Finnvera Group
Half-Year Report H1/2017
1 January–30 June

Finnvera Group, Stock Exchange Release 17 August 2017, Half-Year Report

Half-Year Report of the Finnvera Group for 1 January–30 June 2017

Rising export industry orders have increased demand for Finnvera's export financing

The upturn in the Finnish economy and the rise in export industry orders have increased the demand for Finnvera's export credit guarantees and export credits. The ceilings for Finnvera's export credit guarantees and the authorisation to finance export credits were raised from the start of 2017 to help the company meet the increased demand especially in ship financing. Raising the ceilings for Finnvera's and export credits proved useful during the first half of the year. The higher ceilings were really needed, not only for securing new large orders but also, for instance, in the telecommunications sector. Demand for SME and midcap financing remained steadier during the first half of the year. The Group's financial performance was strong in the first six months of the year. The profit was EUR 57 million (-7 million).

According to an external evaluation of Finnvera's activities commissioned by the Ministry of Economic Affairs and Employment, the company's risk management is at an excellent level internationally. When granting financing, Finnvera manages risks through careful analysis. Exposure is monitored constantly and, whenever possible, protective measures are taken using for instance reinsurance.

During the period under review, Finnvera's funding responded to the increased demand for export credits. In May, Finnvera issued a 15-year bond of EUR 750 million, which attracted a great deal of interest. By means of a private placement, the bond sum was raised by EUR 100 million at the end of June. This has the longest maturity among the bonds issued by Finnvera to date.

Business operations and the financial trend

The value of the export guarantees and special guarantees offered by Finnvera in January–June totalled EUR 6.3 billion, or over five times more than during the corresponding period the year before (1.2 billion). More export credits were also offered. The value of export credits offered by Finnvera in January–June totalled EUR 5.7 billion (0.5 billion). Some large individual projects for instance in the shipbuilding and telecommunications sectors contributed to the growth.

Finnvera continued to speed up the financing of small export transactions by launching the Receivables Purchase Guarantee, which is suitable for short-term export transactions of less than EUR two million. The goal is to boost financing and to promote the operating potential of Finnish export companies of all sizes.

The total exposure for export credit guarantees and special guarantees, including current exposures and offers given, totalled EUR 22.4 billion at the end of June (18.4 billion). Total exposure increased by 22 per cent during the period under review. The increase was attributable, in particular, to the rise in offers given. Current exposure accounted for EUR 15.8 billion of the total exposure at the end of June, or only 2 per cent more than at the start of the year. At the end of June, the exposure included in the maximum authorisation of EUR 27.0 billion for export credit guarantees totalled EUR 17.2 billion (14.4 billion).

In January–June, the demand for SME and midcap financing was slightly higher than the year before. However, as financing was available on market terms, the volume of loans and guarantees offered during the period under review was 6 per cent less than in the previous year. Domestic loans and guarantees in SME and midcap financing stood at EUR 2.2 billion at the end of June; this was 2 per cent less than at the start of the year. SME and midcap financing still focuses on working capital, but a positive feature is that financing is now more closely targeted at investments and growth enterprises. During the period under review, Finnvera continued its well-received campaign to accelerate transfers of ownership in SMEs. The goal is to increase the number of growth enterprises through transfers of ownership. By the end of June, Finnvera contributed to the financing of ownership arrangements for nearly 550 enterprises, which was 3 per cent more than the year before. Expressed in euros, financing for ownership arrangements was 18 per cent less than during the same period in 2016.

Finnvera Group	**1 Jan–30 Jun 2017**	**1 Jan–30 Jun 2016**	**Change %**
Offered financing, MEUR			
Loans and guarantees	454	483	-6%
Export credit guarantees and special guarantees	6,262	1,226	411%
Export credits	5,748	477	1,105%
	30 Jun 2017	**31 Dec 2016**	**Change %**
Outstanding commitments, MEUR			
Loans and guarantees	2,226	2,261	-2%
Export credit guarantees and special guarantees	22,397	18,426	22%
Export credits	5,043	4,782	5%
	1 Jan–30 Jun 2017	**1 Jan–30 Jun 2016**	**Change %**
Net interest income and net fee and commission income, MEUR	90	93	-4%
Operating expenses, MEUR	23	25	-8%
Operating profit, MEUR	60	-7,4	913%
Profit for the period, MEUR	57	-6,9	929%
	30 Jun 2017	**31 Dec 2016**	**Change %**
Balance sheet total, MEUR	9,986	9,498	5%
Equity, MEUR	1,264	1,207	5%
-of which non-restricted reserves, MEUR	1,012	955	6%
	30 Jun 2017	**31 Dec 2016**	**Change % points**
Equity ratio, %	12.7 %	12.7 %	0.0%
Capital adequacy, Tier 2 , domestic operations, %	23.1 %	22.5 %	0.6%
Cost-income ratio, %	25.4 %	27.0 %	-1.6%

The Group's profit for January–June 2017 was EUR 57 million, as against a loss of EUR 7 million during the corresponding period the year before.

The main reasons for the improvement of financial performance from the previous year were the smaller losses from export credit guarantee operations and the smaller provisions for losses recorded by the parent company, Finnvera plc. In January–June, export credit guarantee losses and provisions for losses totalled only EUR 2 million, whereas the losses entered and the provisions made in the reference period amounted to EUR 66 million. In the report period, the Group's guarantee losses and provisions as well as impairment losses on loans amounted to EUR 9 million (65 million), or EUR 57 million less than during the corresponding period the year before. The entries for impairment losses and provisions for losses are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

Apart from smaller guarantee losses and provisions, the gains from items carried at fair value contributed to the Group's improved performance during the period under review. These totalled EUR 3 million (-10 million). The increase in gains from items carried at fair value was mainly attributable to changes in the fair values of derivatives, liabilities and venture capital investments.

In addition, financial performance was improved by the decrease of 8 per cent, or EUR 2 million, in operating expenses. Above all, the lower operating expenses were the result of a decrease in personnel, lease and property expenses.

The profit of the parent company, Finnvera plc, stood at EUR 53 million (-7 million) in the period under review. The profit was broken down by the divisions as follows: Large Corporates accounted for EUR 40 million (-17 million) and SMEs and Midcap for EUR 13 million (10 million). The subsidiaries had an impact of EUR 4 million on the Group's profit for the period (0.1 million).

Finnvera Group	**H1/2017 MEUR**	**H1/2016 MEUR**	**Change MEUR**	**Change %**	**2016 MEUR**
Net interest income	23	27	-3	-12%	50
Fee and commission income and expenses (net)	66	67	-0,3	-1%	144
Gains/losses from items carried at fair value	3	-10	12	127%	-20
Net income from investments	-0,5	0,1	-0,7	-496%	0
Other operating income	0,6	0,2	0,4	202%	12
Administrative expenses	-22	-22	-0,4	-2%	-44
Depreciation and amortization	-0,8	-0,7	0,2	25%	-2
Other operating expenses	-1	-3	-2	-61%	-4
Net impairment loss on financial assets	-9	-65	-57	-87%	-66
Impairment loss on other financial assets	0	0	0	0%	-2
Operating profit	60	-7,4	67	913%	69
Profit for the period	57	-6,9	64	929%	70

Outlook for financing

It is expected that the demand for export credit guarantees and export credits provided by Finnvera will continue to be strong. Total volumes will be largely dependent on individual major projects, especially in shipbuilding and telecommunications. Large corporations' trade negotiations requiring long-term financing often take a long time, and we do not foresee any significant changes in the demand forecast previously.

More often than before, demand focuses on Western industrialised countries, which indicates the importance of long-term financing in the export of capital goods. Ships, telecommunications and the forest industry are still expected to account for the bulk of demand associated with large corporations' exports. Among Finnvera's major country exposures, Russia has shown signs of modest economic growth. It is also believed that demand for export credit guarantees will pick up when compared against previous years. Despite the problems in the Brazilian economy and administration, demand for guarantees is expected to continue and focus widely on different industries. New demand is also visible in the Middle East region.

Driven by Finland's good economic growth, the demand for and granting of Finnvera's SME financing are expected to pick up speed towards the end of the year. In the first half of the year, an increasingly large percentage of the financing was granted to growth enterprises. Launched in 2016, the volume of loans guaranteed for banks by the European Investment Fund (EIF) increased, as did Finnvera's partial guarantees. During the first six months of 2017, the volume of partial guarantees tripled, to about EUR 24 million, when compared to late 2016. This predicts that demand will continue to be strong.

The campaign to accelerate transfers of ownership continued and the number of transfers of ownership financed during the first half of 2017 was record high when compared to previous years. The demand for financing for transfers of ownership is also expected to continue at a good level for the second half of the year.

With respect to financial markets, it is likely that the trend in demand for both export financing and domestic SME financing will remain at the present level for the second half of 2017 as well.

CEO Pauli Heikkilä:
"Judging by the demand for Finnvera's export credit guarantees and financing, it can be assumed that Finnish exports are reviving in other sectors as well. The barometer surveys published last spring also forecast rising investments and greater demand for financing in Finland, but this has not yet been seen as definite growth in the demand for Finnvera's domestic SME financing. We assume the explanation to be that the Finnish banking sector operates well and can respond to the demand for financing on market terms. The economic outlook is good, and companies seeking financing are economically in a better shape than before, which may reduce the risk-sharing role sought from Finnvera. In addition, there is a new option: a guarantee granted by the European Fund for Strategic Investments, which banks can use as an alternative to Finnvera's guarantees.

The use of Finnvera's authorisations means at the same time that the State's total exposure associated with export financing has risen rapidly. However, it is worth noting that the increase in authorisations is associated with export deliveries taking place in the future. The growth of Finnvera's real commitments based on current disbursements is clearly more moderate. Finnvera manages risks through careful analysis when granting credits and by constantly monitoring the exposure situation. According to the international assessment report commissioned by the Ministry of Economic Affairs and Employment and published in March 2017, the export financing system implemented by Finnvera in Finland is of a high standard, and risk management is on a par with the best international practices.

Financially, Finnvera's first six months of 2017 were strong. On the whole, our objective continues to be that Finnvera's activities remain self-sustainable in the long term and that our activities are funded by proceeds from guarantee activities. Our statutory task is to bear credit risks that arise, for instance, from export transactions. The realisation of individual risks is impossible to predict in every respect."

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Distribution:
NASDAQ Helsinki Ltd
London Stock Exchange
The principal media
www.finnvera.fi

The interim report is available in Finnish and English at www.finnvera.fi/eng/Finnvera/Publications/Annual-Reports-and-Interim-Reports.

Half-Year Report of the Finnvera Group for 1 January–30 June 2017

Contents

Aside from the parent company, Finnvera plc, the Finnvera Group comprises the subsidiaries ERDF-Seed Fund Ltd and Veraventure Ltd, engaged in venture capital investments, and Finnish Export Credit Ltd, which provides export credits and administers interest equalisation.

The Group's financial trend

The Finnvera Group's January–June 2017

The Group's profit for January–June 2017 was EUR 57 million, as against a loss of EUR 7 million during the corresponding period the year before.

The main reasons for the improvement of financial performance from the previous year were the smaller losses from export credit guarantee operations and the smaller provisions for losses recorded by the parent company, Finnvera plc. Export credit guarantee losses and provisions for losses totalled only EUR 2 million in the report period, whereas the losses entered and the provisions made in the reference period amounted to EUR 66 million. In January–June, the Group's guarantee losses and provisions, as well as impairment losses on loans amounted to EUR 9 million (65 million), or EUR 57 million less than during the corresponding period the year before. The entries for impairment losses and provisions for losses are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

Apart from smaller guarantee losses and provisions, the gains from items carried at fair value contributed to the Group's improved performance during the period under review. These totalled EUR 3 million (-10 million). The increase in gains from items carried at fair value was mainly attributable to changes in the fair values of derivatives, liabilities and venture capital investments.

In addition, financial performance was improved by the decrease of 8 per cent, or EUR 2 million, in operating expenses. Above all, the lower operating expenses were the result of a decrease in personnel, lease and property expenses. One reason for the decrease in Finnvera's personnel is the sale of the subsidiary Seed Fund Vera Ltd in December 2016. In addition, Finnvera's offices have moved to new premises, which has brought clear savings in the company's lease and property expenses.

The Group's net interest income for January–June came to EUR 23 million. The net interest income was 12 per cent, or EUR 3 million, lower than the figure of EUR 27 million for the reference period. This reduced the improvement of the financial performance for the report period. Finnvera has acquired funds for the future disbursement of export credits. In consequence, interest expenses in the period under review were 11 per cent, or EUR 4 million, higher than during the corresponding period in 2016.

The net value of fee and commission income and expenses came to EUR 66 million during the first half of 2017. This was at the same level as the year before.

Financial performance of Finnvera plc and its subsidiaries

The profit of EUR 53 million recorded for the parent company, Finnvera plc, in the period under review (-7 million) was broken down by the divisions as follows: Large Corporates accounted for EUR 40 million (-17 million) and SMEs and Midcap for EUR 13 million (10 million).

The subsidiaries had an impact of EUR 4 million on the Group's profit for the period (0.1 million). Venture capital investments accounted for EUR 3 million (-2 million) of this impact. Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 1 million (2 million).

Separate result for export credit guarantee and special guarantee activities

In January–June 2017, the separate result for export credit guarantee and special guarantee activities, as defined in the Act on the State's Export Credit Guarantees, came to EUR 35 million (-29 million).

Analysis of the financial performance for January–June 2017

Interest income and expenses and interest subsidies

In January–June, the Group's interest income totalled EUR 58 million (58 million), while interest expenses were EUR 35 million (31 million). The Finnvera Group's net interest income came to EUR 23 million (27 million). In January–June, interest income was at the same level as in the reference period. The outstanding loans and interest income from the parent company Finnvera plc's SME and midcap financing, as well as interest income from debt securities, decreased in the report period, whereas interest income from the financing of export credits increased. Finnvera has acquired funds for the future disbursement of export credits. In consequence, interest expenses in the period under review were 11 per cent, or EUR 4 million, higher than during the corresponding period in 2016.

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses came to EUR 66 million (67 million), or one per cent less than in the reference period.

The gross amount of the fee and commission income totalled EUR 76 million (77 million). The parent company's fee and commission income from export credit guarantees and special guarantees accounted for EUR 54 million of the total (53 million), while SME financing accounted for EUR 22 million (22 million). Fee and commission income from export credit guarantees and special guarantees accounted for 70 per cent of the total, while SME financing accounted for 29 per cent, or roughly the same as the year before. Finnish Export Credit Ltd's fee and commission income from interest equalisation and export credit financing amounted to EUR 0.3 million (1 million).

In recent years, the parent company, Finnvera plc, has increased the volume of reinsurance, and the Group's fee and commission expenses mainly consisted of reinsurance costs. Fee and commission expenses totalled EUR 10 million in the report period (10 million).

Gains from items carried at fair value

The Group's profits from items carried at fair value totalled EUR 3 million (-10 million), of which the change in the fair value of debts and interest rate and currency swaps accounted for EUR -0.4 million (-7 million). The change in the fair value of venture capital investments and exchange rate differences together accounted for EUR 3 million (-3 million).

Operating expenses

The Group's operating expenses in January–June totalled EUR 23 million (25 million). Of this sum, personnel and other administrative expenses totalled EUR 22 million (22 million), while other business expenses amounted to EUR 1 million (3 million). Personnel expenses accounted for 64 per cent of operating expenses (61). Operating expenses were 8 per cent, or EUR 2 million, lower than in the reference period. The decrease in personnel, lease and property expenses contributed to the lower operating expenses. One reason for the decrease in Finnvera's personnel was the sale of the subsidiary Seed Fund Vera Ltd in December 2016. In addition, Finnvera's offices have moved to new premises, which has brought clear savings in the company's lease and property expenses.

Impairment losses on receivables, guarantee losses

The Group's impairment losses on loans, as well as guarantee losses and provisions, were EUR 20 million in January–June (81 million). After the compensation of EUR 11 million (15 million) paid by the State and the European Regional Development Fund (ERDF) for credit losses, the Group's liability for impairment losses and other losses during the period under review amounted to EUR 9 million (65 million). Compensation for losses was 56 per cent of the losses realised (58).

Impairment losses and losses on loans and guarantees, and the change in impairment losses and provisions for losses, totalled EUR 17 million (15 million).

Losses on export credit guarantees and special guarantees, including the change in the provisions for losses, were EUR 2 million during the period under review (66 million). The entries for impairment losses and provisions for losses are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

Finnvera Group	H1/2017 MEUR	H1/2016 MEUR	Change MEUR	Change %	2016 MEUR
Net impairment loss on financial assets	-9	-65	-57	-87%	-66
Loans and domestic guarantees	-17	-15	2	17%	-27
Credit loss compensation from the State	11	15	-4	-28%	28
Export credit guarantees and special guarantees	-2	-66	-63	-96%	-67

Doubtful receivables

Calculated according to the method harmonised at EU level, the net amount of doubtful receivables in SME and midcap financing stood at EUR 157 million at the end of June (156 million). When the impairment losses recognised are considered, doubtful receivables accounted for 6.7 per cent of total exposure. This was 0.2 percentage points higher than the amount of doubtful receivables at the end of 2016 (6.5 per cent). The ratio of doubtful receivables to total exposure was 2.1 per cent (2.3) when the compensation for credit losses received from the State for SME and midcap financing is taken into account.

At the end of June, the amount of doubtful receivables in export financing totalled EUR 137 million (150 million). Doubtful receivables accounted for 0.6 per cent of total exposure at the end of the period under review. This was 0.2 percentage points lower than the amount of doubtful receivables at the end of 2016 (0.8 per cent).

Long-term economic self-sustainability

According to the goal of economic self-sustainability 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 period of ten years when the cumulative result is calculated up to the end of June 2017. 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 2017, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 22.4 billion and the exposure for loans and guarantees in SME financing, as well as guarantee receivables, stood at EUR 2.2 billion. Seen against these exposures, the net profit building a loss buffer on the balance sheet is estimated at about 0.3 per cent at the annual level, while the equity is about 5 per cent.

Balance sheet 30 June 2017

At the end of June, the consolidated balance sheet total was EUR 9,986 million (9,498 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 7,966 million (7,178 million). The consolidated balance sheet increased by 5 per cent, or EUR 488 million, during the period under review. The main factors affecting the increase were the rise in loans granted to clients and the funding carried out by the parent company to meet the increased financing of export credits. This was also visible as a rise in debt securities.

At the end of June, the Group's outstanding credits came to EUR 6,036 million (5,827 million), or EUR 209 million more than at the start of the year. The outstanding credits increased by 4 per cent during the report period. The outstanding credits of the parent company, Finnvera plc, came to EUR 4,069 million (3,568 million), of which receivables from the subsidiaries totalled EUR 3,055 million (2,500 million), or 75 per cent (70).

The parent company's outstanding domestic guarantees increased slightly during early 2017 and totalled EUR 1,099 million on 30 June (1,061 million). Total exposures arising from export credit guarantees and special guarantees (current commitments and offers given at the exchange rate on 30 June 2017, including export guarantees) amounted to EUR 22,397 million (18,426 million). At the end of June, the exposure included in the maximum authorisation of EUR 27,000 million for export credit guarantees totalled EUR 17,246 million (14,442 million).

In accordance with the government's policy outlines, Finnvera will continue to give up its venture capital investments. Finnvera's shares in ERDF-Seed Fund Ltd and the remaining shares in Seed Fund Vera Ltd (19.99 per cent) have been transferred to long-term assets held for sale in the parent company's financial statements. In addition, the assets and liabilities of ERDF-Seed Fund Ltd are presented under long-term assets held for sale in the consolidated financial statements. With respect to Seed Fund Vera, Finnvera has a subordinated loan from the State, which has also been transferred to the item Liabilities associated with long-term assets held for sale. The Group's long-term assets held for sale totalled EUR 49 million (47 million) at the end of June.

The Group's long-term liabilities as per 30 June totalled EUR 8,071 million (7,514 million). Of this sum, EUR 5,811 million (4,892 million), or 72 per cent (65), consisted of bonds.

At the end of June, the Group's non-restricted reserves had a total of EUR 1,012 million (955 million), of which the reserve for domestic operations accounted for EUR 214 million (155 million), the reserve for export credit guarantees and special guarantees EUR 688 million (668 million), and the reserve for venture capital investments EUR 15 million (15 million). The retained profits were EUR 96 million (117 million). During the period under review, the assets in the non-restricted reserves increased by 6 per cent, or EUR 57 million. The reserve for venture capital investments is used to monitor the assets allocated by the ERDF to venture capital investments.

Finnvera Group	**30 Jun 2017**	**31 Dec 2016**	**Change**	**Change**
Balance sheet	**MEUR**	**MEUR**	**MEUR**	**%**
Share capital	197	197	0	0%
Share premium and fair value reserve	55	55	0	1%
Non-restricted reserves, in total	1,012	955	57	6%
Reserve for domestic operations	214	155	59	38%
Reserve for export credit guarantees and special guarantees	688	668	19	3%
Other	15	15	0	0%
Retained earnings	96	117	-21	-18%
Equity attributable to the parent company's shareholders	1,264	1,206	57	5%
Share of equity held by non-controlling interests	0	1	-1	-100%
Balance sheet total	9,986	9,498	488	5%

Funding

In the first six months of 2017, the Group's long-term acquisition of funds totalled EUR 951 million (994 million). EUR 235 million in long-term loans was paid back (486 million).

Capital adequacy

At the end of June, the Group's capital adequacy for domestic operations, Tier 2, stood at 23.1 per cent (22.5), while the figure for the parent company, Finnvera plc, was 22.6 per cent (22.0). Capital adequacy is calculated in accordance with the principles of the Basel III standard method.

The Finnvera Group's leverage ratio was 18.8 per cent at the end of June (18.5).

Capital adequacy	**30 Jun 2017**	**31 Dec 2016**	**Change**
Finnvera Group Domestic operations	**%**	**%**	**% points**
Tier 1	23.1	22.4	0.7
Tier 2	23.1	22.5	0.6

Capital adequacy	**30 Jun 2017**	**31 Dec 2016**	**Change**
Finnvera plc Domestic operations	**%**	**%**	**% points**
Tier 1	22.6	21.8	0.8
Tier 2	22.6	22.0	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 commitments and assets, only for domestic operations.

At the end of June, the Finnvera Group's risk-weighted receivables totalled EUR 2,060 million (2,152 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,777 million (1,801 million), or 86 per cent (84) of risk-weighted receivables. Most of the remaining receivables were associated with funding and the investment of cash assets.

Finnvera Group Domestic operations	**30 Jun 2017**	**31 Dec 2016**	**Change**	**Change**
Capital for calculating capital adequacy	**MEUR**	**MEUR**	**MEUR**	**%**
Equity excluding profit for the year	1,172	1,106	66	6%
Intangible assets	-8	-7	1	9%
Reserve for export credit guarantees and special guarantees	-688	-668	19	3%
Profit for the period	0	70	-70	-
Profit for the period attributable to export credit guarantees	0	-19	-19	-
Subordinated loan	0,2	2,5	-2,3	-93%
Total	476	484	-7	-2%

Finnvera Group Domestic operations	**30 Jun 2017**	**31 Dec 2016**	**Change**	**Change**
Risk-weighted items	**MEUR**	**MEUR**	**MEUR**	**%**
Receivables from credit institutions	7	11	-4	-36%
Receivables from clients	1,777	1,801	-24	-1%
Investments and derivatives	135	166	-31	-19 %
Interest and other receivables, prepayments, other assets	52	21	30	142%
Binding promises for loans	7	71	-64	-90%
Operational risk	82	82	0	0%
Total	2,060	2,152	-92	-4%

It is estimated that the capital adequacy of export financing would be under 10 per cent, if the calculation also included the assets of the State Guarantee Fund, as well as the export financing equities presented on Finnvera's balance sheet. Finnvera is investigating the adoption of the Internal Ratings Based Approach (IRBA) for the calculation of capital adequacy in export financing.

Risk position

Credit risks in SME financing

Finland's economic situation has improved during the current year and after many years of almost zero growth, forecasts for the growth of the gross domestic product have been raised to 2–3 per cent. SMEs' revived investment demand and corporate reorganisations have also had an impact on the granting of financing. The credit risks of SME financing decreased to some extent during the first half of the year. For instance, the number of bankruptcies among Finnvera's clients was 15 per cent lower than the year before. The changes in outstanding credits were moderate and, when seen as a whole, there were no significant changes in the risk level during the first half of the year.

The comparable exposure decreased slightly from the start of the year and totalled EUR 2.6 billion at the end of June. Underlying this decrease were considerable repayments on some major exposures and the cessations of some guarantees. The substantial volume of new financing offers was not enough to compensate for the above considerable repayments in the old exposure. 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 categories have also improved. Altogether 52 per cent of exposures fall within the intermediate credit risk category B2. Exposures in the weaker risk categories have decreased on previous years. In the first half of 2017, impairment losses on loans and losses and provisions for losses on guarantees came to EUR 17 million, or EUR 2 million more than the year before. During the period under review, some impairment losses in the range of millions of euros were recognised, in order to prepare for a possible final credit loss in the future.

Financing for exports by large corporates

At the end of the period under review, the commitments of Finnvera's Large Corporates division for export financing totalled EUR 22.0 billion. This was EUR 4.0 billion more than at the start of the year. The ten largest exposure concentrations account for nearly 70 per cent of all outstanding guarantees. The risk ratings of enterprises, banks and countries have remained virtually unchanged. However, new large exposures mainly fall into good risk categories. Altogether 90 per cent of Finnvera's exposure for export credit guarantees falls into the credit rating category B2 or a better category.

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.

The loan receivables of Finnvera's subsidiary Finnish Export Credit Ltd totalled EUR 5.0 billion at the end of June. Binding credit offers came to EUR 4.3 billion.

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.

Personnel

At the end of June, the Group had 403 employees (415 on 30 June 2016), of whom 360 (367) held a permanent post and 43 (48) a fixed-term post. Of the fixed-term personnel, 31 (21) were summer workers.

The CEO of Finnvera plc is Pauli Heikkilä, D.Sc. (Tech.). The composition of the Management Group of Finnvera plc is available at www.finnvera.fi/organisation.

Board of Directors, Supervisory Board and auditors

On 7 April 2017, Finnvera's Annual General Meeting elected new members to the company's Board of Directors and Supervisory Board. Pentti Hakkarainen, Member of the Supervisory Board, ECB Banking Supervision, was elected to serve as the new Chairman of the Board of Directors. Terhi Järvikare, Director General, was elected the Second Vice Chairman. Ritva Laukkanen, MBA, is a new member on the Board of Directors. Pekka Timonen, Director General, continues as the First Vice Chairman. The members continuing on the Board of Directors are Kirsi Komi, LL.M., Pirkko Rantanen-Kervinen, B.Sc. (Econ.), and Antti Zitting, Enterprise Counsellor. Before the Annual General Meeting, the Board of Directors was chaired by Markku Pohjola. Apart from the above members, the Board included Marianna Uotinen, Specialist Counsel, and Harri Sailas, B.Sc. (Econ.).

The new members elected to the Supervisory Board are Pia Björkbacka, Adviser, Trade and Industrial Policy, and Olli Rantanen, Head of Legal Services. Antti Rantakangas, Member of Parliament, continues as Chairman of Finnvera's Supervisory Board. The composition of the 18-member Supervisory Board is available in its entirety at www.finnvera.fi/organisation.

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

Other events during the period under review

Finnvera's authorisation to provide export financing raised once again

The maximum amounts for Finnvera's export credits and export credit guarantees were raised once again. The legislative amendments entered into force on 1 January 2017. The authorisation to grant export credit guarantees rose from EUR 19 billion to EUR 27 billion, the authorisation for special risk taking from EUR 3.5 billion to EUR 5 billion, and the authorisation to finance export credits from EUR 13 billion to EUR 22 billion. The authorisation to provide interest equalisation was also increased from EUR 13 billion to EUR 22 billion.

International evaluation gives Finnvera's export financing a good grade

The Ministry of Economic Affairs and Employment commissioned an assessment on the rising demand for public export credits and export credit guarantees, on higher exposures and on the consequent risk to central government finances. Owing to the structure of Finnish industry, exports are strongly concentrated in a few sectors. This underlines the importance of Finnvera's risk management system. In addition, individual export transactions, such as orders for cruise vessels, may be very large. The assessment, published in March 2017, was conducted by an international team of consultants that has solid experience of export financing.

The team of consultants considered that the export financing system implemented in Finland by Finnvera is of a high standard and that Finnvera's management of risks and responsibilities is at an excellent level in international comparison. The consultants' report also presented recommendations for developing activities. The most important individual recommendation concerned exploring direct lending abroad.

Finnvera issued a bond of 750 million euros

On 10 May 2017, Finnvera issued a 15-year bond of EUR 750 million. By means of a private placement, the bond sum was raised by EUR 100 million at the end of June. This has the longest maturity of all euro-dominated bonds issued by Finnvera to date.

Finnvera's EMTN Programme and the loans issued under it are guaranteed by the State of Finland. Finnvera uses the funds both for SME financing and for financing export credits.

Finnvera continued to accelerate the financing of small export transactions by introducing new products

Finnvera continued to expand its selection of products aimed at financing small export transactions, launching the Receivables Purchase Guarantee, suitable for short-term export transactions of under EUR two million, in April. The new product complements the Bill of Exchange Guarantee and the Export Receivables Guarantee, which were introduced to the market a year earlier. Export companies face challenges in arranging financing for small export transactions and protecting themselves against export risks. By relaxing the terms, Finnvera strives to speed up financing and promote the business opportunities of Finnish export companies irrespective of their size.

Continued activation for transfers of ownership

The campaign to accelerate transfers of ownership, launched together with enterprise organisations a year ago, was carried out in the first half of 2017. The campaign will continue during the second half of the year. It is estimated that the transfers of ownership carried out during the period under review have helped to create 626 new jobs and 731 renewed jobs.

Accelerating the transfers of ownership in SMEs has a major impact on the regeneration of enterprises. The goal is to use transfers of ownership to raise enterprises onto a growth track.

Advisory service for EFSI funding to Finnvera

By decision of the Ministry of Economic Affairs and Employment, the advisory service of the European Fund for Strategic Investments (EFSI) was transferred to Finnvera in January 2017. Advice about the possibilities of EU funding is given to enterprises and other organisations through the esir.fi website, telephone service, meetings and seminars. By the end of May, the advisory service had given advice on EU funding to 65 enterprises and other organisations. Within the same time, esir.fi had about 1,500 individual visitors and the pages had been viewed about 4,700 times. At present, the benefits of the EFSI obtained by Finland, in relation to the GDP, are the sixth largest in Europe.

Team Finland cooperation continued, Finnvera represented in Norway

Finnvera is one of the actors in the Team Finland network, whose mission is to promote the international success of Finnish enterprises. Representing the Team Finland network, Regional Director Markus Laakkonen of Finnvera began an 18-month secondment in Oslo, Norway last spring. The objective is to promote Finnish companies' trading in Norway.

After having moved under the same roof in the Ruoholahti district of Helsinki during the previous year, the Team Finland actors – Finnvera, Finpro, Tekes and Tesi – continued to cooperate on customer work and on seeking synergy benefits.

Events after the period under review

Finnvera revised its portfolio reinsurance

As part of its risk management, Finnvera revised its portfolio reinsurance in export credit guarantee activities. The renegotiated, more extensive reinsurance agreement entered into force on 1 July 2017. In order to ensure the scope of coverage, reinsurance is provided by several international reinsurance companies. Through reinsurance, Finnvera prepares for increased exposures and, in particular, strives to mitigate the concentration of risks in certain sectors. Reinsurance is part of Finnvera's strategy for protection against risks.

Outlook for financing

It is expected that the demand for export credit guarantees and export credits provided by Finnvera will continue to be strong. Total volumes will be largely dependent on individual major projects, especially in shipbuilding and telecommunications. Large corporations' trade negotiations requiring long-term financing often take a long time, and we do not foresee any significant changes in the demand forecast previously.

More often than before, demand focuses on Western industrialised countries, which indicates the importance of long-term financing in the export of capital goods. Ships, telecommunications and the forest industry are still expected to account for the bulk of demand associated with large corporations' exports. Among Finnvera's major country exposures, Russia has shown signs of modest economic growth. It is also believed that demand for export credit guarantees will pick up when compared against previous years. Despite the problems in the Brazilian economy and administration, demand for guarantees is expected to continue and focus widely on different industries. New demand is also visible in the Middle East region.

Driven by Finland's good economic growth, the demand for, and granting of Finnvera's SME financing are expected to pick up speed towards the end of the year. During the first half of the year, an increasingly large percentage of the financing was granted to growth enterprises. Launched one year earlier, the volume of loans guaranteed for banks by the European Investment Fund (EIF) increased, as did Finnvera's partial guarantees. During the first six months of 2017, the volume of partial guarantees tripled, to about EUR 24 million, when compared to late 2016. This predicts that demand will continue to be strong.

The campaign to accelerate transfers of ownership continued and the number of transfers of ownership financed during the first half of 2017 was record high when compared to previous years. The demand for financing for transfers of ownership is also expected to continue at a good level for the second half of the year.

With respect to financial markets, it is likely that the trend in demand for both export financing and domestic SME financing will remain at the present level for the second half of 2017 as well.

Comprehensive income statement

(EUR 1,000)	Note	Finnvera Group 1–6 2017	Finnvera Group 1–6 2016	Finnvera plc 1–6 2017	Finnvera plc 1–6 2016
Interest income					
Loans		59 528	55 703	32 770	26 821
Subsidies passed on to customers		449	891	449	891
Other		-1 739	1 232	-2 014	751
Total interest income		**58 238**	**57 826**	**31 205**	**28 463**
Interest expenses		-34 781	-31 242	-11 136	-5 767
Net interest income		**23 457**	**26 585**	**20 070**	**22 696**
Net fee and commission income		66 166	66 500	65 861	65 581
Gains and losses from financial instruments carried at fair value	2	2 605	-9 741	222	-215
Net income from investments		-542	137	128	21
Other operating income		641	212	1 374	588
Administrative expenses					
Personnel expenses		-14 593	-15 323	-14 400	-14 925
Other administrative expenses		-7 360	-7 054	-7 072	-6 720
Total administrative expenses		**-21 954**	**-22 378**	**-21 472**	**-21 644**
Depreciation and amortization on tangible and intangible assets		-820	-656	-820	-656
Other operating expenses		-991	-2 560	-3 322	-7 719
Impairment loss on financial assets	3				
Loans and guarantees		-17 404	-14 919	-17 404	-15 050
Credit loss compensation from the State		11 103	15 352	11 103	15 352
Export credit guarantees and special guarantees		-2 411	-65 892	-2 411	-65 892
Net impairment loss on financial assets		**-8 711**	**-65 459**	**-8 711**	**-65 590**
Impairment losses on other financial assets		0	0	0	0
Operating profit		**59 850**	**-7 360**	**53 330**	**-6 937**
Income tax expense		-2 909	490	0	0
Profit for the period		**56 942**	**-6 870**	**53 330**	**-6 937**
Other comprehensive income					
Items that may be reclassified subsequently to the statement of income					
- Change in the fair value of available for sale investments		488	1 838	466	1 808
Total other comprehensive income		**488**	**1 838**	**466**	**1 808**
Total comprehensive income for the period		**57 429**	**-5 032**	**53 796**	**-5 129**
Distribution of the profit for the period attributable to					
Equity holders of the parent company		56 942	-6 773		
Non-controlling interest		0	-97		
		56 942	**-6 870**		
Distribution of the total comprehensive income for the period attributable to					
Equity holders of the parent company		57 429	-4 936		
Non-controlling interest		0	-97		
		57 429	**-5 032**		

Balance sheet

(EUR 1,000)	Note	Finnvera Group 30 Jun 2017	Finnvera Group 31 Dec 2016	Finnvera plc 30 Jun 2017	Finnvera plc 31 Dec 2016
ASSETS					
Loans and receivables from credit institutions	4				
Payable on demand		1 008 283	892 555	982 912	847 523
Other than payable on demand		49 065	29 936	7 545	7 555
		1 057 348	**922 491**	**990 457**	**855 078**
Loans and receivables from customers	4				
Loans		6 036 204	5 827 299	4 069 285	3 567 866
Guarantee receivables		21 316	26 259	21 316	26 259
Receivables from export credit and special guarantee operations		128 964	224 476	128 964	224 476
		6 186 484	**6 078 034**	**4 219 565**	**3 818 600**
Investments					
Debt securities	4, 5	2 237 781	2 042 422	2 237 781	2 042 422
Investments in group companies	4	0	0	68 815	68 815
Investments in associates	4	0	14 973	0	0
Other shares and participations	4, 5	24 458	24 383	14 445	14 399
		2 262 239	**2 081 778**	**2 321 042**	**2 125 637**
Derivatives	4, 5	97 535	110 649	97 535	110 649
Intangible assets		7 707	7 062	7 705	7 059
Property and equipment					
Properties		0	0	0	0
Equipment		1 304	1 431	1 304	1 431
		1 304	**1 431**	**1 304**	**1 431**
Equipment					
Credit loss receivables from the state	4	21 249	8 731	21 249	8 731
Other	4	103 371	2 328	113 649	11 607
		124 621	**11 059**	**134 898**	**20 338**
Prepayments and accrued income	4	200 062	236 118	165 086	211 531
Tax assets		0	2 145	0	0
Long-term assets held for sale	4, 5	48 665	46 994	28 265	27 662
TOTAL ASSETS		**9 985 965**	**9 497 760**	**7 965 856**	**7 177 986**

Balance sheet

(EUR 1,000)	Note	Finnvera Group 30 Jun 2017	Finnvera Group 31 Dec 2016	Finnvera plc 30 Jun 2017	Finnvera plc 31 Dec 2016
LIABILITIES					
Liabilities to credit institutions	4, 6	197 161	213 452	197 161	213 452
Liabilities to other institutions					
At fair value through profit or loss	4, 5, 6	39 589	41 476	0	0
Other financial liabilities	4, 6	2 003 692	2 297 067	84 175	75 793
Debt securities in issue					
At fair value trough profit or loss	4, 5, 6	5 810 543	4 891 873	5 810 543	4 891 873
Derivatives	4, 5	178 799	212 553	178 785	208 334
Provisions		44 270	46 786	44 270	46 786
Other liabilities	4	65 002	56 125	65 641	56 082
Accruals and deferred income	4	360 445	458 691	343 325	447 505
Tax liabilities		-153	800		
Subordinated liabilities	4, 6	7 500	57 500	7 500	57 500
Liabilities associated with long-term assets held for sale	4, 6	15 231	14 075	12 525	12 525
Total liabilities		**8 722 080**	**8 290 399**	**6 743 924**	**6 009 850**
EQUITY					
Equity attributable to the parent company's shareholders					
Share capital		196 605	196 605	196 605	196 605
Share premium		51 036	51 036	51 036	51 036
Fair value reserve		3 976	3 488	3 789	3 323
Non-restricted reserves					
Reserve for domestic operations		213 734	154 550	213 734	154 550
Export credit guarantee and special guarantee operations		687 681	668 440	687 681	668 440
Other		15 252	15 252	15 252	15 252
Retained earnings		95 601	117 084	53 833	78 929
		1 012 268	**955 327**	**970 501**	**917 171**
Equity attributable to the parent company's shareholders		**1 263 885**	**1 206 456**	**1 221 931**	**1 168 136**
Share of equity held by non-controlling interest		0	906		
Total equity		**1 263 885**	**1 207 362**	**1 221 931**	**1 168 136**
TOTAL LIABILITIES AND EQUITY		**9 985 965**	**9 497 760**	**7 965 856**	**7 177 986**

Statement of changes in equity

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
Finnvera Group										
Equity attributable to the parent company's shareholders										
Balance at 1 Jan 2017	**196 605**	**51 036**	**3 488**	**154 550**	**668 440**	**15 252**	**117 084**	**1 206 456**	**906**	**1 207 362**
Comprehensive income for the period										
Income for the period							56 942	56 942	0	56 942
Change in the fair value of investments			488					488	0	488
Transfer to reserves				59 184	19 241	0	-78 425	0		0
Adjustments									-906	-906
Balance at 30 Jun 2017	**196 605**	**51 036**	**3 976**	**213 734**	**687 681**	**15 252**	**95 601**	**1 263 884**	**0**	**1 263 885**
Balance at 1 Jan 2016	**196 605**	**51 036**	**-2 202**	**135 879**	**536 064**	**16 570**	**182 896**	**1 116 849**	**4 227**	**1 121 075**
Comprehensive income for the period										
Income for the period							-6 773	-6 773	-97	-6 870
Change in the fair value of investments			1 838					1 838		1 838
Transfer to reserves				18 671	132 375	0	-151 046	0		0
Balance at 30 Jun 2016	**196 605**	**51 036**	**-364**	**154 550**	**668 439**	**16 570**	**25 077**	**1 111 914**	**4 130**	**1 116 043**

Legend:

A = Share capital
B = Share premium
C = Fair value reserve
D = Reserve for domestic operations
E = Reserve for export credit guarantees and special guarantees
F = Other reserves
G = Retained earnings
H = Total
I = Share of equity held by non-controlling interest
J = Total equity

Statement of changes in equity

(EUR 1,000)	A	B	C	D	E	F	G	H
Finnvera plc								
Balance at 1 Jan 2017	**196 605**	**51 036**	**3 323**	**154 550**	**668 440**	**15 252**	**78 928**	**1 168 135**
Comprehensive income for the period								
Income for the period							53 330	53 330
Change in the fair value of investments			466					466
Transfer to reserves				59 184	19 241	0	-78 425	0
Adjustments								0
Balance at 30 Jun 2017	**196 605**	**51 036**	**3 789**	**213 733**	**687 681**	**15 252**	**53 833**	**1 221 930**
Balance at 1 Jan 2016	**196 605**	**51 036**	**-2 304**	**135 880**	**536 064**	**16 570**	**151 550**	**1 085 400**
Comprehensive income for the period								
Income for the period								
Change in the fair value of investments			1 808				-6 937	-5 129
Transfer to reserves				18 671	132 375	0	-151 046	0
Balance at 30 Jun 2016	**196 605**	**51 036**	**-495**	**154 551**	**668 440**	**16 570**	**-6 434**	**1 080 271**

Legend:

A = Share capital
B = Share premium
C = Fair value reserve
D = Reserve for domestic operations
E = Reserve for export credit guarantees and special guarantees
F = Other reserves
G = Retained earnings
H = Total
I = Share of equity held by non-controlling interest
J = Total equity

Statement of cash flows

(EUR 1,000)	Finnvera Group 1–6 2017	Finnvera Group 1–6 2016	Finnvera plc 1–6 2017	Finnvera plc 1–6 2016
Cash flows from operating activities				
Withdrawal of loans granted	-974 171	-1 308 326	-974 897	-1 307 460
Repayments of loans granted	502 953	902 046	319 199	682 549
Purchase of investments	-1 125	-3 883	0	0
Proceeds from investments	4 410	2 112	0	0
Interest received	62 226	50 790	34 432	25 367
Interest paid	-36 755	-22 843	-9 097	-4 865
Interest subsidy received	98	-71	98	-71
Payments received from commission income	69 020	118 080	68 954	115 242
Payments received from other operating income	1 116	25 306	1 082	25 964
Payments for operating expenses	-52 847	-42 334	-61 436	-43 772
Claims paid	-6 616	-29 183	-6 616	-29 183
Taxes paid	-1 733	-24	0	0
Net cash used in (-) / from (+) operating activities (A)	**-433 425**	**-308 330**	**-628 281**	**-541 229**
Cash flows from investing activities				
Proceeds from the assignment of tangible and intangible assets	-1 338	-2 723	-1 338	-2 723
Short-term and other liquid investments	-2 194 189	-1 465 824	-2 194 189	-1 465 824
Proceeds from short-term and other liquid investments	1 838 845	1 313 403	1 838 845	1 313 403
Other investments	0	0	-603	-5 000
Proceeds from other investments	0	133	0	133
Dividends received from investments	15	101	15	21
Net cash used in (-) / from (+) investing activities (B)	**-356 667**	**-154 910**	**-357 270**	**-154 990**
Cash flows from financing activities				
Proceeds from loans	951 339	994 340	1 075 208	994 340
Repayment of loans	-184 686	-485 892	-112 678	-286 230
Repayments of subordinated loans	-50 000	0	-50 000	0
Payments from derivatives collateral	61 570	29 280	61 570	29 280
Net cash used in (-) / from (+) financing activities (C)	**778 222**	**537 728**	**974 100**	**737 390**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	**-11 870**	**74 489**	**-11 451**	**41 172**
Cash and cash equivalents at the beginning of the period *)	**886 114**	**499 022**	**855 078**	**466 540**
Translation differences	-11 444	3 878	-10 924	3 842
Cash and cash equivalents at the end of the period *)	**862 800**	**577 388**	**832 702**	**511 554**

*) The cash and cash equivalents have been adjusted for in the interim reporting for 30 June 2017 to more appropriately comply with the IAS 7 definition of cash and cash equivalents. The change has also been adjusted for in the comparison period presented. 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 item Loans and receivables from credit institutions.

Notes to the accounts

Accounting principles

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.

Finnvera's Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The principles for drawing up the financial statements are described in Finnvera's Financial Statements for 2016.

The Finnvera Group will apply IFRS 9 as of 1 January 2018. The impact of the standard on the financial statements of 2018 cannot yet be estimated because it depends on the current financial situation, on the accounting principles selected and on management judgement. A change project required by the adoption of IFRS 9 is currently under way in Finnvera.

The Half-Year Report is not audited.

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. A service concept has been devised for each business area. Finnvera'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 2016.

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
1–6/2017							
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	-7 472	25 562	-4 752	43 664	2 545	303	59 851
Income tax expense	0	0	0	2 879	30	0	2 909
Profit for the period	**-7 472**	**25 562**	**-4 752**	**40 785**	**2 515**	**303**	**56 942**
1–6/2016							
Net interest income	4 520	12 170	3 498	5 512	885	0	26 585
Net fee and commission income	2 594	10 319	7 180	46 407	-1	0	66 500
Gains and losses from financial instruments carried at fair value	-73	-880	-82	-5 889	-2 817	0	-9 741
Net income from investments		21			116		137
Other operating income	60	99	73	5 515	1 472	-7 007	212
Administrative expenses	4 749	6 817	4 587	5 877	2 139	-1 791	22 378
Depreciation and amortization on tangible and intangible assets	53	276	134	193	0	0	656
Other operating expenses	676	831	517	5 696	57	-5 216	2 560
Net impairment loss on loans, guarantees and export credit guarantee losses	1 022	2 941	6 642	55 073	-220	0	65 459
Operating profit	601	10 864	-1 211	-15 293	-2 322	0	-7 361
Income tax expense	0	0	0	596	-106	0	490
Profit for the period	**601**	**10 864**	**-1 211**	**-15 889**	**-2 217**	**0**	**-6 870**

2 Gains and losses from financial instruments carried at fair value

	Finnvera Group		Finnvera plc	
(EUR 1,000)	1-6/2017	1-6/2016	1-6/2017	1-6/2016
Derivatives	-36 257	106 496	-2 196	3 369
Liabilities carried at fair value	35 886	-113 604	2 821	-3 771
Exchange rate differences	-403	184	-403	188
Venture capital investments; fair value changes	3 379	-2 817	0	0
Total	**2 605**	**-9 741**	**222**	**-215**

3 Impairment losses on receivables, guarantee losses and impairment losses on other financial assets

Loans and receivables are considered impaired when there is objective evidence of impairment. Objective evidence on a customer's capability to fulfil obligations is based on risk classification of the customers, past experience and estimates made by the management about the effect of delayed payments on the accruing of receivables.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	1-6/2017	1-6/2016	1-6/2017	1-6/2016
Impairment losses on receivables and guarantee losses				
Impairment losses on receivables	**-11 463**	**-7 474**	**-11 463**	**-7 605**
Credit losses materialised	-11 525	-14 791	-11 525	-14 922
Change in impairment of individually assessed loans	-1 597	5 364	-1 597	5 364
Change in impairment of collectively assessed loans	1 658	1 953	1 658	1 953
Guarantee losses	**-5 941**	**-7 445**	**-5 941**	**-7 445**
Guarantee losses materialised	-7 923	-10 570	-7 923	-10 570
Change in individually assessed provisions for losses	-1 789	2 119	-1 789	2 119
Change in collectively assessed provisions for losses	3 771	1 006	3 771	1 006
Total, gross	**-17 404**	**-14 919**	**-17 404**	**-15 050**
The State's and the ERDF's share of the credit and guarantee losses materialised	11 103	15 352	11 103	15 352
Total, net	**-6 300**	**433**	**-6 300**	**303**
Export credit guarantee and special guarantee losses				
Guarantee losses	**-2 411**	**-65 892**	**-2 411**	**-65 892**
Claims paid	-1 228	-13 556	-1 228	-13 556
Accumulated recoveries	833	3 726	833	3 726
Change in recovery receivables	-2 551	110	-2 551	110
Provisions for losses on export credit guarantees and special guarantees	535	-56 173	535	-56 173
Total	**-2 411**	**-65 892**	**-2 411**	**-65 892**
Impairment losses on credits and guarantee losses in total	**-8 711**	**-65 459**	**-8 711**	**-65 590**

4 Financial instruments classification and fair values

(EUR 1,000)	Finnvera Group					Finnvera plc				
Financial assets	**Loans and receivables**	**Financial instruments carried at fair value**	**Available for sale (1**	**Total**	**Fair value**	**Loans and receivables**	**Financial instruments carried at fair value**	**Available for sale (1**	**Total**	**Fair value**
30 Jun 2017										
Loans and receivables from credit institutions	1 057 348			**1 057 348**	1 057 677	990 457			**990 457**	990 457
Loans and receivables from customers	6 186 484			**6 186 484**	6 312 471	4 219 565			**4 219 565**	4 217 437
Debt securities			2 237 781	**2 237 781**	2 237 781			2 237 781	**2 237 781**	2 237 781
Derivatives		97 535		**97 535**	97 535		97 535		**97 535**	97 535
Associated companies		0	0	**0**	0			0	**0**	0
Shares and participations			24 458	**24 458**	24 458			14 445	**14 445**	14 445
Assets held for sale	6 683	28 911	13 009	**48 603**	48 603			28 265	**28 265**	28 265
Other financial assets	181 720			**181 720**	181 720	160 093			**160 093**	160 093
Total 30 Jun 2017	**7 425 553**	**126 446**	**2 275 248**	**9 833 929**	**9 960 245**	**5 370 116**	**97 535**	**2 280 491**	**7 748 141**	**7 746 013**
31 Dec 2016										
Loans and receivables from credit institutions	922 491			**922 491**	922 849	855 078			**855 078**	855 078
Loans and receivables from customers	6 078 034			**6 078 034**	6 215 475	3 818 600			**3 818 600**	3 816 768
Debt securities			2 042 422	**2 042 422**	2 042 422			2 042 422	**2 042 422**	2 042 422
Derivatives		110 649		**110 649**	110 649		110 649		**110 649**	110 649
Associated companies		14 973		**14 973**	14 973			0	**0**	0
Shares and participations			24 383	**24 383**	24 383			14 399	**14 399**	14 399
Assets held for sale	8 189	25 713	13 009	**46 911**	46 911			27 662	**27 662**	27 662
Other financial assets	219 809			**219 809**	219 809	199 135			**199 135**	199 135
Total 31 Dec 2016	**7 228 523**	**151 336**	**2 079 814**	**9 459 673**	**9 597 472**	**4 872 813**	**110 649**	**2 084 484**	**7 067 946**	**7 066 113**

(1 Assets held for sale are recognised at cost less impairment and consist of Finnvera's investments in Seed Fund Vera Ltd and ERDF-Seed Fund Ltd. The line Shares and participations includes EUR 14 million of investments in unlisted companies, which are recognised at cost less impairment.

(EUR 1,000)	Finnvera Group				Finnvera plc			
Financial liabilities	**Financial instruments carried at fair value**	**Other financial liabilities**	**Total**	**Fair value**	**Financial instruments carried at fair value**	**Other financial liabilities**	**Total**	**Fair value**
30 Jun 2017								
Liabilities to credit institutions		197 161	**197 161**	201 514		197 161	**197 161**	197 161
Liabilities to other institutions	39 589	2 003 692	**2 043 281**	2 113 959	0	84 175	**84 175**	84 175
Debt securities in issue	5 810 543		**5 810 543**	5 810 543	5 810 543		**5 810 543**	5 810 543
Derivatives	178 799		**178 799**	178 799	178 785		**178 785**	178 785
Other financial liabilities		316 161	**316 161**	316 161		295 831	**295 831**	295 831
Subordinated liabilities		7 500	**7 500**	7 500		7 500	**7 500**	7 500
Liabilities associated with assets held for sale		12 525	**12 525**	12 525		12 525	**12 525**	12 525
Total 30 Jun 2017	**6 028 931**	**2 537 039**	**8 565 971**	**8 641 002**	**5 989 328**	**597 191**	**6 586 519**	**6 586 519**
31 Dec 2016								
Liabilities to credit institutions		213 452	**213 452**	218 847		213 452	**213 452**	218 847
Liabilities to other institutions	41 476	2 297 067	**2 338 543**	2 425 850	0	75 793	**75 793**	75 793
Debt securities in issue	4 891 873		**4 891 873**	4 891 873	4 891 873		**4 891 873**	4 891 873
Derivatives	212 553		**212 553**	212 553	208 334		**208 334**	208 334
Other financial liabilities		462 512	**462 512**	462 512		442 463	**442 463**	442 463
Subordinated liabilities		57 500	**57 500**	57 500		57 500	**57 500**	57 500
Liabilities associated with assets held for sale		12 525	**12 525**	12 525		12 525	**12 525**	12 525
Total 31 Dec 2016	**5 145 902**	**3 043 056**	**8 188 958**	**8 281 660**	**5 100 207**	**801 733**	**5 901 940**	**5 907 336**

5 Hierarchy for carrying financing instruments at fair value

(EUR 1,000)	Finnvera Group			Finnvera plc		
Financial assets 30 Jun 2017	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
Derivatives		97 535			97 535	
Associated companies			0			
Shares and holdings			0			
Assets available for sale			28 911			
Available-for-sale						
Debt securities		2 237 781			2 237 781	
Associated companies			0			
Shares and holdings	10 390		0	377		
Total	**10 390**	**2 335 315**	**28 911**	**377**	**2 335 315**	**0**
Financial liabilities 30 Jun 2017	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
Liabilities to other institutions		39 589				
Debt securities in issue		5 810 543			5 810 543	
Derivatives		178 799			178 785	
Total		**6 028 931**			**5 989 328**	

(EUR 1,000)	Finnvera Group			Finnvera plc		
Financial assets 31 Dec 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
Derivatives		110 649			110 649	
Associated companies			14 973			
Assets available for sale			25 713			
Available-for-sale						
Debt securities		2 042 422			2 042 422	
Shares and holdings	10 314			331		
Total	**10 314**	**2 153 071**	**40 686**	**331**	**2 153 071**	**0**
Financial liabilities 31 Dec 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
Liabilities to other institutions		41 476				
Debt securities in issue		4 891 873			4 891 873	
Derivatives		212 553			208 334	
Total		**5 145 902**			**5 100 207**	

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 debt securities are based on the market quote of the investments at the closing of the financial period or on the value discounted using the market interest rate at the closing of the financial period.

Level 3: Determination of the fair value of venture capital investments made by the subsidiaries engaged in venture capital investment is based on the valuation principles and recommendations laid down in the International Equity and Venture Capital Valuation Guidelines (IPEV) for early-stage enterprises. In accordance with the government's policy outlines, Finnvera will give up a major proportion of its venture capital investments. 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.

Level 3, Financial assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Balance at 1 Jan	**40 686**	**101 320**	**0**	**0**
Profits and losses entered in the income statement in total	2 890	-9 646		0
Acquisitions	1 086	11 449	0	0
Sales	-15 921	-50 081	0	0
Other	168	-12 356	0	0
Total at the end of the period	**28 911**	**40 686**	**0**	**0**
Profits and losses entered in the income statement for the instruments held by Finnvera	-2 056	-2 688	0	0

6 Changes in liabilities

(EUR 1,000)	Finnvera Group 2017		Finnvera plc 2017	
	Nominal value	**Carrying value**	**Nominal value**	**Carrying value**
Liabilities to credit institutions and other institutions				
Carrying amount at 1 Jan 2017	2 551 038	2 551 995	289 245	289 245
New loans	0	0	113 869	113 869
Repayments	-184 686	-184 686	-102 678	-102 678
Other changes	-126 360	-126 867	-19 101	-19 101
Carrying amount at 30 Jun 2017	**2 239 992**	**2 240 442**	**281 335**	**281 335**

(EUR 1,000)	Finnvera Group 2017		Finnvera plc 2017	
	Nominal value	**Carrying value**	**Nominal value**	**Carrying value**
Debt securities in issue				
Carrying amount at 1 Jan 2017	4 849 676	4 891 873	4 849 676	4 891 873
Debt securities in issue	1 051 377	1 039 223	1 051 377	1 039 223
Repayments	0	0	0	0
Other changes	-91 349	-120 553	-91 349	-120 553
Carrying amount at 30 Jun 2017	**5 809 703**	**5 810 543**	**5 809 703**	**5 810 543**

Capital loans				
Capital loans at 30 Jun 2017		**20 025**		**20 025**

Borrowings are measured at fair value in the case they are hedged (fair value option).

7 Contingent liabilities and commitments

(EUR 1,000)	Finnvera Group		Finnvera plc	
	30 Jun 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Off-balance sheet items				
Guarantees				
Commitments for domestic guarantees	1 099 122	1 060 984	1 099 122	1 060 984
Total commitments for export credit guarantees and special guarantees	22 397 430	18 426 175	22 397 430	18 426 175
Binding financing offers	4 333 832	4 001 318	14 610	142 055
Total	**27 830 383**	**23 488 476**	**23 511 161**	**19 629 213**

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.

Commitments for export credit guarantees and special guarantees mean commitments referred to in the Act on the State Guarantee Fund (18.6.1998/444). The commitments are presented as total outstanding commitments, which includes both current commitments and offers given.

The parent company's credit commitments consist of irrevocable financing commitments given for the client in accordance with the Act on Credits and Guarantees Provided by the State-owned Specialised Financing Company. The commitment may be either a commitment to grant a credit or a guarantee, given for a third party, concerning a non-disbursed credit. The figure for the Group also includes the undrawn export credit commitments by Finnish Export Credit Ltd.

Outstanding commitments arising from export credit guarantees and special guarantees are divided between current commitments and offers given as follows:

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Current commitments	**15 806 238**	**15 477 456**	**15 683 140**	**15 477 456**
For export credit guarantees	15 693 723	15 312 768	15 570 625	15 312 768
For special guarantees	112 515	164 688	112 515	164 688
Offers given	**6 591 192**	**2 948 719**	**6 577 615**	**2 948 719**
For export credit guarantees	6 591 192	2 948 719	6 577 615	2 948 719
For special guarantees	0	0	0	0
Total	**22 397 430**	**18 426 175**	**22 260 754**	**18 426 175**

8 Key figures and their calculation

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Equity ratio, %	12,7	12,7	15,3	16,3
Capital adequacy ratio, domestic operations, % *)				
Tier 1	23,1	22,4	22,6	21,8
Tier 2	23,1	22,5	22,6	22,0
Expense-income ratio, %	25,4	27,0	29,2	33,6

*) The capital adequacy ratio is calculated only for domestic operations. The Group's capital adequacy for the reference period has been revised because, in the figure reported before, the capital for calculating capital adequacy also included profits from other than domestic operations and items in the fair value reserve.

Calculation of key figures:

Equity ratio, %	(equity attributable to equity holders of the parent + non-controlling interest) * 100
	balance sheet total
Capital adequacy ratio, %	calculated as per Basel III Standard
Cost-income ratio, %	(administration expenses + other operating expenses + depreciation) * 100
	net interest income + net fee and commission income
	+ gains and losses from financial instruments carried at fair value
	+ net income from investments + other operating income

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