Southern Finland region since 2015. Finnvera's Southern Finland region encompasses the Helsinki and Lappeenranta offices, covering the regions of Uusimaa, Kymenlaakso and South Karelia. Pasi Vartiainen, M.Sc. (Econ.), was appointed Regional Director for Finnvera's Northern Finland region as of 1 March 2019. The Northern Finland region encompasses the Oulu, Kajaani and Rovaniemi offices, covering the regions of Central and North Ostrobothnia, Kainuu and Lapland.

Finnvera will transfer domestic recovery operations to Intrum Oy

Starting from 1 October 2019, Finnvera will transfer domestic recovery operations to Intrum Oy. A total of 11 employees from Finnvera's domestic recovery team will transfer to Intrum as part of the transfer of business, with unchanged terms of employment. Intrum will open an office in Kuopio. Intrum was elected as the service provider through public competitive tendering, and the agreement was signed on 14 May 2019. Finnvera will have the responsibility for recovery and its control.

Finnvera awarded for publishing the most informative annual report

In its annual report review, ProCom, the Finnish Association of Communications Professionals, recognised Finnvera's Annual Report as the most informative annual report. According to the review, highly informative reporting fulfils the stakeholders' needs for information in an insightful manner. Both the Annual Report and the Report of the Board of Directors and the Financial Statements, along with their notes, were praised for their high quality and level of detail.

Events after the period under review

Chief Economist appointed at Finnvera

Timo Lindholm, M.S.Sc., was appointed Finnvera's Chief Economist as of 26 August 2019. The position is new in the company. During the past 15 years, Finnvera's exposure has more than doubled. The Chief Economist's task is to analyse the impact of Finnvera's operations as well as its significance for Finland's export trade and SMEs and to have related discussions with key stakeholders.

Outlook for financing

The growth of the Finnish economy is expected to slow down in 2019. The Bank of Finland lowered its growth forecast in June: according them, GDP will grow by 1.6 per cent this year.

Finnvera's goal is to keep the focus of SME and midcap financing especially on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership. The slowing down of economic growth may financing offered by banks less readily available, highlighting Finnvera's role in supplementing the financing market. In the autumn, Finnvera will introduce a new financial product that enables us to better fulfil the financing needs of small growth enterprises. In line with the strategy, the aim is to increase the number of SMEs utilising export financing as well as to continue to offer advisory services related to financing export transactions and preparing for risks. This is expected to increase demand for export financing this year. The acceleration of transfers of ownership continues, and demand for related financing is expected to remain high.

Demand for export financing has grown during the first half of the year. Demand for export credit guarantees and export credits is expected to remain strong in 2019 and to continue to focus on cruise shipping, telecommunications and pulp and paper. As in previous years, the overall demand is affected by the realisation of individual major projects. Regionally, the strongest demand is anticipated to occur in the United States and Latin America and, to an increasing extent, in other emerging markets. Typically, the role of export credit agencies in financing export transactions becomes more significant when financial and political uncertainties increase.

Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group 1–6 2019	Finnvera Group 1–6 2018
Interest income	4		
– Interests from loans passed on to the customers		76 046	58 238
– Subsidies passed on to customers		112	226
– Other interest income [1]		12 708	6 926
Total interest income		**88 866**	**65 390**
Interest expenses [1]		-69 935	-42 644
Net interest income		**18 931**	**22 746**
Net fee and commission income	5	68 098	65 144
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	6	16 694	132
Net income from investments		131	-65
Other operating income		107	3 576
Total administrative expenses		-22 623	-22 879
– Personnel expenses		-15 096	-14 489
– Other administrative expenses		-7 527	-8 390
Depreciation and amortization on tangible and intangible assets		-2 756	-1 323
Other operating expenses		-226	-1 561
Realised and expected credit losses, net	2	-1 525	-14 629
– Realised credit losses		-13 970	-28 458
– Credit loss compensation from the State		7 214	12 679
– Expected credit losses	2, 3	5 231	1 150
Operating profit		**76 831**	**51 141**
Income tax expense		-4 533	-1 950
Profit for the period		**72 297**	**49 191**
Other comprehensive income			

1 The comparative figures have been adjusted to reflect the updated accounting policy regarding derivative interest allocation between interest income and interest expense. The change does not impact net interest income.

(EUR 1,000)	Note	Finnvera Group 1–6 2019	Finnvera Group 1–6 2018
Items that may not be reclassified subsequently to the statement of income			
– Revaluation of defined benefit pension plans			
– Change in the credit risk associated with liabilities carried at fair value		5 641	-12 534
Items that may be reclassified subsequently to the statement of income			
– Change in the credit risk associated with investments carried at fair value		3 644	-2 833
Total other comprehensive income		**9 284**	**-15 367**
Total comprehensive income for the period		**81 582**	**33 824**
Distribution of the profit for the period attributable to equity holders of the parent company		**72 297**	**49 191**
Distribution of the total comprehensive income for the period attributable to equity holders of the parent company		**81 582**	**33 824**

Balance sheet

(EUR 1,000)	Note	Finnvera Group 30 Jun 2019	Finnvera Group 31 Dec 2018
ASSETS			
Loans and receivables from credit institutions	7		
– Payable on demand		417 874	1 028 060
– Investment accounts and deposits		368 322	43 668
– Other		35 573	36 349
		821 768	**1 108 078**
Loans and receivables from customers	7		
– Loans		7 693 251	6 730 888
– Guarantee receivables		19 431	19 984
– Receivables from export credit and special guarantee operations		131 307	125 419
		7 843 988	**6 876 292**
Investments			
– Debt securities	6, 7, 8	2 780 988	2 645 970
Other shares and participations	6, 7, 8, 9	13 723	18 752
		2 794 710	**2 664 722**
Derivatives	6, 7, 8	439 113	101 741
Intangible assets		8 853	8 841
Property and equipment			
– Equipment		13 629	1 084
		13 629	**1 084**
Other assets			
– Credit loss receivables from the state		7 210	10 951
– Other		10 589	12 181
		17 799	**23 132**
Prepayments and accrued income	7	169 469	199 585
Tax assets		996	4 869
Assets of disposal groups classified as held for sale	7	47 884	50 905
TOTAL ASSETS		**12 158 209**	**11 039 249**

(EUR 1,000)	Note	Finnvera Group 30 Jun 2019	Finnvera Group 31 Dec 2018
LIABILITIES			
Liabilities to credit institutions	7, 10	0	171 943
Liabilities to other institutions			
– Other financial liabilities	7, 10	89 500	96 958
Debt securities in issue	6, 7, 8, 10, 11	9 675 301	8 782 823
Derivatives	7, 8	31 710	81 288
Provisions	2, 3	41 819	44 135
Other liabilities	7	74 107	93 392
Accruals and deferred income	7	787 939	384 324
Tax liabilities		527	376
Subordinated liabilities	7	0	7 500
Liabilities of disposal groups classified as held for sale	7	17 771	18 558
Total liabilities		**10 718 675**	**9 681 297**
EQUITY			
Equity attributable to the parent company's shareholders			
Share capital		196 605	196 605
Share premium		51 036	51 036
Fair value reserve		-6 602	-15 886
Non-restricted reserves			
– Reserve for domestic operations		265 822	244 152
– Reserve for export credit guarantees and special guarantees		772 541	755 674
– Other		15 252	15 252
Retained earnings		144 879	111 119
Non-restricted equity		**1 198 494**	**1 126 197**
Equity attributable to the parent company's shareholders		1 439 534	1 357 952
Total equity		**1 439 534**	**1 357 952**
TOTAL LIABILITIES AND EQUITY		**12 158 209**	**11 039 249**

Statement of changes in equity

(EUR 1,000)	Share capital	Share premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
Finnvera Group's equity 2019								
Equity attributable to the parent company's shareholders								
Reported equity 31 Dec 2018	**196 605**	**51 036**	**-15 886**	**244 152**	**755 674**	**15 252**	**111 119**	**1 357 952**
Profit/loss from previous accounting period transfer to reserves				21 670	16 868		-38 538	
Change in the credit risk associated with liabilities carried at fair value			5 641					**5 641**
Change in the fair value of investments recognised at fair value through comprehensive income			3 644					**3 644**
Profit/loss for the period							72 297	**72 297**
Total equity 30 June 2019	**196 605**	**51 036**	**-6 602**	**265 822**	**772 542**	**15 252**	**144 879**	**1 439 534**

(EUR 1,000)	Share capital	Share premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
Finnvera Group's equity 2018								
Equity attributabke to the parent company's shareholders								
Reported equity 31 Dec 2017	**196 605**	**51 036**	**4 534**	**213 734**	**687 681**	**15 252**	**145 403**	**1 314 245**
IAS 39 standard reverse entry 1 Jan 2018 concerning impairments							86 780	**86 780**
Expected credit losses according to IFRS 9, 1 Jan 2018							-141 531	**-141 531**
Change in the fair value of investments recognised at fair value through comprehensive income (IFRS 9)			807					**807**
Change in the credit risk associated with liabilities carried at fair value, 1 Jan 2018			-20 352				20 352	**0**
Valuation adjustment of issued bonds 1 Jan 2018							-434	**-434**
Reclassification of financial assets (IFRS 9)			-191				191	**0**
Adjusted equity 1 Jan 2018	**196 605**	**51 036**	**-15 203**	**213 734**	**687 681**	**15 252**	**110 761**	**1 259 866**
Profit/loss from previous accounting period transfer to reserves				30 418	67 993		-98 411	
Other changes in the previous years' retained earnings								
Re-determination of defined benefit pensions recognised at fair value through comprehensive income								
Change in the credit risk associated with liabilities carried at fair value			-1 708					**-1 708**
Change in the fair value of investments recognised at fair value through comprehensive income			-2 815					**-2 815**
Profit/loss for the period							49 191	**49 191**
Total equity 30 June 2018	**196 605**	**51 036**	**-19 726**	**244 152**	**755 674**	**15 252**	**61 541**	**1 304 534**

Statement of cash flows

(EUR 1,000)	Finnvera Group 1–6 2019	1–6 2018
Cash flows from operating activities		
Withdrawal of loans granted	-1 920 058	-1 182 123
Repayments of loans granted [3]	973 363	508 521
Purchase of investments	-642	-979
Proceeds from investments	7 073	1 500
Interest received [2, 3]	73 228	60 094
Interest paid [2]	-52 587	-37 699
Payments received from commission income [3]	101 416	97 421
Payments received from other operating income [3]	1 028	3 421
Payments for operating expenses [3]	-29 328	-50 243
Claims paid (-) and recovered amounts (+) [3]	-9 034	-10 179
Net credit loss compensation from the State	10 955	6 027
Taxes paid	-1 288	-1 579
Net cash used in (-) / from (+) operating activities (A)	**-845 873**	**-605 818**
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	-1 476	-1 849
Sale of property and equipment and intangible assets	0	32
Short-term and other liquid investments	-2 906 980	-3 629 939
Proceeds and maturities of short-term and other liquid investments	2 775 489	3 658 732
Other investments	-622	-730
Proceeds from other investments	292	903
Dividends received from investments	7	0
Net cash used in (-) / from (+) investing activities (B)	**-133 291**	**27 148**
Cash flows from financing activities		
Proceeds from long-term loans	1 019 318	1 857 993
Repayment of long-term loans	-708 740	-160 932
Net proceeds (+) and repayment (-) of short-term loans	0	0
Payments of lease liabilities	-1 070	0
Proceeds from subordinated liabilities	0	3 342
Repayments of subordinated liabilities and grants under repayment obligation to the State	-27 500	0
Net payments (-) / receipts (+) from derivative collaterals	407 780	-53 430
Net cash used in (-) / from (+) financing activities (C)	**689 788**	**1 646 973**
Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)		
Cash and cash equivalents at the beginning of the period [1]	**1 074 454**	**821 445**
Translation differences [1]	4 780	7 383
Cash and cash equivalents at the end of the period [1]	**789 857**	**1 897 132**

1 Cash and cash equivalents comprise of cash and investment accounts held in credit institutions and deposits with a maturity less than 3 months. Cash and cash equivalents are included in the balance sheet line items "Loans to and receivables from credit institutions – Payable on demand" and "Loans to and receivables from credit institutions – Investment accounts and deposits".
2 The impact of derivatives on the items "Interest received" and "Interest paid" have been updated to to reflect the accounting policy change from the beginning of 2019. The comparative figures adjusted to reflect the new accounting policy.
3 Group comparative figures have been adjusted for between the line items within cash flows from operating activities.

(EUR 1,000)	Finnvera Group 30 Dec 2019	30 Dec 2018
Cash and cash equivalents at the end of period		
Cash and investment accounts held in credit institutions	614 857	1 725 576
Short term deposits	175 000	171 556
Total	**789 857**	**1 897 132**

Changes in liabilities arising from financing activities

(EUR 1,000)	1–6 2019 Opening balance 1 January	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 30 June
Liabilities to credit institutions	171 943	220 675	-396 661		4 042		**0**
Liabilities to other institutions	96 958		-7 458				**89 500**
Debt securities in issue	8 782 823	1 010 347	-500 000	374 118	4 781	3 233	**9 675 301**
Subordinated liabilities	23 367		-7 500				**15 867**
Security given for derivatives [1]	-62 260	51 460					**-10 800**
Security received for derivatives [2]	61 700	356 320					**418 020**
Total	**9 074 531**	**1 638 802**	**-911 619**	**374 118**	**8 823**	**3 233**	**10 187 888**

(EUR 1,000)	Finnvera Group 1–6 2018 Opening balance 1 January	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 30 June
Liabilities to credit institutions	187 609		-12 109		5 438		**180 938**
Liabilities to other institutions	1 773 680		-148 822	-183	26 702		**1 651 376**
Debt securities in issue	6 483 055	1 843 821		88 168	-12 173	2 325	**8 405 197**
Subordinated liabilities	20 025	3 342					**23 367**
Security given for derivatives [1]	-79 100		-61 100				**-140 200**
Security received for derivatives [2]	34 130	7 670					**41 800**
Total	**8 419 400**	**1 854 833**	**-222 032**	**87 985**	**19 967**	**2 325**	**10 162 478**

1 Included in "Prepayments and accrued income" in the balance sheet.
2 Included in "Accruals and deferred income" in the balance sheet.

Notes to the half-year report

Principles for drawing up the half-year report

The Finnvera Group consists of the parent company Finnvera plc and its subsidiaries Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd. The financial statements of the Finnvera Group and the parent company Finnvera plc are drawn up according to the International Financial Reporting Standards (IFRS). The income statement is presented in accordance with the IAS 1 Presentation of Financial Statements standard.

The half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard as adopted by the EU. The half-year report does not contain all the information and notes required by the international IFRS standards (International Financial Reporting Standards). The principles for drawing up the financial statements are presented in the Group's financial statements for 2018, with the exception of the IFRS 16 Leases standard that entered into force on 1 January 2019. In addition, as of the beginning of 2019, the interest on interest rate swaps taken out for hedging loans is treated as an adjustment item for interest expenses, together with the interest on interest rate swaps taken out for hedging liabilities. The half-year report must be read in conjunction with the consolidated financial statements for 2018. The half-year report only contains information about the Group.

On 22 August 2019, Finnvera's Board of Directors approved the half-year report for the period 1 January–30 June 2019. The half-year report is unaudited.

The half-year report is published in Finnish and English. If there are discrepancies between different language versions, the Finnish version of the half-year report shall apply. The Finnvera Group's report of the Board of Directors, financial statements and half-year report can be found on Finnvera's website at www.finnvera/financial_reports

Accounting principles that were changed as of the beginning of 2019

As of the beginning of 2019, the interest on all interest rate and foreign exchange derivatives related to funding have been treated as an adjustment item for interest expenses. Previously the interest on cross currency swaps used for acquiring funds to cover foreign currency commitments (previously cross currency swaps taken out to hedge receivables) was treated as an adjustment item for interest income.

Furthermore, starting from the beginning of 2019, the interest on interest rate and foreign exchange derivatives taken out for liquidity management purposes is treated as an adjustment item for interest income, whereas previously the interest of currency swaps related to these items was treated as an adjustment item for interest expenses.

The comparison figures in the income statement and the cash flow statement have been adjusted to reflect the new accounting principles. The change in the accounting principles does not impact net interest income.

As of the beginning of 2019, the Finnvera Group classifies certain financial assets hedged with interest rate derivatives into the category designated at fair value through profit or loss (fair value option) to reduce an accounting mismatch. Previously, the Finnvera Group has not had any financial assets classified as designated at fair value through profit or loss (fair value option).

New and amended IFRS standards that were adopted at the beginning of 2019

On 1 January 2019, Finnvera adopted the IFRS 16 Leases standard, which replaced the IAS 17 Leases standard. Finnvera applied the transition option, on the basis of which information for the comparison year was not adjusted to reflect the adoption of the IFRS 16 Leases standard. At the time of the adoption of the standard, right-of-use asset items and lease liabilities have been recorded as equal items.

According to the IFRS 16 standard, lessees must record all leases on the balance sheet as an item under fixed assets and as a lease liability. Assets and liabilities resulting from leases are recognised at the current value of future lease expenses. The item under fixed assets is amortised over the lease period. Interest expenses related to lease liabilities are recorded as interest expenses in the income statement using the effective interest rate method and, as a result, net interest income decreases. In the Finnvera Group, low-value items and leases under one year in duration are left outside the scope of the IFRS 16 standard. With regard to lessors, there are no significant changes.

In the statement of cash flows, the part of the lease liability that is related to the principal is presented in *The cash flow from financing activities* under the item *Payments from lease liabilities* and the part related to the interest is presented in *The cash flow from operating activities* under the item *Interest paid*. The lease payments that are not recorded on the balance sheet due to the IFRS 16 standard reliefs are recorded under *Administrative expenses* or *Other operating expenses* on a straight-line basis over the lease period. The weighted average additional credit interest of lease liabilities recorded on the balance sheet on 1 January 2019 is 0.7 per cent. Finnvera does not have significant leases in which it would act as the lessor.

Table 1: The impacts of the transition to the IFRS 16 standard on the opening balance sheet on 1 January 2019 and on the reporting date (30 June 2019)

Right-of-use asset (MEUR) (assets)	1 Jan 2019 (IFRS 16)	30 June 2019 (IFRS 16)
Office properties	13.7	12.6
Cars	0.1	0.1
Machinery and equipment	0.01	0.001
Total	**13.8**	**12.7**

Lease liability (MEUR) (liabilities)	1 Jan 2019 (IFRS 16)	30 June 2019 (IFRS 16)
Office properties	13.7	12.7
Cars	0.1	0.1

Machinery and equipment	0.01	0.001
Total	**13.8**	**12.8**

Table 2: IFRS 16 standard's impact on the income statement 30 June 2019

Income statement item (MEUR)	1 Jan–30 June 2019
Interest expenses	-0.05
Depreciation	-1.16
Lease expenses	1.12
Operating profit	-0.09
Change in deferred tax assets	-
Profit for the period	-0.09

Table 3: Reconciliation of lease liabilities and lease-related commitments on the transition date 1 January 2019

Item	MEUR
Lease-related commitments 31 December 2018	7.0
Leases that have not started yet but to which the company is committed	
Leases that are based on variable lease payments and that are not included in lease liabilities	
Reliefs applied with regard to the recording on the balance sheet	
Impacts of discounting	0.08
Other changes	6.8
Lease liabilities 1 January 2019	13.8

The item *Other changes* presented in Table 3 includes the current value of lease liabilities compliant with the IFRS 16 standard and the extension periods of office property leases.

Other IFRS amendments that entered into force on 1 January 2019 are not significant for the Group's half-year report during the reporting period.

Accounting principles requiring the management's judgment and the key sources of estimation uncertainty

A half-year report drawn up according to the International Financial Reporting Standards (IFRS) requires that the company's management makes estimates and assumptions that affect the asset and liability items reported in the half-year report as well as income and expense amounts. The realised items may differ from these estimates.

At the Finnvera Group, the essential estimates and assumptions concern the assessment of expected losses for clients' loans and other receivables, domestic guarantee and export credit guarantee commitments, export credits, guarantee receivables and receivables from export credit and special guarantee operations, the determination of discretionary variables, such as the duration of leases and additional credit interest, in the IFRS 16 right-of-use asset item calculation, and the determination of the fair value of financial instruments and venture capital investments made through Finnvera's subsidiaries engaged in venture capital investment.

Recording expected losses requires the management's best estimate of uncertainties affecting ECL calculation, such as credit loss probabilities, macroeconomic scenarios and their weighting on the end date of the reporting period. In connection with the drawing up of this half-year report, the management's estimates related the Group's accounting principles and key uncertainties were similar to those applied in the consolidated financial statements for 2018, taking into account variables related to the IFRS 16 standard's lease obligations.

1 Segment information

Finnvera's segment information is based on the company's internal division into business areas and on the organisational structure. Client enterprises have been divided into business areas according to their size and the need for financing at their development stage. A service concept has been devised for each business area. Finnvera's segments are locally operating small neterprises, enterproses on the domestic market, enterprises seeking growth and internationalisation, export financing, and venture capital investments. The segments and the principles governing the segment accounting are described in more detail in the Finnvera's Financial Statements for 2018.

Segment information

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Export financing	Venture capital financing	Group total
1–6/2019						
Net interest income	3 828	7 263	4 347	3 202	290	**18 931**
Net fee and commission income	3 070	8 943	7 171	48 915		**68 098**
Gains and losses from financial instruments carried at fair value	-11	-135	-23	20 052	-3 189	**16 694**
Net income from investments			54	71	7	**131**
Other operating income	19	49	27	51	-38	**107**
Administrative expenses	-4 012	-6 879	-4 921	-6 531	-280	**-22 623**
Depreciation and amortization on tangible and intangible assets	-754	-960	-616	-425		**-2 756**
Other operating expenses	-61	-86	-47	-33		**-226**
Realised and expected credit losses, net	-3 306	-402	-3 788	5 934	36	**-1 525**
– Realised credit losses	-4 632	-5 789	-3 355	-193		-13 970
– The State's compensation for credit losses	2 316	3 410	1 488			7 214
– Expected credit losses (increase - / decrease +)	-989	1 977	-1 921	6 128	36	5 231
Operating profit	-1 227	7 794	2 203	71 236	-3 175	**76 831**
Income tax expense				-5 353	820	**-4 533**
Profit for the period	**-1 227**	**7 794**	**2 203**	**65 883**	**-2 356**	**72 297**
1–6/2018 [1]						
Net interest income	3 865	9 150	4 569	5 107	55	**22 746**
Net fee and commission income	2 934	9 764	6 849	45 598	0	**65 144**
Gains and losses from financial instruments carried at fair value			-1 525	92	1 564	**132**
Net income from investments					-65	**-65**
Other operating income	1 189	1 204	1 190	34	-41	**3 576**
Administrative expenses	-4 234	-6 635	-5 214	-6 546	-252	**-22 879**
Depreciation and amortization on tangible and intangible assets	-109	-568	-277	-370		**-1 323**
Other operating expenses	-437	-495	-342	-287	0	**-1 561**
Realised and expected credit losses, net	-9 539	-17 516	-2 383	14 844	-35	**-14 629**
– Realised credit losses	-4 094	-10 721	-12 472	-1 171		-28 458
– The State's compensation for credit losses	2 457	4 613	5 609			12 679
– Expected credit losses (increase - / decrease +)	-7 902	-11 408	4 479	16 016	-35	1 150
Operating profit	-6 331	-5 095	2 868	58 473	1 225	**51 141**
Income tax expense				-1 872	-78	**-1 950**
Profit for the period	**-6 331**	**-5 095**	**2 868**	**56 601**	**1 147**	**49 191**

1 The presentation method of segment information of the figures of the comparison year has been changed to be similar to profit of each segment thus that each profit and loss item includes group consolidations.

2 Realised and expected credit losses (IFRS 9) as well as the State's compensation for credit losses

Realised and expected credit losses [1] (EUR 1,000)	Finnvera Group 30 June 2019		30 June 2018	
Realised credit losses		**-13 970**		**-28 458**
– Loans	-5 431		-16 472	
– Guarantees	-8 997		-10 406	
– Export credit guarantees and special guarantees	458		-1 580	
The State's compensation received		**7 214**		**12 679**
Change in expected credit losses		**5 231**		**1 150**
– Expected credit losses, gross 31 Dec	157 092		141 602	
– Expected credit losses, gross 30 June	151 861		140 452	
Total		**-1 525**		**-14 629**

1 The State compensates Finnvera for 50 per cent of the realised credit and guarantee losses in SME and midcap financing. The credit loss compensation has been considered when calculating expected credit losses according to the IFRS 9 standard.

2.1 Change in expected credit losses 30 June 2019

Financial assets (EUR 1,000)	Finnvera Group Expected credit losses (ECL) 1 Jan	Expected credit losses (ECL) 31 Jan	Change in expected credit losses (ECL) 31 Jan
Loans and receivables from credit institutions	-176	-131	45
Loans and receivables from customers [2]	-111 167	-108 256	2 911
Other assets	-239	-212	27
Prepayments and accrued income	-1 418	-1 510	-92
Assets of disposal groups classified as held for sale	-43	-38	5
Change in expected credit losses: decrease (+) / increase (-)	**-113 044**	**-110 148**	**2 895**

2 Receivables from Large corporates have been stated as slump sum until the year 2018, from the beginging of the year 2019 receivables from Large corporates have been separated according to the IFRS 9; gross amount of receivables and expected credit losses. The comparison figures of the year of have been restated. The change does not have impact on consolidated comprehensive income statement.

Financial liabilities (EUR 1,000)	Finnvera Group Expected credit losses (ECL) 1 Jan	Expected credit losses (ECL) 31 Jan	Change in expected credit losses (ECL) 31 Jan
Provisions	43 415	41 099	2 316
Equity - Fair Value Reserve	633	614	20
Change in expected credit losses: decrease (+) / increase (-)	**44 048**	**41 713**	**2 336**
Change in expected credit losses: decrease (+) / increase (-), net			**5 231**

2.2 Movements of expected credit losses between stages 30 June 2019 [1]

2.2.1 Movements of expected credit losses from SME and midcap financing between stages

	Finnvera Group			
SME and midcap financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected credit losses (ECL), SME and midcap financing 1 Jan	**20 251**	**13 509**	**49 859**	**83 619**
Changes in ECL during the reporting period	-1 563	-1 349	-3 059	**-5 972**
Transfers to stage 1 from stages 2 and 3	-	-1 542	-2 220	**-3 761**
Transfers to stage 2 from stages 1 and 3	-590	-	-940	**-1 529**
Transfers to stage 3 from stages 1 and 2	-187	-928	-	**-1 115**
Additions from stage 1	-	3 165	5 356	**8 520**
Additions from stage 2	245	-	5 547	**5 792**
Additions from stage 3	120	165	-	**285**
Expected credit losses from new financing	7 726	467	5 610	**13 804**
Repayments / Expirations of guarantees	-4 676	-1 059	-9 277	**-15 012**
Expected credit losses (ECL), SME and midcap financing 30 June	**21 326**	**12 427**	**50 876**	**84 630**

1 Transfers between stages are only presented for the most business-critical items.

2.2.2 Movements of expected credit losses from export credit guarantees and export credit loans between stages

	Finnvera Group			
Large Corporates [1] (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected credit losses (ECL) 1 Jan	**13 717**	**33 508**	**4 014**	**51 238**
Changes in ECL during the reporting period	-1 472	-581	-1 360	**-3 413**
Transfers to stage 1 from stages 2 and 3	-			
Transfers to stage 2 from stages 1 and 3		-		
Transfers to stage 3 from stages 1 and 2			-	
Additions from stage 1	-			
Additions from stage 2		-		
Additions from stage 3			-	
New export credit guarantees or new export credit loans	1 150			**1 150**
Expired export credit guarantees or repayments of export credit loans	-652			**-652**
Changes in ECL parametres [2]	1 595	-5 473	-1 343	**-5 221**
Expected credit losses (ECL) 30 June 2019	**14 337**	**27 454**	**1 311**	**43 103**

1 The provisions and impairments associated with the Large Corporates business include both provisions related to the parent company's export credit guarantees and expected credit losses related to credits granted by Finnish Export Credit Ltd. The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantees and special guarantees. Table 2.2.1 includes expected credit losses from export credit guarantees and special guarantees in SMEs and midcap enterprises.
2 Changes in ECL parametres consist of the impact of PIT-PD changes and discount rates.

2.3 Expected credit losses by balance sheet items 30 June 2019

2.3.1 Expected credit losses from loans and receivables from credit institutions [1]

(EUR 1,000)	Finnvera Group 30 June 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1				
A2	64 125			**64 125**
A3	353 859			**353 859**
B1	368 322			**368 322**
B2				
B3				
C				
D				
Total [1]	**786 306**			**786 306**
Expected credit losses (ECL) [1]	-118			**-118**
Realised credit losses				

1 Table 2.3.1 does not include either EUR 4,000,000 amount of blocked account which does not include cash amount or Finnish Export Credit Ltd's drawn export credits EUR 31,586,000 EUR and expected credit losses related to them. Expected credit losses related to export credit guarantee operations are included in entirely in Table 2.2.2.

2.3.2 Expected credit losses from loans and receivables from customers measured at amortised cost

(EUR 1,000)	Finnvera Group 30 June 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1				
A2	2 471			**2 471**
A3	19 919	205	14	**20 138**
B1	121 332	2 847	2 350	**126 528**
B2	387 707	15 073	13 770	**416 550**
B3	93 668	62 962	22 835	**179 465**
C	655	15 639	5 413	**21 708**
D		309	103 081	**103 390**
Total [1]	**625 752**	**97 035**	**147 463**	**870 250**
Expected credit losses (ECL) [1]	5 623	**7 532**	**69 295**	**82 450**
Realised credit losses	8	-1 515	-3 924	**-5 431**

1 Table 2.3.2 does not include Finnish Export Credit Ltd's credits, totalling EUR 6,992,431,000 (EUR 5,980,625,000) or expected credit losses related to the credits, amounting to EUR -25,819,000 (EUR -29,757,000) at the reporting date. Expected credit losses related to Finnish Export Credit Ltd's credit are included in Table 2.3.4.

2.3.3 Expected credit losses from investments and SME and midcap financing loans measured at fair value through other comprehensive income (OCI)

(EUR 1,000)	Finnvera Group 30 June 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	56 150			**56 150**
A2	758 934			**758 934**
A3	727 557			**727 557**
B1	1 211 539			**1 211 539**
B2	5 400			**5 400**
B3	5 000			**5 000**
C				
D				
Total	**2 764 580**			**2 764 580**
Expected credit losses (ECL)	-614			**-614**
Realised credit losses				

2.3.4 Expected credit losses from guaranees, export credit guarantees, special guarantees, binding credit commitments and guarantee offers

(EUR 1,000)	Finnvera Group 30 June 2019			
Contingent liabilities by credit rate	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	350			**350**
A2	41 547			**41 547**
A3	2 782 767			**2 782 767**
B1	7 743 330			**7 743 330**
B2	6 431 213			**6 431 213**
B3	956 176	55 520		**1 011 696**
C	349	132 271		**132 620**
D	350		9 989	**10 339**
No credit rating	200 272			**200 272**
Total	**18 156 354**	**187 791**	**9 989**	**18 354 134**
Expected credit losses (ECL) [1]	-29 775	-32 328	-4 815	**-66 919**
Realised credit losses [2]	-194	-98	-8 246	**-8 539**

1 Table 2.3.4 includes the provisions related to SME and midcap financing's guarantees, export and special guatantees, binding credit commitments and offers given and the parent company's export credit guarantees.
2 Realised credit losses are based on the parent company's realised credit losses, which also include loss items other than credit losses from guarantee principal.

2.3.5 Expected credit losses from prepayments and accrued income and other assets

(EUR 1,000)	Finnvera Group 30 June 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1				
A2	7			**7**
A3	115	2		**117**
B1	539	5	29	**573**
B2	2 381	95	72	**2 547**
B3	635	355	296	**1 286**
C	30	102	179	**311**
D	39		2 992	**3 031**
No credit rating	10 622			**10 622**
Total [1]	**14 367**	**559**	**3 568**	**18 494**
Expected credit losses (ECL)	-277	-21	-1 423	**-1 722**
Realised credit losses [2]				

1 Table 2.3.5 only includes receivables included in expected credit loss calculation.
2 Realised credit losses from interest receivables and fee and commission income receivables are included in realised losses presented in Tables 2.3.2 ja 2.3.4.

2.3.6 Expected credit losses from disposal groups classified as held for sale [1]

(EUR 1,000)	Finnvera Group 30 June 2019			
Balance sheet item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to and receivables from credit institutions	3 543			**3 543**
Loans to and receivables from customers	442			**442**
Total	**3 986**			**3 986**
Expected credit losses (ECL)	-38			**-38**
Realised credit losses	-199			**-199**

1 ERDF-Seed Fund Ltd's available-for-sale assets in Table 2.3.6 only include those items that have an expected credit loss according to the IFRS 9 standard recorded for them. Table does not include ERDF-Seed Fund Ltd's investments in shares and participations, EUR 30,242,000 (EUR 34,516,000), capital input owned by the parent company, EUR 13,365,000 (EUR 13,365,000), that also belong to assets held for sale.

3 Expected credit losses according to IFRS 9 -standard 20 June 2019 1

Assets (EUR 1,000)	Finnvera Group Balance 30 June 2019 before expected credit losses (ECL)	Expected credit losses (ECL) 30 June 2019	Balance 30 June 2019 after expected credit losses (ECL)
Loans and receivables from credit institutions	821 899	-131	**821 768**
Loans and receivables from customers	7 952 245	-108 256	**7 843 988**
Other assets	18 011	-212	**17 799**
Prepayments and accrued income	170 979	-1 510	**169 469**
Assets of disposal groups classified as held for sale	47 922	-38	**47 884**
Total	**9 011 056**	**-110 148**	**8 900 908**

Assets (EUR 1,000)	Expected credit losses (ECL) 30 June 2019
Provisions	41 099
Equity - Fair value reserve [1]	614
Total	**41 713**

1 Table 3 Equity – Fair value reserve only includes expected credit losses concerning investments and loans of the SME and midcap financing which are stated under FVOCI.

4 Interest income from items at fair value though profit and loss

(EUR 1,000)	Finnvera Group 30 June 2019	30 June 2018
Interest income from items at fair value through profit and loss	8 104	498
Interest income from other items	80 762	64 892
Total	**88 866**	**65 390**

5 Income and other fees by operations according to the IFRS 15 standard

(EUR 1,000)	Finnvera Group 30 June 2019	30 June 2018
Service and handling fees from export credit guarantees	676	765
Service and handling fees from SME and midcap financing	2 165	2 199
Other fees	1 049	1 093
Total	**3 890**	**4 057**

6 Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses

(EUR 1,000)	Finnvera Group Gains and losses from sales	Changes in fair value	Total
30 June 2019			
From financial instruments carried at fair value through profit or loss			
Derivatives		397 413	397 413
Debt securities in issue		-379 758	-379 758
Investments in debt securities		1 609	1 609
Shares and participations	1 248	-4 437	-3 189
Total	**1 248**	**14 827**	**16 075**
By categories of financial instruments, IFRS 9			
Items carried at amortised cost (fair value hedging)		-294 137	-294 137
Items carried at fair value through profit and loss (fair value option)		-84 012	-84 012
Items carried at fair value through profit and loss (mandatory)	1 248	392 976	394 224
Total financial instruments carried at fair value through profit or loss	**1 248**	**14 827**	**16 075**
Foreign exchange gains (+) and losses (-)			**619**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**16 694**
30 June 2018			
From financial instruments carried at fair value through profit or loss			
Derivatives		19 675	19 675
Debt securities in issue [1]		-19 438	-19 438
Investments in debt securities (SME financing)	-1 528		-1 528
Shares and participations [1]	-486	2 049	1 564
Total	**-2 014**	**2 287**	**273**

1 Restated classification between financial instruments carried at fair value through profit or loss.

By categories of financial instruments, IFRS 9			
Items carried at amortised cost (fair value hedging)		-30 770	-30 770
Items carried at fair value through profit and loss (fair value option)		11 332	11 332
Items carried at fair value through profit and loss (mandatory)	-2 014	21 724	19 711
Total financial instruments carried at fair value through profit or loss	**-2 014**	**2 287**	**273**
Foreign exchange gains (+) and losses (-)			**-141**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**132**

7 Financial instruments classification and fair values

(EUR 1,000) Financial assets	Amortised cost (AC)	Fair value through profit or loss (FVTPL) Mandatorily	Designated at FVTPL (fair value option)	At fair value through OCI (FVOCI)	Total	Fair value [3]
30 June 2019						
Loans and receivables from credit institutions	821 768				821 768	822 674
Loans and receivables from customers	7 843 988				7 843 988	7 945 032
Debt securities – Commercial papers and papers	1 045 735				1 045 735	1 045 735
Debt securities – Bonds			137 282	1 597 971	1 735 253	1 735 253
Derivatives		439 113			439 113	439 113
Shares and participants [1]		13 723			13 723	13 723
Assets of disposal groups classified as held for sale [2]	3 947	43 936			47 884	47 884
Other financial assets	166 024				166 024	166 024
Total	**9 881 462**	**496 772**	**137 282**	**1 597 971**	**12 113 487**	**12 215 437**

(EUR 1,000) Financial assets	Amortised cost (AC)	Fair value through profit or loss (FVTPL) Mandatorily	Designated at FVTPL (fair value option)	At fair value through OCI (FVOCI)	Total	Fair value [3]
31 Dec 2018						
Loans and receivables from credit institutions	1 108 078				1 108 078	1 108 332
Loans and receivables from customers	6 876 292				6 876 292	6 969 621
Debt securities – Commercial papers and papers	1 077 708				1 077 708	1 077 708
Debt securities – Bonds				1 568 262	1 568 262	1 568 262
Derivatives		101 741			101 741	101 741
Shares and participants [1]		18 752			18 752	18 752
Assets of disposal groups classified as held for sale [2]	3 015	47 881			50 896	50 896
Other financial assets	187 986				187 986	187 986
Total	**9 253 079**	**168 375**		**1 568 262**	**10 989 716**	**11 083 299**

1 The Group's shares and participations include EUR 13.7 million in investments in unlisted companies outside the Group. The measurement of the shares is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.
2 The Group's assets held for sale include EUR 13.4 million in venture capital investments, carried at fair value, in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.
3 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).

(EUR 1,000) Financial liabilities	Amortised cost (AC)	Fair value through profit or loss (FVTPL) Designated at FVTPL (fair value option)	Mandatorily	Total	Fair value [3]
30 June 2019					
Liabilities to credit institutions	0			**0**	0
Liabilities to other institutions	89 500			**89 500**	98 050
Debt securities in issue	6 068 044	3 607 257		**9 675 301**	9 690 851
Derivatives			31 710	**31 710**	31 710
Other financial liabilities	547 059			**547 059**	547 059
Subordinated liabilities	0			**0**	0
Liabilities of disposal groups held for sale	17 771			**17 771**	17 771
Total	**6 722 375**	**3 607 257**	**31 710**	**10 361 342**	**10 385 442**

(EUR 1,000) Financial liabilities	Amortised cost (AC)	Fair value through profit or loss (FVTPL) Designated at FVTPL (fair value option)	Mandatorily	Total	Fair value [3]
31 Dec 2018					
Liabilities to credit institutions	171 943			**171 943**	174 985
Liabilities to other institutions	96 958			**96 958**	105 840
Debt securities in issue	4 770 129	4 012 694		**8 782 823**	8 803 176
Derivatives			81 288	**81 288**	81 288
Other financial liabilities	171 470			**171 470**	171 470
Subordinated liabilities	7 500			**7 500**	7 500
Liabilities of disposal groups held for sale	15 867			**15 867**	15 867
Total	**5 233 867**	**4 012 694**	**81 288**	**9 327 849**	**9 360 126**

3 The fair values for liability items that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term liabilities has been set at their carrying amount due to their short maturity. The fair value of long-term liabilities is based on discounted cash flows (Level 2). The fair values of bonds in issue that are covered by hedge accounting are based on the prices at the closing of the financial period, determined by a third party (Level 2).

8 Hierarchy for financing instruments carried at fair value

(EUR 1,000)		Finnvera Group		
Financial assets 30 June 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments carried at fair value through profit and loss				
– Debt Securities – Bonds		137 282		137 282
– Derivatives		439 113		439 113
– Shares and participations			13 723	13 723
– Assets of disposal groups held for sale			43 936	43 936
Financial instruments carried at fair value through other comprehensive income (OCI)				
– Bonds		1 597 971		1 597 971
Total		**2 174 366**	**57 659**	**2 232 025**
Financial liabilities 30 June 2019				
Financial instruments carried at fair value through profit and loss				
– Debt securities in issue		3 607 257		3 607 257
– Derivatives		31 710		31 710
Total		**3 638 967**		**3 638 967**

(EUR 1,000)		Finnvera Group		
Financial assets 31 Dec 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments carried at fair value through profit and loss				
– Derivatives		101 741		101 741
– Shares and participations	5 030		13 723	18 752
– Assets of disposal groups held for sale			47 881	47 881
Financial instruments carried at fair value through other comprehensive income (OCI)				
– Bonds		1 568 262		1 568 262
Total	**5 030**	**1 670 003**	**61 604**	**1 736 637**
Financial liabilities 31 Dec 2018				
Financial instruments carried at fair value through profit and loss				
– Debt securities in issue		4 012 694		4 012 694
– Derivatives		81 288		81 288
Total		**4 093 981**		**4 093 981**

Hierarchy levels

Level 1:

Investments in quoted shares and funds traded on the active market are valued at market price.

Level 2:

The fair values of interest rate and currency swaps and currency futures are specified using a method based on the current value of cash flows, in which the market interest rates on the end date of the period and other market information serve as the accounting principle. The fair values of bonds in issue that fall outside hedge accounting are based on the prices at the closing of the financial period, determined by a third party. The fair values of investments in bonds are based on the prices at the closing of the financial period, determined by a third party, or on the value discounted using the market interest rate at the closing of the financial period.

Level 3:

The fair value of venture capital investments made by subsidiaries involved in venture capital investment is determined on the basis of the International Equity and Venture Capital Valuation (IPEV) Guidelines and recommendations for early stage ventures. In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments to a significant extent.

9 Specification of events at hierarchy level 3

LEVEL 3, Financial assets	Finnvera Group	
(EUR 1,000)	**30 June 2019**	**31 Dec 2018**
Financial assets carried at fair value		
Balance at 1 Jan	**61 604**	**33 259**
Profits and losses entered in the income statement, total	-2 953	590
Acquisitions	971	3 512
Sales	-2 280	-2 342
Transfers to level 3	317	26 585
Transfers from level 3		0
Other	0	0
Balance at 30 June	**57 659**	**61 604**
Profits and losses entered in the income statement for the instruments held by Finnvera	-4 437	383

10 Liabilities to credit and other institutions

	Finnvera Group 2019	
(EUR 1,000)	Nominal value	Carrying amount
Liabilities to credit and other institutions		
Balance at 1 Jan 2019	**268 902**	**268 902**
Loans withdrawn	220 675	220 675
Repayments at maturity	-404 119	-404 119
Fair value changes		
Foreign exchange differences	4 042	4 042
Balance at 30 June 2019	**89 500**	**89 500**

	Finnvera Group 2018	
(EUR 1,000)	Nominal value	Carrying amount
Liabilities to credit and other institutions		
Balance at 1 Jan 2018	**1 961 097**	**1 961 290**
Loans withdrawn		
Repayments at maturity	-276 925	-276 925
Early repayments to the Finnish State [1]	-1 461 474	-1 461 474
Fair value changes		-193
Foreign exchange differences	46 204	46 204
Balance at 31 Dec 2018	**268 902**	**268 902**

1 Finnish Export Credit Ltd repaid early EUR 1 461 million refinancing loans to the Finnish State during 2018.

11 Debt securities in issue

						Carrying amount	
Issuer and ISIN (EUR 1,000)	Interest	Nominal (thousands)	Currency	Issue date	Maturity date	30 June 2019	31 Dec 2018
Finnvera plc - XS1951364915	2,800%	30 000	AUD	14.2.2019	14.8.2029	19 748	0
Finnvera plc - XS1062104978	0,875%	500 000	EUR	29.4.2014	29.4.2019	0	502 203
Finnvera plc - XS1140297000	0,625%	750 000	EUR	19.11.2014	19.11.2021	771 499	769 991
Finnvera plc - XS1392927072	0,500%	1 000 000	EUR	13.4.2016	13.4.2026	1 033 453	1 029 615
Finnvera plc - XS1294518318	0,625%	1 000 000	EUR	22.9.2015	22.9.2022	1 036 860	993 000
Finnvera plc - XS1613374559	1,125%	750 000	EUR	17.5.2017	17.5.2032	821 042	755 400
Finnvera plc - XS1613374559	1,125%	100 000	EUR	3.7.2017	17.5.2032	109 472	100 720
Finnvera plc - XS1613374559	1,125%	150 000	EUR	6.9.2017	17.5.2032	164 208	151 080
Finnvera plc - XS1791423178	1,250%	1 000 000	EUR	14.3.2018	14.7.2033	1 121 866	1 025 300
Finnvera plc - XS1904312318	0,750%	500 000	EUR	7.11.2018	7.8.2028	532 830	502 075
Finnvera plc - XS1979447064	0,375%	1 000 000	EUR	9.4.2019	9.4.2029	1 023 010	0
Finnvera plc - XS1538285807	1,910%	1 500 000	SEK	20.12.2016	20.12.2028	154 866	151 400
Finnvera plc - XS1538285807	1,910%	1 500 000	SEK	23.1.2017	20.12.2028	154 866	151 400
Finnvera plc - XS1538285807	1,910%	500 000	SEK	23.1.2017	20.12.2028	51 622	50 467
Finnvera plc - XS1110448138	1,875%	500 000	USD	16.9.2014	16.9.2019	438 886	433 880
Finnvera plc - XS1241947768	2,375%	500 000	USD	4.6.2015	4.6.2025	446 081	421 664
Finnvera plc - XS1692488262	1,875%	1 000 000	USD	5.10.2017	5.10.2020	877 988	860 568
Finnvera plc - XS1845379152	3,000%	1 000 000	USD	27.6.2018	27.6.2023	917 005	884 061
Total						**9 675 301**	**8 782 823**

(EUR 1,000)	Finnvera Group 2019 Nominal value	Carrying amount
Debt securities in issue		
Balance at 1 jan 2019	**8 711 391**	**8 782 823**
Debt securities issued	1 030 000	1 010 347
Repayments at maturity	-500 000	-500 000
Fair value changes		374 118
Foreign exchange differences	6 149	4 781
Other changes		3 233
Balance at 30 June 2019	**9 247 540**	**9 675 301**
Average interest rate [1]		0,86%

(EUR 1,000)	Finnvera Group 2018 Nominal value	Carrying amount
Debt securities in issue		
Balance at 1 Jan 2018	**6 476 367**	**6 483 055**
Debt securities issued	2 360 882	2 339 406
Repayments at maturity	-190 594	-190 594
Fair value changes		83 563
Foreign exchange differences	64 737	62 099
Other changes		5 293
Balance at 31 Dec 2018	**8 711 391**	**8 782 823**
Average interest rate [1]		1,10%

1 Average interest rate for the parent company and the Group is calculated as average interest rate for all interest-bearing loans.

Liabilities have been measured at fair value through profit and loss (FVTPL) when they have been hedged with derivatives (fair value option). Liabilities under hedge accounting are carried at amortised cost and adjusted for the change in interest rate risk. An amount equaling the nominal value of a liability is repaid at the maturity date. The credit risk portion of the change in fair value of the FVTPL liabilities is based on market data. The liabilities have been guaranteed by the state of Finland, whose credit risk has not changed.

12 Contingent liabilities

Interest commitments included in the export and special guarantees have been presented separately (items G and H). The Group interest commitment figures do not include group internal interest commitments to Finnish Export Credit Ltd. Contingent liabilities according to the status of commitments – in the table the commitments have been categorised according to their contractual stage. Contingent liabilities by business area – commitments have been broken down by business area and contractual stage.

(EUR 1,000)	Finnvera Group 30 June 2019	31 Dec 2018
Contingent liabilities according to the status of commitments:		
Current drawn commitments (A+D+G)	4 560 813	4 897 526
Current undrawn commitments (B+E+F+H)	6 917 762	8 163 559
Offers given (C+I)	4 696 484	3 957 321
Contingent liabilities, total	**16 175 058**	**17 018 406**

(EUR 1,000)	Finnvera Group 30 June 2019	31 Dec 2018
Contingent liabilities by business area		
Domestic operations		
A) Valid guarantees	1 137 292	1 102 902
B) Binding credit commitments	33 325	38 679
C) Guarantee offers	90 163	76 661
Domestic operations total	**1 260 780**	**1 218 242**
Export credit guarantees, special guarantees and export credit commitments		
Current commitments (drawn and undrawn)		
D) Drawn export and special guarantees, not included export loans	3 255 769	3 591 776
E) Undrawn export and special guarantees, not included export loans	494 063	529 643
F) The Group: undrawn export credits granted by the subsidiary (FEC) (credit commitments)	6 373 599	7 560 129
G) Export and special guarantee interest commitments, drawn commitments	167 751	202 848
H) Export and special guarantee interest commitments, undrawn commitments	16 775	35 108
Offers given		
I) Export and special guarantees	4 606 321	3 880 660
Export credit guarantees, special guarantees and export credit commitments total [1]	**14 914 278**	**15 800 165**
Contingent liabilities, total	**16 175 058**	**17 018 406**

A) Commitments for domestic guarantees mean commitments referred to in §4 and §4a of the Act on Credits and Guarantees Provided by the State-owned Specialised Financing Company (18.6.1998/445). These commitments are current commitments.
F) Credit commitments given by the subsidiary always involve an export credit guarantee granted by the parent company. The figure for the Group includes the unused credit arrangements (credit commitments) for export credits granted by Finnish Export Ltd (FEC).
G) and H) Finnvera pays compensation for the interest included in guaranteed receivables for the amount fallen due, until the due date according to credit documents. If Finnvera pays the compensation before the due date, interest will be paid only until the compensation payment date. The Group interest commitment figures do not include group internal interest commitments to Finnish Export Credit Ltd.
1 Commitments for export credit guarantees and special guarantees are as referred to in the Act on the State Guarantee Fund (18.6.1998/444).

Liability for export credit guarantees calculated according to the Act on the State's Export Credit Guarantees

(EUR 1,000)	30 June 2019	31 Dec 2018
Liability according to the Act on the State's Export Credit Guarantees	18 973 843	19 107 574

The total commitments of Finnvera's export credit guarantees and hedging arrangements may amount to EUR 27 billion at the maximum.

The liability calculated according to the Act on the State's Export Credit Guarantees only includes the liability endorsed on the basis of the Act. It consists of the current commitments (only principal) and half of the liability stemming from the offers given. Items in foreign currencies are converted to euros using the exchange rate on the date when the commitment was given.

13 Key figures & formulas for the key indicators

	30 June 2019	31 Dec 2018
Equity ratio, %	1.8	12.3
Expense-income ratio, %	24.6	29.3

Formulas for the key indicators

Equity ratio, %

$$\frac{\text{equity + minority share + accumulated appropriations deducted by the deferred tax liability}}{\text{balance sheet total}} \times 100$$

Expense-income ratio, %

$$\frac{\text{administrative expenses + depreciation, amortisation and impairment from tangible and intangible assets + other operating expenses}}{\text{net interest income + net fee and commission income + gains/losses from financial instruments carried at fair value + net income from investments + other}} \times 100$$

Finnvera improves and diversifies financing opportunities available for Finnish enterprises by offering loans, guarantees and export credit financing. As a State-owned company, Finnvera supplements the financial markets and with its operations, promotes the development of enterprises and exports.

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