2018

Finnvera Group Half-Year Report H1/2018

1 January–30 June 2018

FINNVERA

Finnvera Group's Half-Year Report 1 January–30 June 2018

Strong demand for financing has raised export financing exposures

CEO Pauli Heikkilä:

"The world economy has boosted the growth of the Finnish economy. Strong demand for financing, especially in the cruise ship sector and telecommunications, has raised Finnvera's export credit guarantee and special guarantee exposures to more than EUR 23 billion, of which drawn guarantees amount to EUR 10 billion. The undrawn guarantees, EUR 13 billion, are associated with future deliveries. However, during the first half of this year, the number of new major export projects entering the pipeline was lower than last year.

In the first six months of the year, the volume of loans and guarantees granted by Finnvera to SMEs and midcap enterprises was slightly lower than last year. Banks are largely taking care of corporate financing at the moment, and Finnvera's role is to supplement the financial markets. Financing offered by the European Fund for Strategic Investments (EFSI) has proved to be easily found by Finnish enterprises, which in part replaces the financing provided by Finnvera. One of the positive developments that we have witnessed is that a greater share of SME and midcap financing granted by Finnvera is targeted at investments and export projects. Our goal is to accelerate investments and export projects with the aid of advisory services, together with other providers of financing and credit insurers. Impact is one of the key indicators of our success, and we provide advisory services to promote the growth and internationalisation of enterprises in a new way.

The Group's profit for the first six months of the year was EUR 49 million. The profit was lower than in the corresponding period last year. The goal of self-sustainability set for Finnvera is that the income received from the company's operations must, in the long run, cover the company's operating expenses. Finnvera continuously develops its operations and risk management through reinsurance, among other means."

Finnvera Group, business operations and the financial trend

H1/2018 (H1/2017)

- Loans and guarantees granted: EUR 0.4 billion (EUR 0.5 billion), change -3%
- Export credit guarantees and special guarantees granted: EUR 1.4 billion (EUR 6.3 billion), change -77%
- Export credits granted: EUR 1.1 billion (EUR 5.7 billion), change -80%
    - One of the factors behind the year-on-year decrease in the amount of export credit guarantees and export credits was that last year, there were certain major tenders in shipping and telecommunications.

30 June 2018 (31 December 2017)

- Exposure, loans and guarantees for SMEs and midcap enterprises: EUR 2.1 billion (EUR 2.1 billion), change -3%
    - Authorisation pursuant to law: EUR 4.2 billion, of which EUR 2.1 billion (EUR 2.1 billion) is used
- Exposure, export credit guarantees and special guarantees, including SME and midcap export credit guarantees: EUR 23.3 billion (EUR 22.6 billion), change 3%, of which drawn guarantees amount to EUR 10.0 billion (EUR 9.1 billion), change 9%
    - Authorisation pursuant to law: EUR 27.0 billion, of which EUR 18.8 billion (EUR 18.7 billion) is used
- Exposure, export credits: EUR 5.6 billion (EUR 4.8 billion), change 17%
    - The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee.
    - Authorisation pursuant to law: EUR 22.0 billion, of which EUR 11.8 billion (EUR 11.2 billion) is used

The targeted cumulative self-sustainability has been achieved,
and Finnvera's operations have been self-sustainable troughout the company's nearly 20 years of operation.

Net interest income and net fee and commision income H1/2018 **88 MEUR** (H1/2017: 90), change -2%	Net impairment loss on financial assets H1/2018 **15 MEUR** (H1/2017: 9), change 68%	Profit for the period H1/2018 **49 MEUR** (H1/2017: 57), change -14%
Balance sheet total 30 Jun 2018 **12.3 Billion EUR** (31 Dec 2017: 10.3), change 19%	Non-tied capital and The State Guarantee Fund 30 June 2018 **1.8 Billion EUR** (31 Dec 2017: 1.7), change 1%	Average number of employees H1/2018 **376** (H1/2017: 381), change -1%
Equity ratio 30 Jun 2018 **10.2%** (31 Dec 2017: 12.7)	Capital adequacy, Tier 1, domestic operations 30 Jun 2018 **25.8%** (31 Dec 2017: 25.3)	Expense-income ratio H1/2018 **28.1%** (H1/2017: 25,4)

The Group's profit for January–June was EUR 49 million (EUR 57 million), showing a year-on-year decrease of 14 per cent. The most significant factors behind the decrease were the year-on-year increase in the parent company Finnvera plc's loan impairment in SME and midcap financing as well as guarantee losses and loss provisions. Introduced at the beginning of 2018, the State's lower credit and guarantee loss compensation in SME and midcap financing (50 per cent) increased the amount of losses for which the Group is liable. Furthermore, the IFRS 9 Financial Instruments standard entered into force at the beginning of 2018, which influenced the January–June impairment and loss provision entries and decreased retained earnings on the balance sheet. The standard's impacts on the profit may also be significant in the future, especially in export financing.

Finnvera Group **Financial trend**	H1/2018 MEUR	H1/2017 MEUR	Change MEUR	Change %	2017 MEUR
Net interest income	23	23	-1	-3%	46
Net fee and commission income	65	66	-1	-2%	127
Gains and losses from financial instruments carried at fair value through P&L	0,1	3	-2	-95%	1
Administrative expenses	-23	-22	1	4%	-43
of which personnel expenses	-14	-15	-0,1	-1%	-29
Gross impairment loss on financial assets	-27	-20	7	38%	-41
Credit loss compensation from the State	13	11	2	14%	23
Operating profit	51	60	-9	-15%	109
Profit for the period	49	57	-8	-14%	107

Outlook for financing

In June, the Bank of Finland raised its growth forecast for the Finnish economy: according to them, GDP will grow by 2.9 per cent this year. During the first half of the year, the share of investments in SME and midcap enterprise projects partially financed by Finnvera grew by nearly 6 percentage points year on year. In the good economic situation, investment activity and growth are likely to continue. We expect that this year, demand for Finnvera's financing and the amount of financing granted by Finnvera, both measured in euros, remain at the same level as last year. In line with our strategy, we target SME and midcap financing at the early stages of business operations, growth, internationalisation and transfers of ownership, which altogether currently account for 86 per cent of the financing provided by us.

During the first six months of the year, export financing granted to SMEs and midcap enterprises increased by 17 per cent year on year and the share of export financing in all SME financing grew. The increasing of SMEs' exports and their export trade financing knowledge is an important focus area that will be promoted in the coming year through an extensive financier cooperation network and advisory services. We expect that this will increase demand for export financing in the future. The acceleration of transfers of ownership continues and related demand for financing will probably remain at the same level as in the previous years.

Demand for export financing by large corporates for trade to industrialised Western countries is likely to remain strong. However, when it comes to Russia, one of Finnvera's largest country exposures, we expect exposure to continue decreasing. Demand is weak and enterprises postpone their investment decisions due to the increasing uncertainty of the business environment. Of Finnvera's large country exposures, Brazil is facing problems in administration that create uncertainty, but the country's economy is expected to grow and demand for guarantees is anticipated to gradually take an upward turn. The largest projects are in the wood processing sector, with demand in smaller projects probably spreading more extensively across different sectors. Finnvera's exposure in China has remained low for a long time, but a slight increase in demand is in sight. Nevertheless, the possibility of increasing protectionism increases uncertainty. For the time being, the favourable economic situation improves enterprises' opportunities of acquiring financing but, due to increasing political uncertainty, it is difficult to anticipate future development.

Further information:
Pauli Heikkilä, CEO, tel. +358 29 460 2400
Ulla Hagman, CFO, tel. +358 29 460 2458
Appendices:
Half-year report 1 January–30 June 2018 (PDF)
Distribution:
NASDAQ Helsinki Ltd, London Stock Exchange, the principal media, www.finnvera.fi

From now on, the Finnvera Group's half-year report only contains information about the Group. Previously, the half-year report contained information about both the Group and the parent company. The half-year report is available in Finnish and English at www.finnvera.fi/financial_reports

Finnvera Group's Half-Year Report 1 January–30 June 2018

Contents

The Group's financial trend

The Finnvera Group in January–June 2018

The Group's profit for January–June was EUR 49 million (EUR 57 million), showing a year-on-year decrease of 14 per cent.

The most significant factors behind the decreasing profit were the increase in the parent company Finnvera plc's loan impairment in SME and midcap financing as well as guarantee losses and loss provisions that amounted to EUR 12 million (EUR 6 million) in the period under review, taking the State's credit and guarantee loss compensations into account. Introduced at the beginning of 2018, the lower (50 per cent) State's loss compensation in SME and midcap financing increased the amount of losses for which the Group is liable. Furthermore, the IFRS 9 Financial Instruments standard entered into force at the beginning of 2018, which influenced the impairment and loss provision entries for the period under review and decreased retained earnings on the balance sheet. The Group's impairments, guarantee losses and loss provisions in the period under review were EUR 15 million (EUR 9 million), or 68 per cent higher than last year. IFRS 9's impacts on the profit may also be significant in the future, especially in export financing.

In addition, the profit was impaired by a decrease in the gains from items recognised at fair value through profit or loss. Gains from items recognised at fair value through profit or loss were EUR 0.1 million, while last year they amounted to EUR 3 million. Gains decreased especially due to changes in the fair value of venture capital investments and losses from the sale of SME bonds.

The Group's net interest income, EUR 23 million, decreased by 3 per cent from the corresponding period last year. Interest income grew by 6 per cent year on year, while interest expenses increased by 12 per cent, which decreased net interest income. Finnvera has acquired funds for future drawing of export credits, which has increased interest expenses.

In the period under review, the net value of fee and commission income and expenses related to export credit guarantees and special guarantees was EUR 65 million (EUR 66 million), which was 2 per cent lower than in the corresponding period last year. The parent company Finnvera plc has increased the volume of export credit guarantee reinsurance, which has in turn increased the reinsurance fee and commission expenses as well as decreased the net value of fee and commission income and expenses. The decrease in net interest income and the net value of fee and commission income and expenses contributed to the profit decrease.

During the period under review, operating expenses grew by 7 per cent year on year, in particular due to increasing IT expenses. In late 2017, Finnvera adopted a new operational system that improves the efficiency of SME and midcap financing operations, which increased SaaS expenses compared to last year. In addition, personnel training expenses nearly doubled year on year due to IT and information security courses arranged for all of the personnel, among other things. On the other hand, during the period under review, personnel expenses decreased by 1 per cent year on year.

Other operating income amounted to EUR 4 million during the period under review. Income was EUR 3 million higher than last year, as a result of the EUR 3 million operating grant that Finnvera received from the State for SME development.

Financial performance of Finnvera plc and its subsidiaries

The profit of the parent company, Finnvera plc, for January–June stood at EUR 40 million (EUR 53 million) and was broken down by the businesses as follows: Large Corporates accounted for EUR 49 million (EUR 40 million) and SMEs and Midcap for EUR -8 million (EUR 13 million).

The subsidiaries had an impact of EUR 9 million on the Group's profit for the period under review (EUR 4 million). Venture capital investments accounted for EUR 1 million (EUR 3 million) of this impact. Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 7 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, as defined in the Act on the State's Export Credit Guarantees, came to EUR 46 million (EUR 35 million).

Analysis of financial performance in January-June 2018

Interest income and expenses

The Finnvera Group's net interest income came to EUR 23 million (EUR 23 million), decreasing by 3 per cent year on year.

In January–June, the Group's interest income was EUR 62 million (EUR 58 million) and interest expenses were EUR 39 million (EUR 35 million). Year on year, interest income increased by 6 per cent and interest expenses by 12 per cent. Funds acquired for the future drawing of export credits increased interest expenses and decreased net interest income. In addition, a decrease in Finnvera plc's outstanding loans in SME and midcap financing and further in interest income impaired net interest income. On the other hand, interest income from export credit financing as well as from deposits and debt securities increased.

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses was EUR 65 million (EUR 66 million), which was 2 per cent lower than in the comparison period.

The gross sum of the fee and commission income was EUR 77 million (EUR 76 million). Of fee and commission income, the parent company's fee and commission income from export credit guarantees and special guarantees accounted for EUR 52 million (EUR 54 million), or 68 per cent (70 per cent), while SME and midcap financing accounted for EUR 17 million (EUR 17 million), or 22 per cent (23 per cent). Factors behind the decrease in the fee and commission income from export credit guarantee and special guarantee operations included the partially lower exposure and income level. Finnish Export Credit Ltd's export credit commitment fees amounted to EUR 7 million (EUR 5 million) and fee and commission income from interest equalisation and export credit financing to EUR 0.3 million (EUR 0.3 million).

During the period under review, fee and commission expenses totalled EUR 12 million (EUR 10 million). Fee and commission expenses consisted mainly of the fee and commission expenses of reinsurance taken out by the parent company, Finnvera plc. The company has increased the volume of reinsurance associated with exposure for export credit guarantees and, consequently, the fee and commission expenses of reinsurance during the period under review exceeded last year's figure by 37 per cent.

Gains from items carried at fair value

The Group's gains from items carried at fair value totalled EUR 0.1 million (EUR 3 million), of which the change in the fair value of debts and interest rate and currency swaps accounted for EUR 0.2 million (EUR -0.4 million). The change in the fair value of venture capital investments, losses from the sale of SME bonds and exchange rate differences totalled EUR -0.1 million (EUR 3 million).

Other operating income

Other operating income amounted to EUR 4 million during the period under review. Income was EUR 3 million higher than last year, as a result of the EUR 3 million operating grant that Finnvera received from the State for SME development.

Operating expenses

The Group's operating expenses were EUR 24 million (EUR 23 million). Of these operating expenses, personnel and other administrative expenses accounted for EUR 23 million (EUR 22 million) and other operating expenses for EUR 2 million (EUR 1 million). Personnel expenses accounted for 59 per cent (64) of operating expenses.

Operating expenses grew by 7 per cent, or EUR 1 million, from the comparison period, in particular due to increasing IT expenses. In late 2017, Finnvera adopted a new operational system that improves the efficiency of SME and midcap financing operations, which increased SaaS expenses compared to last year. In addition, personnel training expenses nearly doubled year on year due to IT and information security courses arranged for all of the personnel, among other things.

During the period under review, personnel expenses decreased by 1 per cent year on year. Travel expenses and marketing and communications expenses were also lower than last year. Furthermore, expenses related to other external services decreased year on year.

Impairment losses on receivables, guarantee losses

The Group's impairment losses on loans as well as guarantee losses and loss provisions associated with export credit guarantees, special guarantees and other guarantees were EUR 27 million (EUR 20 million) in the period under review, showing a 38 per cent year-on-year increase. The State's credit and guarantee loss compensations in SME and midcap financing amounted to EUR 13 million (EUR 11 million), after which the Group's liability for impairment losses and other losses during the financial period totalled EUR 15 million (EUR 9 million), increasing 68 per cent from last year.

When itemised, impairment and guarantee losses on loans and guarantees, and the change in impairment losses and provisions for losses, totalled EUR 25 million (EUR 17 million), or EUR 12 million (EUR 6 million), taking the State's credit and guarantee loss compensation into account. Introduced at the beginning of 2018, the State's lower (50 per cent) credit and guarantee loss compensation in SME and midcap financing increased the amount of losses for which the Group is liable. In the corresponding period last year, compensation for losses was 56 per cent of the SME and midcap financing losses realised.

Losses on export credit guarantee and special guarantee operations, including the change in the provisions for losses, were EUR 2 million (EUR 2 million).

The IFRS 9 Financial Instruments standard entered into force at the beginning of 2018, which influenced the January–June impairment and loss provision entries and decreased retained earnings on the balance sheet. The standard's impacts on the profit may also be significant in the future, especially in export financing.

Finnvera Group

Impairment loss on financial assets	H1/2018 MEUR	H1/2017 MEUR	Change MEUR	Change %	2017 MEUR
Loans and domestic guarantees	-25	-17	7	43%	-39
Credit loss compensation from the State	13	11	2	14%	23
Export credit guarantees and special guarantees	-2	-2	0	0%	-2
Net impairment loss on financial assets	**-15**	**-9**	**6**	**68%**	**-19**

The impacts of the changed credit and guarantee loss compensation commitment and the IFRS 9 standard

According to IAS 39, the amount of loan impairment and guarantee loss provisions for SME and midcap financing on the balance sheet on 31 December 2017 was EUR 87 million, while according to the new IFRS 9 standard, the corresponding loss provisions on the balance sheet on 1 January 2018 amounted to EUR 69 million, or EUR 17 million less. This change increased retained earnings on the balance sheet when IFRS 9 was adopted. The corresponding impairment and loss provision amount according to IFRS 9 on 30 June 2018 was EUR 84 million. This means that loan impairment and guarantee loss provisions increased by EUR 15 million, which impaired the profit for the period. It is estimated that the most significant factor behind this increase was the changed credit and guarantee loss compensation commitment and that the impact of IFRS 9 was less significant.

During the period under review, large corporates' IFRS 9 loss provisions related to export credit guarantees and special guarantees decreased by EUR 16 million, which improved the profit for the period. IFRS 9 loss provisions on the balance sheet on 1 January 2018 amounted to EUR 71 million. This amount decreased retained earnings on the balance sheet when IFRS 9 was adopted as, in line with IAS 39, no loss provisions were recorded for large corporates' export credit guarantees and special guarantees during the previous financial period. Loss provisions on 30 June 2018 totalled EUR 55 million, which had the above-mentioned impact on the profit.

Doubtful receivables

Calculated according to the method harmonised at the EU level, the net amount of doubtful receivables in SME and midcap financing stood at EUR 128 million at the end of June (EUR 158 million). When the impairment losses recognised are considered, doubtful receivables accounted for 5.8 per cent of total exposure. This was 1.1 percentage points lower than the amount of doubtful receivables at the end of 2017 (6.9 per cent). The ratio of doubtful receivables to total exposure was 2.9 per cent (2.8) when the compensation for credit and guarantee losses received from the State for SME and midcap financing is taken into account.

The amount of doubtful receivables in export financing stood at EUR 186 million at the end of June (EUR 132 million). Doubtful receivables accounted for 0.8 per cent of total exposure, or 0.2 percentage points higher than the amount of doubtful receivables at the end of 2017 (0.6 per cent).

Long-term economic self-sustainability

A self-sustainability goal has been set for Finnvera's operations: the income received from the company's operations must, in the long run, cover the company's operating expenses. The review period for self-sustainability is 10 years for SME financing and 20 years for export financing.

Self-sustainability in Finnvera's SME financing has been attained over a 10-year period when the cumulative result is calculated up to the end of June 2018. Correspondingly, export financing has been economically self-sustainable during Finnvera's history of more than 15 years of operation. If the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, for its last years of operation is taken into account when reviewing the self-sustainability of export financing, economic self-sustainability is also realised over a 20-year period.

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 2018, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 23.3 billion and the exposure for credits and guarantees in SME financing as well as guarantee receivables stood at EUR 2.1 billion. Seen against these exposures, the net profit building a loss buffer on the balance sheet is now approximately 0.4 per cent at the annual level, and the equity is about 5 per cent.

Balance sheet 30 June 2018

At the end of June, the consolidated balance sheet total was EUR 12,335 million (EUR 10,337 million). The consolidated balance sheet total increased by 19 per cent, or EUR 1,998 million, during the period under review. The main factor behind the increase was the funding carried out in relation to the increased financing of export credits, which was also visible as an increase in investments and receivables from credit institutions.

At the end of June, the Group's outstanding credits came to EUR 6,415 million (EUR 5,693 million), or EUR 723 million more than at the start of the year. The outstanding credits increased by 13 per cent during the period under review.

The exposure defined in the Act on the State's Export Credit Guarantees, or current total exposure and half of offers given at the closing date's exchange rate, totalled EUR 18,780 million at the end of June (EUR 18,691 million). The total exposure arising from export credit guarantees and special guarantees (current commitments and offers given, including export guarantees) totalled EUR 23,280 million (EUR 22,562 million), of which drawn guarantees amounted to EUR 10,003 million (EUR 9,136 million). The maximum indemnity amount of reinsurance arrangements valid at the end of June was approximately EUR 1.1 billion, or 11 per cent of drawn guarantees.

The parent company's outstanding guarantees increased slightly during the first half of the year and totalled EUR 1,119 million at the end of June (EUR 1,098 million).

In accordance with the Government's policy outlines, Finnvera will continue to give up its venture capital investments. Finnvera's capital inputs in Innovestor Kasvurahasto I Ky (19.7 per cent) and ERDF-Seed Fund Ltd's assets and liabilities are stated on the Group's balance sheet under the items: assets of disposal groups classified as held for sale and liabilities of disposal groups classified as held for sale. Finnvera has a subordinated loan from the State, which is stated on the Group's balance sheet under the item liabilities of disposal groups classified as held for sale. At the end of June, the Group's long-term assets available for sale totalled EUR 52 million (EUR 51 million) and related liabilities were EUR 19 million (EUR 15 million).

The Group's long-term liabilities as per 30 June totalled EUR 10,261 million (EUR 8,464 million). Of this sum, EUR 8,405 million (EUR 6,483 million), or 82 per cent (77 per cent), consisted of bonds.

At the end of June, the Group's non-tied capital amounted to EUR 1,077 million (EUR 1,062 million), of which the reserve for domestic operations accounted for EUR 244 million (EUR 214 million), the reserve for export credit guarantee and special guarantee operations EUR 756 million (EUR 688 million) and the reserve for venture capital investments EUR 15 million (EUR 15 million). Retained earnings were EUR 62 million (EUR 145 million). During the period under review, the assets in the non-restricted reserves increased by 1 per cent, or EUR 15 million.

Other comprehensive income as at 30 June 2018 was EUR 64 million negative. The change mainly derives from the reclassification of the cumulative credit risk of debt securities in issue from retained earnings to other comprehensive income at adoption of IFRS 9.

Based on the Annual General Meeting's decision of 16 March 2018, the profit for 2017 was transferred from earnings to the reserve for domestic operations and the reserve for export credit guarantee and special guarantee operations. In addition, retained earnings were decreased by the IFRS 9 loss provisions related to export credit guarantee and special guarantee operations that were entered directly into retained earnings. On the other hand, loan and guarantee impairment entries and loss provisions made according to IFRS 9 as well as loan value changes increased retained earnings on 31 December 2017.

Funding

Finnvera Group Balance sheet	30 June 2018 MEUR	31 Dec 2017 MEUR	Change MEUR	Change %
Share capital	197	197	0	0%
Share premium and fair value reserve	-13	56	-69	-124%
Non-tied capital, in total	1 077	1 062	15	1%
Reserve for domestic operations	244	214	30	14%
Reserve for export credit guarantees and special guarantees	756	688	68	10%
Other	15	15	0	0%
Retained earnings	61	145	-84	-58%
Equity attributable to the parent company's shareholders	1 260	1 314	-54	-4%
Share of equity held by non-controlling interests	0	0	0	0%
Balance sheet total	12 335	10 337	1 998	19%

During the period under review, the Group's long-term acquisition of funds totalled EUR 1,861 million (EUR 951 million). EUR 161 million in long-term loans was paid back (EUR 235 million).

In March, Finnvera issued a EUR 1 billion bond with maturity exceeding 15 years, making it Finnvera's longest bond issue thus far. The subscriptions rose to more than EUR 1.3 billion. In June, Finnvera issued a USD 1.0 billion five-year bond, with the subscriptions exceeding USD 1.6 billion. The bonds were issued under Finnvera's EMTN programme. The programme is guaranteed by the State.

Capital adequacy

At the end of June, the Group's capital adequacy for domestic operations, Tier 1, stood at 25.8 per cent (25.3). Capital adequacy is calculated in accordance with the principles of the Basel III standard method. The Finnvera Group's leverage ratio was 21.5 per cent at the end of June (21.1).

Capital adequacy Finnvera Group Domestic operations	30 June 2018 %	31 Dec 2017 %	Change % points
Tier 1	25.8	25.3	0.6

The Act on Finnvera (443/1998) stipulates that domestic operations must be kept separate from export credit guarantee and special guarantee operations. Pursuant to the Act, 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. The above separation prescribed by law, and the State's responsibility for export credit guarantees, explain why Finnvera calculates its capital adequacy, i.e. the ratio between its exposure and assets, only for domestic operations.

The risk-weighted receivables in the Finnvera Group totalled EUR 1,977 million at the end of June (EUR 2,030 million). Of these, receivables from clients amounted to EUR 1,686 million (EUR 1,729 million), or 85 per cent (85) of risk-weighted receivables. Most of the remaining receivables were associated with funding and the investment of cash assets.

Finnvera Group Domestic operations	30 June 2018	31 Dec 2017	Change	Change
Capital for calculating capital adequacy	MEUR	MEUR	MEUR	%
Equity excluding profit for the year	1 275	1 171	105	9%
Intangible assets	-9	-9	1	6%
Reserve for export credit guarantees and special guarantees	-756	-688	68	10%
Profit for the period	0	107	-107	-100%
Profit for the period attributable to export credit guarantees	0	-68	68	-100%
Total	**511**	**513**	**-2**	**0%**

Finnvera Group Domestic operations	30 June 2018	31 Dec 2017	Change	Change
Risk-weighted items	MEUR	MEUR	MEUR	%
Receivables from credit institutions	12	10	2	19%
Receivables from clients	1 686	1 729	-46	-3%
Investments and derivatives	98	113	-15	-13%
Receivables, prepayments, interest and other receivables, other assets	34	33	1	3%
Binding promises for loans	60	58	2	3%
Operational risk	86	86	0	0%
Total	**1 977**	**2 030**	**-56**	**-3%**

No specific requirement has been set for the capital adequacy of Finnvera's export financing because 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. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finnvera, considering its special industrial policy purpose as a promoter of exports. The estimated capital adequacy of export financing in accordance with the IRBA (internal ratings-based approach) would be less than 8 per cent when the State Guarantee Fund and the assets on the balance sheet in the reserve for export credit guarantee and special guarantee operations are taken into account.

Risk position

SMEs and midcap enterprises

Thanks to Finland's good economic situation, the volume of loans, guarantees, export guarantees and export credit guarantees granted by Finnvera to SMEs and midcap enterprises has remained at the same level as last year. The changes in outstanding credits are moderate and, when seen as a whole, there have been no significant changes in the risk level during the first half of the year. The credit portfolio diversification in SME financing has further increased during 2018, which makes credit risk assessment more reliable and major individual losses less likely.

The comparable exposure decreased slightly from the start of the year and totalled EUR 2.4 billion at the end of the period under review (EUR 2.5 billion). Underlying this decrease were considerable repayments on some major exposures and the cessations of some guarantees that could not be compensated with new financing granted. Risk category changes in the distribution of outstanding credits were small. The improved economic situation has had a positive effect on enterprises' profits. In consequence, risk ratings have also improved to some extent. Altogether 61 per cent (60 per cent) of exposures fall within the intermediate credit risk category B2. Exposures in the weaker risk categories have continued to decrease compared to previous years.

Large corporates

At the end of the period under review, the total exposure of Finnvera's Large Corporates division for export financing totalled EUR 22.9 billion (EUR 22.2 billion). This was EUR 0.7 billion more than at the start of the year. The ten largest exposures account for 71 per cent of all outstanding guarantees. The main sectors in export financing exposure are shipping, telecommunications and forest industry that account for 89 per cent of the total exposure.

The risk ratings of enterprises, banks and countries have remained largely unchanged, and new large exposures mainly fall into good risk categories. Altogether 90 per cent of Finnvera's exposure for export credit guarantees falls into the intermediate credit rating category B2 or a better category.

At the end of June, the subsidiary Finnish Export Credit Ltd had export credit agreements amounting to EUR 12.8 billion (EUR 12.5 billion), including drawn credits totalling EUR 5.6 billion (EUR 4.8 billion) and credit commitments totalling EUR 7.2 billion (EUR 7.7 billion). The credit risks associated with this exposure are fully covered by means of export credit guarantees granted by the parent company Finnvera plc that are included in the above-mentioned total exposure for export financing.

The State bears the responsibility for interest equalisation associated with fixed-rate credits; thus, the risks in interest equalisation do not affect the Finnvera Group's financial performance. The State Treasury monitors risks and is responsible for any protective measures that may be needed.

As a result of uncertainties and rapid changes associated with financial markets, the international situation and economic trends, abrupt events can lead to credit losses. Individual risk concentrations are great in relation to the size of Finnvera's total exposure; therefore, a loss arising from one counterparty alone, if realised, may be considerable.

No significant credit risks were realised during the first six months of the year. In export credit guarantee operations, imputed loss provisions according to the IFRS 9 standard were EUR 55 million at the end of June.

Personnel

At the end of June, the Group had 386 employees (403 on 30 June 2017), of whom 347 (360) held a permanent post and 39 (43) a fixed-term post. Of the fixed-term personnel, 22 (31) were summer workers. The Group's average number of employees during the period under review was 376 (381).

Finnvera plc's CEO is Pauli Heikkilä, D.Sc. (Tech.). The composition of the company's Management Group can be found at www.finnvera.fi/eng/finnvera/finnvera-in-brief/finnvera-organisation.

The company's Board of Directors, Supervisory Board and auditor

On 16 March 2018, Finnvera's Annual General Meeting elected new members to the company's Supervisory Board. No changes were made in the composition of the Board of Directors at the Annual General Meeting.

Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, continues as Chairman of the Board of Directors. On 15 June 2018, the State of Finland, as the only shareholder of Finnvera plc, appointed Commercial Councellor Tomi Lounema as a new member of the Board of Directors and First Vice Chairman because the previous Vice Chairman Pekka Timonen was appointed as Permanent Secretary of the Ministry of Justice starting from 1 June 2018. Terhi Järvikare, Director General, continues as Second Vice Chairman. The members continuing on the Board of Directors are Kirsi Komi, LL.M.; Ritva Laukkanen, M.Sc. (Econ.); Pirkko Rantanen-Kervinen, B.Sc. (Econ.); and Antti Zitting, M.Sc. (Tech.), Chairman of the Board.

The Annual General Meeting elected Pia Kauma, Member of Parliament; Anne Louhelainen, Member of Parliament; and Timo Saranpää, Chairman of the Board, as new members to the Supervisory Board. Antti Rantakangas, Member of Parliament, continues as Chairman of the Supervisory Board, and Krista Kiuru, Member of Parliament, as Vice Chairman. The members continuing on the Supervisory Board are Pia Björkbacka, Adviser, International Affairs; Eeva-Johanna Eloranta, Member of Parliament; Lasse Hautala, Member of Parliament; Laura Huhtasaari, Member of Parliament; Timo Kalli, Member of Parliament; Leila Kurki, Senior Adviser; Kari Luoto, Managing Director; Veli-Matti Mattila, Chief Economist; Ville Niinistö, Member of Parliament; Carita Orlando, Managing Director; Olli Rantanen, Head of Legal Services, Domestic Financing; Eero Suutari, Member of Parliament; and Tommi Toivola, Senior Adviser.

KPMG Oy Ab was re-elected Finnvera's regular auditor with Juha-Pekka Mylén, Authorised Public Accountant, as the principal auditor.

Change in Finnvera's Management Group

Katja Keitaanniemi, Executive Vice President in charge of Finnvera's SME and midcap financing, moved into a new position in OP Financial Group in August 2018. The search for Keitaanniemi's successor is currently under way.

Other events during the period under review

A change in credit and guarantee loss compensation

On 15 February 2018, the Government made a decision to change the commitment to compensate Finnvera plc partially for credit and guarantee losses. The changed commitment entered into force on 1 March 2018, and the company started to apply it to all outstanding credits and guarantees of the company and to new credits and guarantees granted by the company, retrospectively as of 1 January 2018. The loss compensation level was lowered and harmonised to 50 per cent in SME and midcap financing. Finnvera estimates that the financing for the company's domestic operations will be self-sustainable also after the loss compensation level has been lowered. According to the current estimate, the lower compensation level does not pose a risk to keeping the capital adequacy of Finnvera's domestic operations (Tier 1) at the minimum level of 15%.

Finnvera negotiates on COSME financing

Finnvera has been approved as an intermediary of the European Investment Fund's COSME guarantees. The actual agreement negotiations on the terms under which Finnvera could start providing COSME financing will begin in autumn 2018.

Measures to boost export trade financing for SMEs have been launched

On the initiative of Finnvera, Finland Chamber of Commerce and the International Chamber of Commerce ICC, providers of export financing and credit insurers launched extensive cooperation to improve financing knowledge in SMEs involved in exports. In 2018–2019, a regional export trade financing tour is organised. The cooperation was inspired by an extensive survey commissioned by Finnvera and the Chamber of Commerce earlier this year, which revealed that Finnish SMEs involved in export trade are very likely to fail to close deals as the enterprises are not sufficiently familiar with the financing options offered to the buyer nor aware of the significance of buyer financing as a competitive advantage. In addition, export trade is restricted by the fear of potential credit losses.

Acceleration of transfers of ownership continues

Finnvera is actively continuing measures to accelerate transfers of ownership. In early 2018, transfers of ownership were carried out at the same pace as last year. Successful transfers of ownership are promoted with a major nationwide joint project, with the Ministry of Economic Affairs and Employment as its principal provider of financing. The project participants include Finnvera, Business Finland and a wide range of organisations and financial institutions.

Finnvera awarded as the best export credit agency in the world

Finnvera was ranked as the best export credit agency serving foreign buyers in 2017. Buyers of capital goods throughout the world selected Finnvera as the best export credit agency in the world in a survey that was conducted by TXF, an international export trade and finance medium and analyst, and published in June. According to the buyers responding the survey, Finnvera performed particularly well in industry expertise, understanding of business and user-friendliness. In the exporters' ratings, Finnvera also featured in the top 3.

The IFRS 9 Financial Instruments standard entered into force

The Finnvera Group started applying the IFRS 9 standard on 1 January 2018. The IFRS 9 standard requires that an assessment, specific to each financing arrangement, be carried out for potential future credit risks and, among other things, expected loss impairment be recorded for the entire validity period if the credit risk has increased significantly. The adoption of the standard influenced the January–June impairment and loss provision entries and decreased retained earnings on the balance sheet. The standard's impacts on the profit may also be significant in the future, especially in export financing. The impacts of the adoption of the IFRS 9 standard are described in more detail in the analysis of financial performance for the period under review as well as in accounting principles and notes.

Events after the period under review

Loss provisions for export credit guarantees

It is estimated that, during the H2/2018 period, a single premature repayment of export financing liabilities may significantly decrease loss provisions for export credit guarantees.

Finnvera will repay refinance credits to the State prematurely

Finnvera will carry out a premature repayment of loans that the State granted in 2009–2012 for refinancing export and ship credits. The total loan amount to be repaid prematurely is approximately EUR 1.4 billion. Since 2012, export credits have been financed with Finnvera's own funding, which has improved the company's liquidity and makes the premature repayment of the loans granted by the State possible. The premature repayment will be carried out during 2018.

In SME financing, the minimum loan and guarantee amounts are increasing

In line with its strategy, Finnvera is shifting the focus of financing granted increasingly to guarantees. The minimum amount of Finnvera's direct lending will rise from EUR 10,000 to EUR 30,000 and the minimum guarantee amount will be EUR 10,000 starting from 1 September 2018. This change does not apply to entrepreneur loans, collection credits, bridge financing or conversions. The change is driven by the diversification of the corporate financing market, brought along by new operators and new forms of financing.

Outlook for financing

In June, the Bank of Finland raised its growth forecast for the Finnish economy: according to them, GDP will grow by 2.9 per cent this year. During the first half of the year, the share of investments in SME and midcap enterprise projects partially financed by Finnvera grew by nearly 6 percentage points year on year. In the good economic situation, investment activity and growth are likely to continue. We expect that this year, demand for Finnvera's financing and the amount of financing granted by Finnvera, both measured in euros, remain at the same level as last year. In line with our strategy, we target SME and midcap financing at the early stages of business operations, growth, internationalisation and transfers of ownership, which altogether currently account for 86 per cent of the financing provided by us.

During the first six months of the year, export financing granted to SMEs and midcap enterprises increased by 17 per cent year on year and the share of export financing in all SME financing grew. The increasing of SMEs' exports and their export trade financing knowledge is an important focus area that will be promoted in the coming year through an extensive financier cooperation network and advisory services. We expect that this will increase demand for export financing in the future. The acceleration of transfers of ownership continues and related demand for financing will probably remain at the same level as in the previous years.

Demand for export financing by large corporates for trade to industrialised Western countries is likely to remain strong. However, when it comes to Russia, one of Finnvera's largest country exposures, we expect exposure to continue decreasing. Demand is weak and enterprises postpone their investment decisions due to the increasing uncertainty of the business environment. Of Finnvera's large country exposures, Brazil is facing problems in administration that create uncertainty, but the country's economy is expected to grow and demand for guarantees is anticipated to gradually take an upward turn. The largest projects are in the wood processing sector, with demand in smaller projects probably spreading more extensively across different sectors. Finnvera's exposure in China has remained low for a long time, but a slight increase in demand is in sight. Nevertheless, the possibility of increasing protectionism increases uncertainty. For the time being, the favourable economic situation improves enterprises' opportunities of acquiring financing but, due to increasing political uncertainty, it is difficult to anticipate future development.

Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group 1–6 2018	Finnvera Group 1–6 2017
Interest income			
Interests from loans passed on to the customers		58 238	59 528
Subsidies passed on to customers		226	449
Other		3 267	-1 739
Total interest income		**61 732**	**58 238**
Interest expenses		-38 986	-34 781
Net interest income		**22 746**	**23 457**
Net fee and commission income	6	65 144	66 166
Gains and losses from financial instruments carried at fair value through profit and loss	7	132	2 605
Net income from investments		-65	-542
Other operating income		3 576	641
Administrative expenses			
Personnel expenses		-14 489	-14 593
Other administrative expenses		-8 390	-7 360
Total administrative expenses		**-22 879**	**-21 954**
Depreciation and amortization on tangible and intangible assets		-1 323	-820
Other operating expenses		-1 561	-991
Impairment loss on financial assets	3,4,5		
Loans and guarantees		-24 895	-17 404
Credit loss compensation from the State		12 679	11 103
Export credit guarantees and special guarantees		-2 413	-2 411
Net impairment loss on financial assets		**-14 629**	**-8 711**
Impairment loss on other financial assets		0	0
Operating profit		**51 141**	**59 850**
Income tax expense		-1 950	-2 909
Profit for the period		**49 191**	**56 942**
Other comprehensive income			
Items that may not be reclassified subsequently to the statement of income			
Revaluation of defined benefit pension plans		0	0
Change in the credit risk associated with liabilities carried at fair value		-12 534	
Items that may be reclassified subsequently to the statement of income			
Change in the fair value of available for sale investments		-2 833	488
Total other comprehensive income		**-15 367**	**488**
Total comprehensive income for the period		**33 824**	**57 429**
Distribution of the profit for the period attributable to			
Equity holders of the parent company		49 191	56 942
Non-controlling interest		0	0
		49 191	**56 942**
Distribution of the total comprehensive income for the period attributable to			
Equity holders of the parent company		33 824	57 429
Non-controlling interest		0	0
		33 824	**57 429**

Balance sheet

(EUR 1,000)	Note	Finnvera Group 30 June 2018	Finnvera Group 31 Dec 2017
ASSETS			
Loans and receivables from credit institutions	8		
Payable on demand		1 333 147	302 192
Investment accounts and deposits		559 793	734 307
Other		24 762	28 279
		1 917 702	**1 064 778**
Loans and receivables from customers	8		
Loans		6 415 063	5 692 490
Guarantee receivables		19 681	31 884
Receivables from export credit and special guarantee operations		124 104	121 816
		6 558 848	**5 846 190**
Investments			
Debt securities	7,8,9	3 406 490	3 059 716
Investments in group companies		0	0
Investments in associates		0	0
Other shares and participations	7,8,9	23 691	24 092
		3 430 181	**3 083 807**
Derivatives	7,8,9	63 842	79 792
Intangible assets		9 023	8 511
Property and equipment			
Equipment		1 175	1 192
		1 175	**1 192**
Other assets			
Credit loss receivables from the state		12 826	7 212
Other		796	1 916
		13 622	**9 128**
Prepayments and accrued income		285 485	188 783
Tax assets		3 189	4 182
Assets of disposal groups classified as held for sale	8	51 877	50 683
TOTAL ASSETS		**12 334 944**	**10 337 048**

Balance sheet

(EUR 1,000)	Note	Finnvera Group 30 June 2018	Finnvera Group 31 Dec 2017
LIABILITIES			
Liabilities to credit institutions	8,10	180 938	187 609
Liabilities to other institutions			
At fair value through profit or loss	7,8,9,10	38 758	37 227
Other financial liabilities	8,10	1 612 619	1 736 453
Debt securities in issue			
At fair value trough profit or loss	7,8,9,10	8 405 197	6 483 055
Derivatives	8,9	177 404	138 321
Provisions	3,4,5	49 609	43 255
Other liabilities	8	215 404	49 659
Accruals and deferred income	8	368 157	324 147
Tax liabilities		243	299
Subordinated liabilities	8	7 500	7 500
Liabilities of disposal groups classified as held for sale	8	18 654	15 277
Total liabilities		**11 074 482**	**9 022 803**
EQUITY			
Equity attributable to the parent company's shareholders			
Share capital		196 605	196 605
Share premium		51 036	51 036
Fair value reserve		-64 269	4 534
Non-tied capital			
Reserve for domestic operations		244 152	213 734
Reserve for export credit guarantees and special guarantees		755 674	687 681
Other		15 252	15 252
Retained earnings		62 011	145 403
		1 077 089	**1 062 071**
Equity attributable to the parent company's shareholders		1 260 462	1 314 245
Share of equity held by non-controlling interest		0	0
Total equity		**1 260 462**	**1 314 245**
TOTAL LIABILITIES AND EQUITY		**12 334 944**	**10 337 048**

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 investment operations	Retained earnings	Total equity
Finnvera Group's equity 2018								
Equity attributable 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**
Termination and re-assessment of hedge accounting (IFRS9)							-33 608	**-33 608**
Change in the credit risk associated with liabilities carried at fair value (IFRS 9)			-54 069				54 069	**0**
Change in the fair value of investments recognised at fair value through comprehensive income (IFRS 9)			807					**807**
Net impact on loss allowances and provisions (IFRS 9)							-54 825	**-54 825**
Reclassification of financial assets (IFRS 9)			-191				191	**0**
Adjusted equity 1 Jan 2018	**196 605**	**51 036**	**-48 920**	**213 734**	**687 681**	**15 252**	**111 231**	**1 226 619**
Income for the period							49 191	**49 191**
Change in the credit risk associated with liabilities carried at fair value			-12 534					**-12 534**
Change in the fair value of investments recognised at fair value through comprehensive income			-2 815					**-2 815**
Transfer to reserves				30 418	67 993	0	-98 411	**0**
Total equity 30 June 2018	**196 605**	**51 036**	**-64 269**	**244 152**	**755 674**	**15 252**	**62 011**	**1 260 462**
Finnvera Group's equity 2017								
Total equity 1 Jan 2017								**1 207 362**
The redemption of non-controlling interests' shares[1]								**-906**
Equity attributable to the parent company's shareholders	**196 605**	**51 036**	**3 488**	**154 550**	**668 440**	**15 252**	**117 084**	**1 206 455**
Income for the period							56 942	**56 942**
Comprehensive income for the period/ Change in the fair value of investments recognised at fair value through comprehensive income			488					**488**
Transfer to reserves				59 184	19 241	0	-78 425	**0**
Total equity 30 June 2017	**196 605**	**51 036**	**3 976**	**213 734**	**687 681**	**15 252**	**95 601**	**1 263 885**

[1] During the year 2017, Finnvera plc redeemed the remaining non-controlling shares of ERDF-Seed Fund Ltd.

Consolidated cash flow statement

	Finnvera Group	
(EUR 1,000)	**1–6 2018**	**1–6 2017**
Cash flows from operating activities		
Withdrawal of loans granted	-1 182 123	-974 171
Repayments of loans granted	511 364	502 953
Purchase of investments	-979	-1 125
Proceeds from investments	1 500	4 410
Interest received	56 837	62 226
Interest paid	-34 841	-36 755
Net interest subsidy received (+) / repaid to the State (-)	0	98
Payments received from commission income	95 788	69 020
Payments received from other operating income	7 032	1 116
Payments for operating expenses	-48 209	-52 847
Claims paid (-) and recovered amounts (+)	-16 632	-5 769
Net credit loss compensation from the State	6 027	-847
Taxes paid	-1 579	-1 733
Net cash used in (-) / from (+) operating activities (A)	**-605 817**	**-433 424**
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	-1 849	-1 338
Sale of property and equipment and intangible assets	32	0
Short-term and other liquid investments	-3 629 939	-2 194 189
Proceeds and maturities of short-term and other liquid investments	3 658 732	1 838 845
Other investments	-730	0
Proceeds from other investments	903	0
Dividends received from investments	0	15
Net cash used in (-) / from (+) investing activities (B)	**27 148**	**-356 667**
Cash flows from financing activities		
Proceeds from loans	1 857 993	951 339
Repayment of loans	-160 932	-184 686
Proceeds from subordinated liabilities	3 342	0
Repayments of subordinated liabilities	0	-50 000
Payments (-) / receipts (+) from derivative collaterals	-53 430	61 570
Net cash used in (-) / from (+) financing activities (C)	**1 646 973**	**778 222**
Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)	**1 068 304**	**-11 870**
Cash and cash equivalents at the beginning of the period	**821 445**	**886 114**
Translation differences	7 383	-11 444
Cash and cash equivalents at the end of the period	**1 897 132**	**862 800**

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
Loans to and receivables from credit institutions – Investment accounts and deposits.

Consolidated cash flow statement

Cash and cash equivalents at the end of the period	30 June 2018	30 June 2017
Cash and investment accounts held in credit istitutions	1 725 576	791 517
Short term deposits	171 556	71 283
	1 897 132	**862 800**

Changes in liabilities arising from financing activities

(EUR 1,000)	Opening balance 1 Jan 2018	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 30 June 2018
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
Yhteensä	**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 principles for drawing up the financial statements are presented in the Group's financial statements for 2017, with the exception of the IFRS 9 Financial Instruments standard and the IFRS 15 Revenue from Contracts with Customers standard that entered into force on 1 January 2018. In the principles for drawing up the financial statements for 2017, the changes apply to the following sections: A9 Financial assets and liabilities, A10 Provisions and A12 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty. For financial assets and liabilities, the changes are related to classification, measurement, hedge accounting and financial assets' loss allowances. With regard to provisions, the changes are related to provisions for export credit guarantee losses, provisions for guarantee losses and other provisions. In the section Accounting principles requiring the management's judgment and the key sources of estimation uncertainty, the changes are related to loss allowances on receivables from clients. Comparison information from the previous financial period remains unchanged.

Finnvera's Board of Directors has decided that, starting from 2018, the company will only publish information about the Group in its half-year report and the report will no longer contain separate information about the parent company.

The half-year report is unaudited.

The half-year report is published in Finnish and English.

Adoption of the IFRS 9 Financial Instruments standard in the Finnvera Group

The IFRS 9 Financial Instruments standard and its amendments replaced the earlier standard, IAS 39 Financial Instruments: Recognition and Measurement, as of 1 January 2018. The IFRS 9 standard changed the classification and measurement of financial assets in the Group. The area most affected by the adoption of the standard was loss allowance of financial instruments, i.e. the calculation of expected credit loss and related entries. At Finnvera, the expected credit loss calculation model was adopted during the period under review, and the development of reporting tools still continues.

The transition to the IFRS 9 standard caused changes in the Group's principles for drawing up the reports as well as significant changes in the calculation of the loss allowance of receivables and provisions and the classification of financial assets and liabilities. The adjustments made at the time of adoption, as required by the IFRS 9 standard, have been recorded on 1 January 2018 on the opening balance sheet in equity, under retained earnings from previous periods. The Group does not publish information about the comparison year (2017) according to the IFRS 9 standard in the half-year report or the financial statements (2018); instead, information about the comparison year remains compliant with the IAS 39 standard. The new IFRS 7 standard's Note-related requirements are presented in the half-year report only for the financial period 2018. Comparison information from the previous financial period remains unchanged.

In the Group, the impact of the adoption of the IFRS 9 standard at the time of adoption (1 January 2018) on retained earnings in equity on the opening balance sheet was EUR 34,172,000 negative of which the net impact of the change in loss allowances and provisions was EUR 54,825,000 negative and the net impact of due to the re-classification of financial assets was EUR 20,653,000 positive.

In the future, the Group will continue the development of expected credit loss models and reporting tools.

Re-classification of financial assets

Finnvera's management has classified the financial assets according to the IFRS 9 standard on the basis of the business models:

The financial asset items on the balance sheet:	Business model:
Loan receivables from clients	The objective is to collect the contractual cash flows
Deposits, fund investments	The objective is to collect the contractual cash flows
Debt securities include certificates of deposit into public corporations, credit institutions and enterprises	The objective is to collect the contractual cash flows
Investments in bonds	The objective is to collect the contractual cash flows and to sell the assets

The business model with the objective of holding the financial assets to collect the contractual cash flows encompasses loan receivables from clients, debt securities and deposits. Financial assets may also be sold in situations resulting from sudden financing needs. According to Finnvera's asset management policy, it has been decided that investments in bonds may be sold, if necessary, to maintain daily liquidity or a certain interest profile, among other things. In line with this business model, sales transactions recur more frequently and are larger.

The most significant changes were the transfer of fund investments and strategic unlisted shareholdings from items available for sale to items recognised at fair value through profit or loss (FVTPL). These amounted to EUR 36,608,000 on the opening balance sheet (1 January 2018). As the fair value of unlisted shares and participations cannot be determined reliably, their acquisition value is presented as their fair value on the balance sheet. Fund investments are carried at fair value through profit or loss. The re-classification of financial assets and book values according to the IAS 39 standard and the IFRS 9 standard on the opening balance sheet on 1 January 2018 are presented in Table *2.1 Financial assets 1 January 2018* in the Notes.

Re-classification of financial liabilities

The adoption of the IFRS 9 standard did not bring about major changes with regard to financial liabilities. Starting from 1 January 2018, only the hedge accounting for bonds issued was discontinued and, for this reason, these bonds were re-classified. The cumulative change in credit risk fair value accrued by the time the IFRS 9 standard was adopted was transferred from retained earnings to comprehensive income and, as a result, retained earnings grew by EUR 20,461,000. As of 1 January 2018, the change in the credit risk associated with liabilities carried at fair value has been recognised in other components of comprehensive income and the reversing entry has been made in equity in the fair value reserve. The change in fair value that results from market interest rates is recognised through profit or loss.

The re-classification of financial liabilities and book values according to the IAS 39 standard and the IFRS 9 standard on the opening balance sheet on 1 January 2018 are presented in Table *2.2 Financial liabilities 1 January 2018* in the Notes. The impacts of the financial asset and liability classification changes and the expected credit loss calculation according to the IFRS 9 standard on equity are presented in the statement of changes in equity.

Expected credit loss calculation

When calculating expected credit losses (ECL), Finnvera adheres to the same general principles as the banking sector in general. The ECL calculation formula is PD (probability of default) x EAD (exposure at default) x LGD (loss given default). Calculation is specific to each financing arrangement and is carried out according to either stage 1 or stage 2 depending on whether the credit risk of the loan, the guarantee or the export credit guarantee on the reporting date is significantly higher than at the original moment. Factors that have an impact on a significant increase of the credit risk include the client's status (*e.g. bankruptcy*), a change in the risk classification, payment behaviour or the financial product used by the client.

A significant increase in credit risk is indicated by a change in the risk score between the effective date and the reporting date. The decrease in stage is also affected by the clients' payment behaviour; a payment delay exceeding 30 days (stage 2) or 90 days (stage 3) or the decrease in credit rating to the rate D (default) (stage 3). Guarantee receivables and receivables from export credit and special guarantees operations on the balance sheet are also handled according to stage 3 as they have already been compensated to a third party.

Expected credit loss (ECL) calculation model in SME and midcap financing

The client risk classification used by Finnvera influences the PD value. Each risk category is associated with a certain range of risk scores (there are altogether 20 score ranges in use). The PD value is also influenced by the maturity of the financial product. The PD value is higher in the early years of the financing arrangement and decreases or remains unchanged when the maturity is drawing to its end. In SME and midcap financing, PD values have been calculated from Finnvera's own materials on the basis of the average of the PD values that have been realised over a certain period of time. In the half-year report, the PD values of SME and midcap financing do not include forward-looking, i.e. macroeconomic, scenarios. However, according to the estimate by the management, the PD values used in the half-year report describe the realised default rates well. The plan is that, in the future, a forecasting tool will also be taken into use in SME and midcap financing. The tool makes it possible to simulate the average default rate with changes of different economic variables, such as GDP, inflation and unemployment rate. The LGD value of the ECL calculation formula takes the client's securities into account specifically for each financing arrangement, decreasing the amount of expected credit losses. The LGD value is client-specific.

In SME and midcap financing, expected credit loss is calculated using loan receivables from clients, offers given, guarantees, export credit guarantees and special guarantees, guarantee receivables and receivables from export credit and special guarantee operations, interest receivables and fee and commission receivables. In addition, expected credit loss is also calculated on the basis of other significant items carried at amortised cost and balance sheet items recognised at fair value through other components of comprehensive income.

At Finnvera, the expected credit loss calculation model and its implementation were completed during the period under review, but the development of reporting tools still continues. When the IFRS 9 standard was adopted, Finnvera still used the earlier State credit loss compensation percentage, specific to each financing arrangement. Consequently, in the loan receivables from clients, for instance, loss allowances according to the IFRS 9 standard was EUR 5,919,000 lower than loss allowances according to IAS 39 in the financial statements for 2017 (*Table 1*). The State credit loss compensation percentage that was applied until 2017 varied from 35 to 80, depending on the financing arrangement. In SME and midcap financing, the implementation of IFRS 9 standard increased net retained earnings by EUR 17,388,000 (*Table 1*). This is due to the fact that the State credit loss compensation percentage at the each financing arrangement was higher than it was used in as an average expected credit loss calculation during the IAS 39 standard.

1 The impact of the IFRS 9 on retained earnigns, SME and midcap financing on 1 Jan 2018

Loss allowances or provisions impact on balance sheet item (EUR 1,000)	**IAS 39's loss allowances/ provisions on 31 Dec 2017**	**IFRS 9 ECL on 1 Jan 2018**	**Difference (decreasing in retained earnings (+) / increasing in retained earnings (-)**
Loans from customers	47 105	41 186	-5 919
Guarantee receivables and receivables from export credit and special quarantee operations	0	12 458	+12 458
Provisions, guarantees	32 233	11 557	-20 676
Provisions, export credit guarantees	6 422	2 347	-4 075
Other receivables	1 020	1 844	+824
Total	**86 780**	**69 392**	**-17 388**

In the calculation of expected loss allowances, the State's credit loss compensation reduces Finnvera's expected loss allowances. The State's credit loss compensation applies to the loans (loan principal and interest receivable) and guarantees (only the guaranteed amount) granted by Finnvera's SME and midcap financing operations.

On 15 February 2018, the Government made a decision to change the commitment to compensate Finnvera plc partially for credit and guarantee losses. The changed commitment entered into force on 1 March 2018, and it was applied retrospectively to all outstanding credits and guarantees of the company and to new cresdits and guarantees granted by the company as of 1 January 2018. The loss compensation level was lowered and harmonised to 50 per cent in SME and midcap financing.

Finnvera is still carrying out a project to harmonise the risk classifications used within Finnvera for SME and midcap financing and export financing, which may, upon its execution, change transitions from one stage to another. No test calculations on the risk category changes have been carried out yet.

During the application of the IAS 39 standard, a calculation method that was specific to each receivable and risk category (group) was used in calculating client credit and guarantee impairment in SME and midcap financing. When the IFRS 9 standard was adopted, calculation became specific to each financing arrangement. Before the adoption of the IFRS 9 standard, loss allowances in SME and midcap financing had been calculated on either a client-specific or a group-specific basis. Debt securities carried at fair value through other comprehensive income and, of off-balance sheet items, SME and midcap financing offers given (binding credit commitments), assets on accounts, fixed-term deposits and other investments were also included in the calculation of expected credit loss. Expected credit losses calculated for investments, assets on accounts and fixed-term deposits are non-essential for the Group.

In ECL calculation, Finnvera has not included receivables from the State, credit loss receivables and interest subsidy receivables on the balance sheet as their loss allowance amounts are non-essential.

If the situation changed in the future (e.g. if the State's credit rating decreases), the need for recording expected credit loss would be reviewed.

Finnvera is still carrying out a project to harmonise the risk classifications used within Finnvera for SME and midcap financing and export financing, which may, upon its execution, change transitions from one stage to another. No test calculations on the risk category changes have been carried out yet.

During the application of the IAS 39 standard, the Group's subsidiaries were not included in expected credit loss calculation. Since the adoption of the IFRS 9 standard, loss allowance is also recorded on subsidiaries' balance sheet items that are carried at amortised cost or fair value through other components of comprehensive income. However, the recorded loss allowances are not significant for the Group.

Expected credit loss (ECL) calculation model, export financing

In export financing, the IFRS 9 standard's loss allowances and provisions were substantial when compared to the earlier provision calculation model according to the IAS 39 standard. In export financing, loss allowances concerning loans to customers and credit institutions granted by a subsidiary are recorded as expected credit losses on the Group's balance sheet. The remainder of the export financing ECL calculation is presented as provisions in the Group's figures. The ECL calculation model in the provisions and loss allowances in export financing is the same. Total loss allowances and provisions according to the IFRS 9 standard were EUR 71,253,000 at the time of the adoption of the standard, which was EUR 71,253,000 more (*Table 2*) than the provisions according to the IAS 39 standard. The implementation of IFRS 9 standard did not affect the valuation of receivables from export credit and special guarantee operations or cost provisions. For that reason the Table 2 does not include cost provisions and receivables from export credit and special guarantee operations. Receivables from export credit and special guarantee operations are evaluated individually. The amount of receivables are included expected cash flow and cash flow is discounted effective interest to present value. To protect itself against credit risk, Finnvera uses reinsurance in its export financing. The impact of reinsurance has been taken into account in ECL calculation, which decreases the amount of provisions and loss allowances.

2 The impact of the IFRS 9 on retained earnigns, export financing on 1 Jan 2018

Loss allowances or provisions impact on balance sheet item (EUR 1,000)	IAS 39's loss allowances/ provisions on 31 Dec 2017	IFRS 9 ECL on 1 Jan 2018
Receivables from credit institutions	0	-12
Loans from customers	0	-47 750
Provisions	0	-23 490
Decreasing in retained earnings (-) / Increasing in retained earnings (+)	**0**	**-71 253**

The amount of expected credit loss is substantially influenced by the following factors: how large a change in the probability of default indicates a significant increase in credit risk and what kinds of future scenarios are used in calculations. In export financing, undrawn guarantees are included in the calculation of expected credit loss. A special characteristic of export financing is that the schedules for drawing credits covered by guarantees can extend for years ahead. As a result, undrawn guarantees are not fully taken into account in export financing when calculating expected credit loss. The further in the future the drawing date of the loan covered by the guarantee is, the lower the multiplier used for the undrawn guarantee when taking it into account in expected credit loss. In deviation of the requirements of the standard, the expected credit loss calculation model according to the IFRS 9 standard will not take offer-stage export credit guarantees (liability stemming from the offers given) into account as they are valid for a certain period of time, their continuation is decided case by case and the likelihood of their realisation varies individually. In export financing, group-specific ECL calculation only applies to export credit guarantees that do not exceed EUR 2 million. Their significance for Finnvera's overall export financing exposure is non-essential.

The LGD value and the probability of default are updated in export financing once a year. The LGD, the share of expected loss given default, also has an essential impact on ECL calculation. A change of the client's risk category has an impact on the probability of default. Factors that influence default include payment delays, the change of risk category into default or the fact that a separate decision has been made to declare the client to be in default.

In export financing, the expected loss credit loss calculation model also includes forward-looking, i.e. macroeconomic, scenarios. These are taken into account in the PIT-PD model (point-in-time probability of default), in which one of the variables is the change of the world gross national product and its forecast. They increase or decrease expected losses depending on economic forecasts. The management's judgment especially covers macroeconomic scenarios and a significant credit risk increase, or a change in the probability of default. In the future, the Group will continue the development of expected credit loss models and reporting tools.

Adoption of the IFRS 15 Revenue from Contracts with Customers standard

Finnvera started applying the IFRS 15 Revenue from Contracts with Customers standard on 1 January 2018. The IFRS 15 standard replaced the IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes a five-step model for recognising revenue: how and when is revenue recognised. The number of notes presented also increases. Finnvera recognises the interest income and commission revenue collected on loans and guarantees according to the effective interest rate. Operational fees collected during the financing process are recognised as revenue once the work is performed or the transaction is completed. The commitment fee collected for export credits is recognised as revenue according to the effective interest rate. Changed rules related to the recording of revenue have had no impact on the Group's revenue recognition rules.

1 Segment information

Segment reporting in the Finnvera Group is based on internal business areas and organisational structure. Client enterprises have been divided into business areas by size, need for financing and development stage. The Group's segments are locally operating small companies, SMEs focusing on the domestic markets, SMEs seeking growth and internationalisation, export financing and venture capital financing. The segments and the principles governing the segment accounting are described in more detail in the Finnvera's Financial Statements for 2017.

Consolidated income statement by segments

Finnvera Group

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internation-alisation	Export financing	Venture capital financing	Eliminations	Total
1–6/2018							
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		65 143
Gains and losses from financial instruments carried at fair value	0	0	-1 525	92	1 564		132
Net income from investments	0	0	0	0	-65	0	-65
Other operating income	1 189	1 204	1 190	7 749	411	-8 167	3 575
Administrative expenses	4 234	6 635	5 214	7 746	690	-1 638	22 879
Depreciation and amortization on tangible and intangible assets	109	568	277	370	0	0	1 323
Other operating expenses	437	495	342	6 802	14	-6 529	1 561
Net impairment loss on loans, guarantees and export credit guarantee losses	9 541	16 638	3 157	-14 650	-57		14 629
Operating profit	-6 332	-4 217	2 094	58 277	1 317	0	51 141
Income tax expense	0	0	0	-1 872	-78	0	-1 950
Profit for the period	**-6 332**	**-4 217**	**2 094**	**56 404**	**1 239**	**0**	**49 191**
1–6/2017							
Net interest income	4 341	10 818	4 831	3 343	124	0	23 457
Net fee and commission income	2 946	10 041	6 615	46 564	-1	0	66 166
Gains and losses from financial instruments carried at fair value	113	419	140	-1 445	3 379	0	2 605
Net income from investments	0	128	0	0	-669	0	-542
Other operating income	42	57	31	3 574	438	-3 502	641
Administrative expenses	4 373	6 611	4 659	7 060	700	-1 449	21 954
Depreciation and amortization on tangible and intangible assets	67	352	153	249	0	0	820
Other operating expenses	339	360	191	2 432	27	-2 357	991
Net impairment loss on loans, guarantees and export credit guarantee losses	294	5 386	4 398	-1 368	0	0	8 710
Operating profit	2 368	8 755	2 217	43 664	2 545	303	59 851
Income tax expense	0	0	0	2 879	30	0	2 909
Profit for the period	**2 368**	**8 755**	**2 217**	**40 785**	**2 515**	**303**	**56 942**

2 Reclassification and remeasurement of financial assets and liabilities according to IFRS 9 on 1 Jan 2018
2.1 Financial assets on 1 Jan 2018

		Fair value through profit and loss (FVTPL)							
Financial assets (EUR 1,000)	Amortised cost (AC)	Mandatorily	Designated at FVTPL	Derivatives used for hedging	At fair value through OCI	Available for sale at cost less impairment	Total financial assets	Non-financial assets	Total balance sheet
Loans and receivables from credit institutions[3]	1 064 778						**1 064 778**	0	**1 064 778**
Loans and receivables from customers[3]	5 846 143						**5 846 143**	47	**5 846 190**
Debt securities – Commercial papers and T-bills[3]	1 007 414						**1 007 414**	0	**1 007 414**
Debt securities – Bonds[1]					2 052 302		**2 052 302**	0	**2 052 302**
Other shares and participations[2]						24 092	**24 092**	0	**24 092**
Derivatives				79 792			**79 792**	0	**79 792**
Intangible assets							**0**	8 511	**8 511**
Property and equipment							**0**	1 192	**1 192**
Other assets							**0**	9 128	**9 128**
Prepayments and accrued income[3]	125 808						**125 808**	62 975	**188 783**
Deferred Tax assets[4]							**0**	4 182	**4 182**
Assets of disposal groups classified as held for sale[3]	4 908	33 259				12 517	**50 683**	0	**50 683**
Balance at 31 Dec 2017 (IAS 39)	**8 049 051**	**33 259**	**0**	**79 792**	**2 052 302**	**36 608**	**10 251 012**	**86 036**	**10 337 048**
[1] Required reclassification from FVOCI to FVTPL		1 800			-1 800		**0**		**0**
[2] Required reclassification from AFS at cost to FVTPL or FVTOCI		36 608				-36 608	**0**		**0**
[3] ECL 1 Jan 2018 (IFRS 9), net	-54 610						**-54 610**	-758	**-55 368**
[4] Deferred Tax Assets due to IFRS 9							**0**	89	**89**
Balance at 1 Jan 2018 (IFRS 9)	**8 049 051**	**71 667**	**0**	**79 792**	**2 050 502**	**0**	**10 196 401**	**85 368**	**10 281 770**

2.2. Financial liabilities on 1 Jan 2018

Financial liabilities (EUR 1,000)	Amortised cost (AC)	Fair value through profit and loss (FVTPL) Mandatorily	Designated at FVTPL	Derivatives used for hedging	Total financial assets	Non-financial assets	Total balance sheet
Liabilities to credit institutions	187 609				**187 609**	0	**187 609**
Liabilities to other institutions	1 736 453		37 227		**1 773 680**	0	**1 773 680**
Debt securities in issue[1]			6 483 055		**6 483 055**	0	**6 483 055**
Derivatives				138 321	**138 321**	0	**138 321**
Provisions[2]					**0**	43 255	**43 255**
Other liabilities					**0**	49 659	**49 659**
Accruals and deferred income					**0**	324 147	**324 147**
Tax liabilities					**0**	299	**299**
Subordinated liabilities	7 500				**7 500**	0	**7 500**
Liabilities of disposal groups classified as held for sale	12 525				**12 525**	2 752	**15 277**
Balance at 31 Dec 2017 (IAS 39)	**1 944 087**	**0**	**6 520 282**	**138 321**	**8 602 691**	**420 112**	**9 022 803**
[1] Remeasurement of liabilities previously under fair value hedge accounting			33 608		**33 608**		**33 608**
[2] Net impact on provisions due to IFRS 9 (ECL)						-1 260	**-1 260**
Balance at 1 Jan 2018 (IFRS 9)	**1 944 087**	**0**	**6 553 890**	**138 321**	**8 636 299**	**418 852**	**9 055 150**

2.3 Remeasurement of financial assets and liabilities under IFRS 9 by line item 1 Jan 2018

Financial assets (EUR 1,000)	31 Dec 2017 (IAS 39)	Remeasurement of assets	Deferred Tax Assets Due to IFRS 9	1 Jan 2018 IFRS 9 ECL, net	1 Jan 2018 (IFRS 9)
Loans and receivables from credit institutions	1 064 778			-168	1 064 610
Loans and receivables from customers	5 846 143			-54 289	5 791 854
Debt securities – Commercial papers and T-bills	1 007 414				1 007 414
Debt securities – Bonds[1]	2 052 302				2 052 302
Other shares and participations	24 092				24 092
Derivatives	79 792				79 792
Intangible assets	8 511				8 511
Property and equipment	1 192				1 192
Other assets	9 128				9 128
Prepayments and accrued income	188 831			-758	188 073
Deferred Tax assets	4 182		58		4 240
Assets of disposal groups classified as held for sale	50 683		31	-153	50 561
Total Assets	**10 337 048**		**89**	**-55 368**	**10 281 770**

2.4 Financial liabilities by balance sheet items on 1 Jan 2018

Financial liabilities (EUR 1,000)	31 Dec 2017 (IAS 39)	Remeasurement of liabilities	Credit risk of liabilities	Impact on OCI due to IFRS 9's reclassification	1 Jan 2018 IFRS 9 ECL, net	1 Jan 2018 (IFRS 9)
Liabilities to credit institutions	187 609					187 609
Liabilities to other institutions	1 773 680					1 773 680
Debt securities in issue[1]	6 483 055	33 608				6 516 663
Derivatives	138 321					138 321
Provisions	43 255				-1 260	41 995
Other liabilities	49 659					49 659
Accruals and deferred income	324 147					324 147
Accrued Tax liabilities	299					299
Subordinated liabilities	7 500					7 500
Liabilities of disposal groups classified as held for sale	15 277					15 277
Equity – Share Capital	196 605					196 605
Equity – Restricted reserves	51 036					51 036
Equity – OCI	4 534		-54 069	-191	807	-48 920
Equity – Non-tied capital	916 667					916 667
Equity – Retained earnigns	145 403	-33 608	54 069	191	-54 825	111 231
Total Liabilities	**10 337 048**	**0**	**0**	**0**	**-55 278**	**10 281 770**
Retained earnings, Total	145 403		20 461	191	-54 825	111 231
Impact on equity due to IFRS 9			**20 461**	**191**	**-54 825**	**-34 172**

[1] Remeasurement of liabilities previously under fair value hedge accounting.

3 Loss allowances according to IFRS 9 on 30 June 2018

Financial assets (EUR 1,000)	30 June 2018 Before ECL	IFRS 9 ECL 30 June 2018	30 June 2018 Balance after ECL
Loans and receivables from credit institutions	1 917 993	-291	1 917 702
Loans and receivables from customers	6 651 153	-92 305	6 558 848
Prepayments and accrued income	287 179	-1 694	285 485
Deferred Tax assets	3 136	53	3 189
Assets of disposal groups classified as held for sale	51 980	-103	51 877
Total	**8 911 441**	**-94 340**	**8 817 101**

Financial liabilities (EUR 1,000)	30 June 2018 without IFRS 9's impacts	IFRS 9 ECL/OCI 30 June 2018	30 June 2018 Total
Provisions	4 750	44 859	49 609
Equity – OCI[1]	-63 094	-1 175	-64 269
Total	**-58 344**	**43 685**	**-14 659**

[1] Table 3 has been included loss allowances from investments measured fair value through OCI.

4 Movements of loss allowances and provisions between stages on 30 Jan 2018
4.1 Movements of loss allowances from loans between stages

SME and midcap financing, Finnvera plc (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Allowances 1 Jan 2018	**4 291**	**9 424**	**27 471**	**41 186**
Changes in ECL during the reporting period	1 118	780	2 705	4 603
Transfers to stage 2 from stage 1 and transfers to stage 1 from stages 2 and 3	-215	-1 231	-1 351	-2 796
Transfers to stage 3 and transfers from stage 3 to stage 2	-92	-1 656	-533	-2 281
Additions from stage 1	0	1 513	4 064	5 577
Additions from stage 2	250	0	5 896	6 146
Additions from stage 3	61	113	0	174
New Withdrawn loans	924	358	358	1 640
Repayments and Disposals/Write-offs	-213	-912	-9 170	-10 294
Other Changes	-14	-14	-30	-58
Balance of allowances 30 June 2018	**6 112**	**8 376**	**29 410**	**43 897**

4.2 Movements of provisions from guarantees and special guarantees between stages

SME and midcap financing, Finnvera plc (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Provisions 1 Jan 2018	**7 766**	**3 178**	**2 194**	**13 138**
Changes in ECL during the reporting period	1 316	1 064	155	2 536
Transfers to stage 2 from stage 1 and transfers to stage 1 from stages 2 and 3	-133	-372	-50	-556
Transfers to stage 3 and transfers from stage 3 to stage 2	-50	-25	-16	-90
Additions from stage 1	0	946	1 933	2 878
Additions from stage 2	73	0	267	340
Additions from stage 3	23	2	0	25
New Guarantees and special guarantees	3 488	238	309	4 036
Repayments and Disposals and Write-offs	-1 550	-595	-905	-3 050
Provisions 30 June 2018	**11 409**	**4 445**	**3 850**	**19 705**

4.3 Loss allowances of export credits and provisions of export credit guarantees, changes between stages

Large corporates financing[1] (EUR 1,000)	Stage 1	Stage 2	Stage 3	Reinsurance	Total
Provisions and allowances 1 Jan 2018	**26 247 047**	**47 245 683**	**2 037 863**	**-4 278 092**	**71 252 501**
Changes between stages	-13 296 046	-10 233 934	-221 997	4 278 092	-19 473 885
Transfers to Stage 1	-	494 228	0		494 228
Transfers to Stage 2	-41 500	-	0		-41 500
Transfers to Stage 3	-81 955	0	-		-81 955
Additions from Stage 1	-	47534,62424	2 781 111		2 828 646
Additions from Stage 2	135 398	-	0		135 398
Additions from Stage 3	0	0	-		0
New export credit guarantees or export credit loans	281 601	-	-		281 601
Expired export credit guarantees and write-offs	-499 772	0	0		-499 772
Provisions and allowances 30 June 2016	**12 744 772**	**37 553 511**	**4 596 977**	**0**	**54 895 260**

[1] Provisions and loss allowances from large corporates financing contain provisions from export credit guarantees granted by the parent company as well as loss allowances from loans and receivables from credit institutions granted by Finnish Export Credit Ltd.

5. Loss allowances and provisions by balance sheet items 30 June 2018
5.1 Loss allowances from loans and receivables from credit institutions

(EUR 1,000)	30 June 2018				1 Jan 2018
Risk Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
A1	642 423			642 423	
A2	1 244 807			1 244 807	
A3				0	
B1	20 768			20 768	
B2	0			0	
B3				0	
C	0			0	
D	0			0	
Total	**1 907 998**			**1 907 998**	**1 064 778**
Loss allowances concerning loans to customers	-291			-291	-168
Write-offs				0	0

5.2 Loss allowances from loans and receivabels from customers measured at amortised cost

(EUR 1,000)	30 June 2018				1 Jan 2018
Risk Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
A1	253	0	0	253	
A2	4 267	0	0	4 267	
A3	17 759	196	101	18 055	
B1	125 961	3 137	823	129 921	
B2	486 780	21 416	7 452	515 647	
B3	106 434	73 411	16 774	196 620	
C	229	13 152	15 722	29 104	
D	0	719	243 971	244 690	
Total[1]	**741 683**	**112 030**	**284 844**	**1 138 557**	**1 218 357**
Loss allowances[1 2]	-6 112	-8 376	-115 735	-130 223	-122 299
Write-offs[3]	0	0	-11 525	-11 525	-23 659

[1] The table 5.2 does not include Finnish Export Credit Ltd's loans to customers 5 564 122 (4 737 014) thousand EUR and their loss allowances which are 33 803 (47 762) thousand EUR at the reporting date. Finnish Export Credit Ltd's loans to customers and their loss allowances are included in the table 5.4 Provisions from guarantees, export credit guarantees, binding gredit commitments and offers given. The table 5.6 Loss allowances from assets held for sale includes Seed Fund Vera Ltd's loans to customers and their loss allowan-ces.

[2] The goverment of Finland reimburses 50 per cent of realized write-offs to Finnvera. Reimbursements of write-offs have been taken out measuring IFRS 9's expected credit losses.

[3] Realized write-offs are based on Finnvera's bookkeeping and the figure includes also other write-offs than losses from interest and principal.

5.3 Loss allowances from fair value through OCI investments

(EUR 1,000)	30 June 2018				1 Jan 2018
Risk Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
A1	1 843 985	0	0	1 843 985	
A2	1 231 669	0	0	1 231 669	
A3	78 000	0	0	78 000	
B1	225 200	0	0	225 200	
B2	9 913	0	0	9 913	
B3	0	5 000	0	5 000	
C	0	0	0	0	
D	0	0	0	0	
Total	**3 388 766**	**5 000**	**0**	**3 393 766**	**3 043 099**
Loss allowances from fair value measured through OCI investments	-603	-571	0	-667 690	-804
Write-offs	0	-1 617	0	-1 617 125	

5.4 Provisions from guarantees, export credit guarantees and binding offers

(EUR 1,000)		30 June 2018			1 Jan 2018
Risk Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
A1	498	0	0	**498**	
A2	33 491	0	0	**33 491**	
A3	4 084 750	0	0	**4 084 750**	
B1	5 898 890	0	0	**5 898 890**	
B2	6 943 750	0	0	**6 943 750**	
B3	840 796	52 268	0	**893 063**	
C	598	147 100	0	**147 698**	
D	364	0	16 847	**17 210**	
No risk grade	239 913	0	0	**239 913**	
Total	**18 043 050**	**199 368**	**16 847**	**18 259 264**	**23 766 202**
Provisions from guarantees, export credit guarantees and special guarantees[1]	-28 151	-41 999	-8 518	**-78 669**	**-89 435**
of which reinsurance	0		0	**0**	**4 278**
Provisions, total					**-85 157**
Write-offs	-547	0	-14 569	**-15 115**	**-117 148**

[1] The table 5.4 contains provisions of SME and micap financing and export credit guarantees as well as loss allowances from Finnish Export Credit Ltd.

5.5 Loss allowances from accrued income

(EUR 1,000)		30 June 2018			1 Jan 2018
Risk Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
A1	1			**1**	
A2	10			**10**	
A3	84			**84**	
B1	570			**570**	
B2	2 855			**2 855**	
B3	1 677			**1 677**	
C	814			**814**	
D	2 999			**2 999**	
No risk grades	12 660			**12 660**	
Total	**9 010**	**0**	**0**	**9 010**	**15 405**
Loss allowances	-1 697			-1 697	-747

5.6 Loss allowances from assets held for sale[1]

(EUR 1,000)	30 June 2018				1 Jan 2018
Balance sheet item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and receivables from credit institutions	3 908			**3 908**	**3 632**
Loans from customers	971			**971**	**1 228**
Interest receivables	29			**29**	**48**
Deferred Tax Assets due to IFRS 9	26			**26**	**31**
Total	**4 933**	**0**	**0**	**4 933**	**4 939**
Loss allowances from assets held for sale	-129			-129	-153
Write-offs	-61			-61	

[1] The table 5.6 of the Seed Fund Vera Ltd assets held for sale contains only the items from which the loss allowance in accordance to IFRS 9 has been booked. The table does not contain Seed Fund Vera Ltd 's shareholdings of 17 058 (18 386) thousand EUR, shares in associated companies of 17 314 (14 873) thousand EUR nor contributions in limited partnerships owned by the parent company of 12 726 (12 517) thousand EUR that also are classified as assets held for sale.

6 IFRS 15 other income and commission fees by operations

(EUR 1,000)		
Operations	**30 June 2018**	**30 June 2017**
Export credit guarantees	947	363
Export loans	7 457	5 358
SME financing	3 110	3 444
Total	**11 514**	**9 165**

7 Gains and losses from financial instruments carried at fair value through profit or loss

(EUR 1,000)	Gains and losses from sales	Changes in fair value	Total
30 June 2018			
From financial instruments carried at fair value through profit or loss			
Derivatives		19 675	19 675
Liabilities carried at fair value		-21 055	-21 055
Debt securities	-1 528		-1 528
Shares and participations	1 132	2 049	3 181
Total for financial instruments carried at fair value through profit or loss	**-396**	**669**	**273**
By categories of financial instruments, IAS 39			
Liabilities carried at fair value	-396	669	273
Total for financial instruments carried at fair value through profit or loss	**-396**	**669**	**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**
30 June 2017			
From financial instruments carried at fair value through profit or loss			
Derivatives		-36 257	-36 257
Liabilities carried at fair value		35 886	35 886
Shares and participations	-1 567	4 946	3 379
Total for financial instruments carried at fair value through profit or loss	**-1 567**	**4 575**	**3 008**
By categories of financial instruments, IAS 39			
Liabilities carried at fair value	-1 567	4 575	3 008
Total for financial instruments carried at fair value through profit or loss	**-1 567**	**4 575**	**3 008**
Foreign exchange gains (+) and losses (-)			**-403**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**2 605**

8 Financial instruments classification and fair values

Financial assets (EUR 1,000)	Amortised cost	Fair value through profit or loss (FVTPL)		FVOCI	Total	Fair value
		Mandatorily	Derivatives			
30 June 2018						
Loans to and receivables from credit institutions	1 917 709				**1 917 709**	1 917 986
Loans to and receivables from customers	6 592 651				**6 592 651**	6 732 242
Commercial papers and T-bills	1 252 444				**1 252 444**	1 252 444
Bonds				2 154 046	**2 154 046**	2 154 046
Derivatives			63 842		**63 842**	63 842
Shares and participations[1]		23 691			**23 691**	23 691
Assets of disposal groups held for sale[2]	4 779	47 098			**51 877**	51 877
Other financial assets	160 733				**160 733**	160 733
Total	**9 928 315**	**70 789**	**63 842**	**2 154 046**	**12 216 992**	**12 356 861**

Financial assets (EUR 1,000)	Loans and receivables	Financial instruments carried at fair value	Available for sale	Total	Fair value
31 Dec 2017					
Loans to and receivables from credit institutions	**1 064 778**			**1 064 778**	1 065 080
Loans to and receivables from customers	**5 846 190**			**5 846 190**	5 952 258
Commercial papers and T-bills			1 007 414	**1 007 414**	1 007 414
Bonds			2 052 302	**2 052 302**	2 052 302
Derivatives		79 792		**79 792**	79 792
Shares and participations[1]			24 092	**24 092**	24 092
Assets of disposal groups held for sale[2]		33 259	12 517	**45 775**	45 775
Other financial assets	**125 808**			**125 808**	125 808
Total	**7 036 776**	**113 051**	**3 096 324**	**10 246 152**	**10 352 522**

[1] The Group's shares and participations include EUR 13,7 million (EUR 14,1 million) in investments in unlisted companies outside the Group. For these investments cost has been used as an estimate of fair value as the fair value cannot be determined reliably.

[2] FVTPL items include shares owned by ERDF-Seed Fund Ltd and the capital input in Innovestor Kasvurahasto I Ky owned by the parent company. Due to the agreement terms related to the capital input in Innovestor Kasvurahasto I the fair value is equal to cost.

Financial liabilities (EUR 1,000)	**Amortised cost**	**Fair value through profit or loss (FVTPL)**		**Total**	**Fair value**
		Fair value option	**Derivatives**		
30 June 2018					
Liabilities to credit institutions	180 938			**180 938**	184 250
Liabilities to other institutions	1 612 619	38 758		**1 651 376**	1 675 004
Debt securities in issue		8 405 197		**8 405 197**	8 405 197
Derivatives			177 404	**177 404**	177 404
Other financial liabilities	197 136			**197 136**	197 136
Subordinated liabilities	7 500			**7 500**	7 500
Liabilities of disposal groups held for sale	12 525			**12 525**	12 525
Total	**2 010 718**	**8 443 954**	**177 404**	**10 632 076**	**10 659 016**

Financial liabilities (EUR 1,000)	**Financial instruments carried at fair value**	**Other financial liabilities**	**Total**	**Fair value**
31 Dec 2017				
Liabilities to credit institutions		187 609	**187 609**	191 265
Liabilities to other institutions	37 227	1 736 453	**1 773 680**	1 826 166
Debt securities in issue	6 483 055		**6 483 055**	6 483 055
Derivatives	138 321		**138 321**	138 321
Other financial liabilities		75 821	**75 821**	75 821
Subordinated liabilities		7 500	**7 500**	7 500
Liabilities of disposal groups held for sale		12 525	**12 525**	12 525
Total	**6 658 604**	**2 019 908**	**8 678 513**	**8 734 654**

9 Hierarchy for carrying financing instruments at fair value

(EUR 1,000)

Financial assets	30 June 2018	Level 1	Level 2	Level 3
Financial instruments carried at fair value				
Derivatives			63 842	
Investments - Shares and participations		10 005		13 686
Assets held for sale				47 098
Fair value through other comprehensive income (FVTOCI)				
Bonds			2 154 046	
Total		**10 005**	**2 217 888**	**60 784**

Financial liabilities	30 June 2018	Level 1	Level 2	Level 3
Financial instruments carried at fair value				
Liabilities to other institutions			38 758	
Debt securities in issue			8 405 197	
Derivatives			177 404	
Total			**8 621 358**	

(EUR 1,000)

Financial assets	30 June 2017	Level 1	Level 2	Level 3
Financial instruments carried at fair value				
Derivatives			79 792	
Assets held for sale				33 259
Available-for-sale				
Bonds			2 052 302	
Shares and holdings		10 023		
Total		**10 023**	**2 132 094**	**33 259**

Financial liabilities	31 Dec 2017	Level 1	Level 2	Level 3
Financial instruments carried at fair value				
Liabilities to other institutions			37 227	
Debt securities in issue			6 483 055	
Derivatives			138 321	
Total			**6 658 604**	

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, currency futures and liabilities are specified using a method based on the current value of cash flows, in which the market interest rates at the closing of the financial 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 pricing source. The fair values of debt securities are based on the prices at the closing of the financial period, determined by a third party pricing source, 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 engaged in venture capital investment is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund. The method used complies with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) for early-stage enterprises. In accordance with the government's policy guidelines, Finnvera will give up its venture capital investments to a significant extent. Finnvera has already initiated measures to this end. In consequence, when the fair value of venture capital investments is determined, attention is also paid to how the management of both Finnvera and its subsidiaries engaged in venture capital investment assess the fair value of the investments.

Specification of events at hierarchy level 3

LEVEL 3, Financial assets	**Finnvera Group**	
(EUR 1,000)	**30 June 2018**	**31 Dec 2017**
Financial assets carried at fair value		
Balance at 1 Jan	**33 259**	**40 687**
Profits and losses entered in the income statement, total	1 582	6 434
Acquisitions	1 032	2 395
Sales	-1 688	-16 235
Transfers to level 3	26 412	0
Transfers from level 3		0
Other	186	-22
Balance at 30 June 2018	**60 784**	**33 259**

[1] Transfers to level 3 consist of items previously measured at cost less impairment under IAS 39.

Profits and losses entered in the income statement for the instruments held by Finnvera.	2 067	2 575

10 Changes in liabilities

	2018	
(EUR 1,000)	Nominal value	Carrying amount
Liabilities to credit and other institutions		
1 Jan 2018	**1 961 097**	**1 961 290**
Loans withdrawn		
Repayments at maturity	-160 932	-160 932
Fair value changes		-183
Foreign exchange differences	32 140	32 140
Liabilities 30 June 2018	**1 832 304**	**1 832 314**

	2017	
(EUR 1,000)	Nominal value	Carrying amount
Liabilities to credit and other institutions		
1 Jan 2017	**2 551 038**	**2 551 995**
Loans withdrawn		
Repayments at maturity	-395 853	-395 853
Fair value changes		-764
Foreign exchange differences	-194 088	-194 088
Liabilities 31 Dec 2017	**1 961 097**	**1 961 290**

Debt securities in issue

Issuer and ISIN	Interest	Nominal (thousands)	Currency	Issue date	Maturity date	Carrying amount	
(EUR 1,000)						30 June 2018	31 Dec 2017
Finnvera plc - XS1062104978	0,875%	500 000	EUR	29.4.2014	29.4.2019	505 733	509 315
Finnvera plc - XS1140297000	0,625%	750 000	EUR	19.11.2014	19.11.2021	771 409	771 150
Finnvera plc - XS1294518318	0,625%	1 000 000	EUR	22.9.2015	22.9.2022	1 001 140	1 027 245
Finnvera plc - XS1392927072	0,500%	1 000 000	EUR	13.4.2016	13.4.2026	1 029 040	975 800
Finnvera plc - XS1613374559	1,125%	750 000	EUR	17.5.2017	17.5.2032	757 811	741 900
Finnvera plc - XS1613374559	1,125%	100 000	EUR	3.7.2017	17.5.2032	101 042	98 920
Finnvera plc - XS1613374559	1,125%	150 000	EUR	6.9.2017	17.5.2032	151 562	148 380
Finnvera plc - XS1791423178	1,250%	1 000 000	EUR	14.3.2018	14.7.2033	1 021 255	0
Finnvera plc - XS0981865065	3M STIBOR +0,1%	2 000 000	SEK	17.10.2013	17.8.2018	191 375	203 443
Finnvera plc - XS1538285807	1,910%	1 500 000	SEK	20.12.2016	20.12.2028	148 050	155 211
Finnvera plc - XS1538285807	1,910%	1 500 000	SEK	23.1.2017	20.12.2028	148 050	155 211
Finnvera plc - XS1538285807	1,910%	500 000	SEK	23.1.2017	20.12.2028	49 350	51 737
Finnvera plc - XS1110448138	1,875%	500 000	USD	16.9.2014	16.9.2019	424 841	414 963
Finnvera plc - XS1241947768	2,375%	500 000	USD	4.6.2015	4.6.2025	406 303	404 082
Finnvera plc - XS1692488262	1,875%	1 000 000	USD	5.10.2017	5.10.2020	840 320	825 698
Finnvera plc - XS1845379152	3,000%	1 000 000	USD	27.6.2018	27.6.2023	857 917	0
Total						**8 405 197**	**6 483 055**

(EUR 1,000)	2018 Nominal value	Carrying amount
Liabilities to credit and other institutions		
Liabilities 1 Jan 2018	**6 476 367**	**6 483 055**
Debt securities issued	1 860 882	1 843 821
Repayments at maturity	0	0
Fair value changes		88 168
Foreign exchange differences		-12 173
Other changes	12 257	2 325
Liabilities 30 June 2018	**8 349 505**	**8 405 197**

(EUR 1,000)	2017 Nominal value	Carrying amount
Liabilities to credit and other institutions		
Liabilities 1 Jan 2017	**4 849 676**	**4 891 873**
Debt securities issued	2 062 008	2 051 682
Repayments at maturity	-258 844	-259 471
Fair value changes		-30 276
Foreign exchange differences	-176 474	-174 633
Other changes		3 881
Liabilities 31 Dec 2017	**6 476 367**	**6 483 055**

Liabilities have been measured at fair value when they have been hedged with derivatives (fair value option). An amount equaling the nominal value of a liability is repaid at the maturity date.

11 Contingent liabilities

In the first table, the commitments have been categorised according to their contractual stage. In the latter table, the commitments have been broken down from the figures of the first table by business area and contractual stage. The figure of the offers given in the bookkeeping has been added undrawn loans and guarantees which are not yet valid in the half-year report. The comparison figure of the year 2017 has not been changed.

	Finnvera Group	
(EUR 1,000)	30 June 2018	31 Dec 2017
Contingent liabilities according to the status of commitments:		
Current drawn commitments (A+D+F+H)	5 536 556	5 476 886
Current undrawn commitments (B+E+G+I)	9 125 330	9 967 521
Offers given (C+J+K)	4 276 579	3 563 686
Contingent liabilities, total[1]	**18 938 465**	**19 008 094**

(EUR 1,000)	30 June 2018	31 Dec 2017
Contingent liabilities by business area		
Domestic operations		
A) Valid guarantees	1 118 607	1 097 846
B) Binding credit commitments	39 783	29 921
C) Guarantee offers	84 747	75 782
Domestic operations, total		
Export credit guarantees, special guarantees and export credit commitments		
Current commitments (drawn and undrawn)		
D) Drawn export guarantees, not included export loans	4 323 112	4 275 153
E) Undrawn export guarantees, not included export loans	1 849 802	2 191 879
F) Export guarantees of the parent company on behalf of the subsidiary's[2] granted and drawn export credits	0	0
G) The Group: undrawn export credits granted by the subsidiary (credit commitments); in the parent company, the export credit guarantees for the subsidiary's export credits in question[2]	7 235 745	7 745 721
H) Drawn special guarantees	94 836	103 887
I) Undrawn special guarantees		0
Offers given		
J) Export credit guarantees	4 191 832	3 487 905
K) Special guarantees	0	0
Export credit guarantees, special guarantees and export credit commitments, total[3]	**17 695 328**	**17 804 544**
Contingent liabilities, total[1]	**18 938 465**	**19 008 094**

[2] Subsidiary mentioned is Finnish Export Credit Ltd (FEC).

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) Is not included in the Group's figure as the item consists of the parent company's guarantees for drawn export credit granted by Finnish Export Credit Ltd that are inlcuded in the consolidated balance sheet.

G) 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.

[3] 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 2018	31 Dec 2017
Liability according to the Act on the State's Export Credit Guarantees	18 779 551	18 690 750

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.

12 Key figures and their calculation

(EUR 1,000)	30 June 2018	31 Dec 2017
Equity ratio, %	10,2	12,7
Capital adequacy ratio, Tier 1, %	25,8	25,3
Expense-income ratio, %	28,1	25,4*

*H1/2017

*H1/2017

Formulas for the key indicators

Equity ratio, %

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

Capital adequacy ratio, Tier 1, domestic operations, %

Calculated according to Basel III standard method

Expense-income ratio

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

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.