



H2/2016 and
Financial Statements
1 Jan-31 Dec 2016

Finnvera Group, Stock Exchange Release 28 February 2017, Financial Statements

Financial Statements of the Finnvera Group

1 January–31 December 2016

A year of reviving demand and new authorisations

The world economy showed some positive signs in 2016, although political events created a degree of uncertainty. Finnish companies also reported greater demand and increasing investments, and individual large export deals gave much-needed impetus to Finland's otherwise sluggish exports. Owing to the anticipated increase in demand for export financing services, and to respond to higher exposures, Finnvera's authorisation to provide export financing was raised markedly. In addition, Finnvera received new mandates, such as the Growth Loan for financing projects undertaken by rapidly growing SMEs and midcap companies. New financing solutions relating to the promotion of small export transactions were also introduced on the market during the year.

Business operations and the financial trend

The volume of loans and guarantees offered by Finnvera to SMEs and midcap companies in 2016 was 7 per cent less than in the year before. However, financing for growing and internationalising companies and for transfers of ownership picked up in line with the strategy. Financing offered for growing and internationalising companies rose by 6 per cent from the previous year, while financing for transfers of ownership rose by 21 per cent.

Demand for export credit guarantees and special guarantees increased by 50 per cent in 2016, to EUR 14.6 billion. Demand for export credits rose to EUR 12.5 billion, which was 74 per cent more than a year ago. Although interest in export credit guarantees, special guarantees and export credits perked up, the offers given by Finnvera for export credit and special guarantees and for export credits fell by 34 per cent and 82 per cent, respectively. The reason was that some projects or their credit agreements were still being negotiated at the closing of the financial period.

Finnvera Group

	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	Change %
Offered financing, MEUR			
Loans and guarantees	845	906	-7%
Export credit guarantees and special guarantees	4,438	6,760	-34%
Export credits	760	4,131	-82%
	31 Dec 2016	31 Dec 2015	Change %
Outstanding commitments MEUR			
Loans and guarantees	2,261	2,285	-1%
Export credit guarantees and special guarantees	18,426	17,436	6%
Export credits	4,782	4,240	13%
	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	Change %
Net interest income and net fee and commission income, MEUR	194	197	-2%
Operating profit, MEUR	69	114	-39%
Profit for the period, MEUR	70	111	-37%
	31 Dec 2016	31 Dec 2015	Change %
Balance sheet total, MEUR	9,498	8,418	13%
Equity, MEUR	1,207	1,121	8%
-of which non-restricted reserves, MEUR	955	871	10%
	31 Dec 2016	31 Dec 2015	Change %-point
Equity ratio, %	12.7	13.3	-0.6
Capital adequacy, Tier 2, %	24.3	19.6	4.7
Cost/income ratio	27.0	28.3	-1.3

The Finnvera Group's profit for July–December 2016 was EUR 77 million. Financial performance improved by EUR 84 million when compared against the loss of EUR 7 million entered for January–June 2016.

The main reasons for the improvement in financial performance from the first to the second half of the year were the smaller losses from export credit guarantee operations and the smaller provisions for losses recorded by the parent company, Finnvera plc. In July–December, export credit guarantee losses and provisions for losses totalled only EUR 2 million, whereas the losses entered and the provisions made in January–June came to EUR 66 million. During the first half of 2016, a provision of EUR 55 million for guarantee losses was made for Oi S.A. of Brazil when it transpired that the receivables from the company involve an obvious risk.

The profit of the Finnvera Group for 2016 was EUR 70 million (111 million). This was EUR 41 million, or 37 per cent, less than in the previous year. As was pointed out above, the reasons for the weaker performance were the parent company's export credit guarantee losses as well as provisions for losses that were realised during the first half of the year and were markedly greater than those entered the year before.

The profit of the parent company, Finnvera plc, for 2016 stood at EUR 65 million (95 million), of which large corporates business accounted for EUR 33 million (82 million) and SME and midcap business for EUR 32 million (38 million). The performance of the large corporates business declined clearly from the previous year, while the performance of SME and midcap business was at a good level for a second year in a row.

Finnvera Group

	H2/2016 MEUR	H1/2016 MEUR	Change %	H2/2015 MEUR	2016 MEUR	2015 MEUR	Change MEUR	Change %
Net interest income	24	27	-11	28	50	56	-6	-10
Fee and commission income and expenses (net)	77	67	16	68	144	141	3	2
Gains/losses from items carried at fair value	-10	-10	0	-15	-20	-21	-1	-6
Net income from investments	0.2	0.1	16	0.4	0.3	0.1	0.2	133
Other operating income	12	0.2	-	2	12	2	10	-
Administrative expenses	-22	-22	-4	-22	-44	-44	0.1	0
Depreciation and amortization	-2	-1	157	-1	-2	-1	1	124
Other operating expenses	-2	-3	-31	-3	-4	-6	-1	-22
Net impairment loss on financial assets	-0.2	-65	-100	-0.2	-66	-15	51	348
Impairment loss on other financial assets	-2	0	-	0	-2	0	2	-
Operating profit	77	-7	-	58	69	114	-44	-39
Profit for the period	77	-7	-	57	70	111	-41	-37

Outlook for financing

The economic expectations of SMEs have taken a slightly upward turn, which is believed to reflect positively on financing granted by Finnvera to SMEs in 2017. This will probably be seen particularly clearly in financing for growth companies, but the rising trend in financing intended for investments by growing and internationalising enterprises may also continue following the turn that occurred in 2016. It is assumed that financing granted by Finnvera for transfers of ownership will continue at the same solid level as in 2016. It is generally believed that the bond activities of SMEs and midcap companies will gain slightly more momentum and will also be reflected in Finnvera's financing.

Financing solutions offered to buyers play a pivotal role in exports of capital goods sold by large corporations. Demand for export credit guarantees and export credits is expected to rise from the previous year, but the total amounts depend on the timing of individual large export transactions. Ships, telecommunications and the forest industry are still anticipated to account for the bulk of demand associated with large corporations' exports. Among the new, opening markets, the greatest demand is likely to focus on Iran and Argentina. Exposures for Russian trade declined in 2016 as buyers postponed investments, but new demand is expected in 2017. Other countries where the demand for Finnvera's guarantees is expected to rise are India and Mexico. In these countries, reforms associated with the modernisation of infrastructure will provide export opportunities for Finnish companies. In Finland, the progress of large investment projects promoting exports have an impact on the demand for guarantees.

The year 2017 is expected to be a year of growing demand. It is thought that implementation of the strategy throughout the Group will proceed as planned and that operations will be self-sustainable in the current financial period as well. The uncertainty factors associated with economic trends make it difficult to predict financial performance. If more risks materialise than has been anticipated, the situation may weaken considerably from what is projected.

CEO Pauli Heikkilä:

"Finnvera's year 2016 was driven, above all, by the greater demand for export financing and the substantial increase in transfers of ownership. Development of Team Finland activities continued and as a result of this work, 370 internationalising enterprises received tailored service proposals. The Finnish Parliament's decisions to raise Finnvera's authorisations guarantee that we'll be able to contribute to the success of Finnish enterprises on the international market in the coming years as well.

With regard to the formation of financial performance, the past year stands out among the preceding years. In terms of domestic financing, the structure of the credit portfolio – and hence the financial result – were at a good level. In contrast, with respect to export credit guarantees, the year 2016 saw the realisation of one major risk. A large Brazilian telecommunications company filed for debt restructuring and, for this reason, Finnvera's performance at the company level was lower than in past years. Finnvera's statutory mission is to bear some of the credit risks that are inevitable in all export transactions.

It is likely that 2017 will be characterised by increasing demand for Finnvera's export financing services. In SME financing, transfers of ownership will remain at a high level. Finnvera will serve as an intermediary organisation for the European EFSI financing. The international operating environment will remain uncertain. In order to spur domestic growth, we need long-term improvements in the structure of the Finnish export sector and in cost competitiveness."

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NASDAQ Helsinki Ltd
London Stock Exchange
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The half-year review is available in Finnish and English at www.finnvera.fi/eng/Finnvera/Publications/Annual-Reports-and-Interim-Reports.

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Report of the Board of Directors

The year 2016 was marked by a few high-profile political events. Britain's referendum on leaving the European Union and the result of the U.S. presidential election contributed to a feeling of uncertainty on the market. Despite these events, there were positive signals in the world economy. What's more, messages received from Finnish companies indicated an upturn in demand towards the end of the year. Finland must still develop its cost competitiveness and the structure of the export industry to achieve proper growth of the economy.

Finnish export companies have been successful in some sectors, such as shipping, telecommunications, forestry and energy. As before, they were able to win some large contracts during the past year. This has had an impact on the constantly rising demand for Finnvera's export financing services. The more stringent bank regulation following the financial crisis has also increased the need for export financing services. Finnvera is needed increasingly often to carry through the projects for Finnish companies to be able to complete their export deliveries.

Not only have individual large export deals given much-needed impetus to Finland's otherwise sluggish exports; they have also raised Finnvera's total exposure. According to forecasts, demand for Finnvera's export financing services will continue to grow in the near future. In consequence, the Finnish Parliament decided to raise Finnvera's authorisations to grant export financing, first from EUR 17 billion to EUR 19 billion in April and further to EUR 27 billion in December. Thanks to these higher authorisations, Finnvera will continue to have the opportunity to offer export financing arrangements that promote the success of Finnish export enterprises.

Finnvera's role strengthened in SME financing

As in export financing, Finnvera's role is highlighted in domestic enterprise financing because of stricter bank regulation. Finnvera is needed as a provider of financing for increasingly many SMEs. In 2016, Finnvera received new mandates, one of which was the Growth Loan, a mezzanine financing product. Several special products associated with the promotion of small export transactions were introduced on the market. In addition, Finnvera was accepted as an intermediary organisation for the European Fund for Strategic Investments (EFSI), operating under the European Investment Bank. Finnvera will start EFSI financing if commercial actors are not ready to serve as intermediary organisations for the financing.

The ageing of Finnish entrepreneurs has increased the need to promote transfers of business to the next generation and other ownership changes. Together with enterprise organisations, Finnvera is campaigning across the country to raise awareness associated with ownership changes.

Financing of ownership changes did in fact reach a new record in 2016. As matters stand, the positive trend will continue for several years.

Bonds issued by Finnvera

In April 2016, Finnvera plc issued a ten-year, fixed-rate bond of EUR one billion. In December 2016, Finnvera launched a 12-year, fixed-rate private placement bond of SEK 1.5 billion.

Both bonds were issued under Finnvera's EMTN (Euro Medium Term Note) Programme. The loans issued under the EMTN Programme are guaranteed by the State of Finland. Finnvera uses the assets acquired under the programme to finance export credits as well as SMEs and midcap companies.

Finnvera sold most of its holding in Seed Fund Vera Ltd

In December 2016, Finnvera plc sold 80 per cent of its holding in Seed Fund Vera Ltd. The majority holding in Seed Fund Vera was sold to Innovestor Kasvurahasto I Ky, a Finnish limited partnership. To ensure continuity, Finnvera remained an owner of Seed Fund Vera Ltd, with a holding of about 20 per cent. Underlying the sale is the decision made by the Ministry of Economic Affairs and Employment in 2012 to transfer early-stage venture capital investments away from Finnvera.

Since Finnvera is giving up its venture capital investment activities, both the Large Corporates Unit and the SMEs and Midcap Companies Unit will first and foremost rely on debt-based financing instruments.

Customer experience measured more actively

In October 2016, Finnvera adopted regular and continuous measurement of customer experience. When more measurements are done in real-time, more accurate information is obtained about customers' service expectations. The business units use the measurement results to develop their services so that they can meet the expectations of various customer groups even better.

Finnvera is a member of the Team Finland network, which has the objective of promoting the internationalisation of SMEs. In the past year, the network continued to develop its services. The most concrete form of cooperation was the adoption of the domestic service model, which was used in 2016 to present 370 service proposals to potential growth companies. Through the service model, the various Team Finland actors see to it that the customer gets all the necessary services available through the network. Also launched in 2016 was a project to create a joint CRM (Customer Relationship Management) system management system. The aim is to adopt the system in 2017.

Team Finland cooperation also got a boost when Finnvera, Finpro and Tekes relocated to joint premises in Team Finland House, situated in the Ruoholahti district of Helsinki, in August. Following the move, the organisations began to seek closer operational synergies. In addition to the head office in Helsinki, other Finnvera branch offices have also moved to modern premises. This brings the company annual savings of around EUR 2 million.

Financial trend

The Finnvera Group in July–December 2016

The Finnvera Group's profit in July–December 2016 was EUR 77 million. This was EUR 84 million better than the loss of EUR 7 million entered for January–June 2016.

The main reasons for the improvement in financial performance from the first to the second half of the year were the smaller losses from export credit guarantee operations and the smaller provisions for losses recorded by the parent company, Finnvera plc. In July–December, export credit guarantee losses and provisions for losses totalled only EUR 2 million, whereas the losses entered and the provisions made in January–June amounted to EUR 66 million.

During the first half of 2016, a provision of EUR 55 million for guarantee losses was made for Oi S.A. of Brazil when it transpired that the receivables from the company involve an obvious risk. At the time of closing the books, Finnvera estimated that the loss caused by Oi S.A. to Finnvera corresponds to the guarantee loss provision made during the first half of the year. The entries for impairment losses and provisions for losses made in the financial statements are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

Apart from the decrease in guarantee losses and provisions, the improvement in financial performance during the second half of 2016 depended especially on the net value of fee and commission income. At EUR 77 million, the net value was EUR 11 million, or 16 per cent, more than during the first half of the year. The increase in the net value of fee and commission income was mainly explained by higher fee and commission income from export credit guarantees and special guarantees.

The Finnvera Group's net interest income in July–December came to EUR 24 million. The net interest income was EUR 3 million and 11 per cent lower than the figure of EUR 27 million for January–June. This reduced the improvement of the result for the second half of 2016 when compared against the first half. Outstanding loans in SME financing decreased in July–December by EUR 47 million. This and the continuously falling interest rates were factors underlying the declining net interest income.

The losses from items carried at fair value in July–December totalled EUR 10 million. The figure is roughly the same as that for the previous six months. In recent years, the principal

reasons for the increase in losses from items carried at fair value have been changes in the fair value of debts and interest rate and currency swaps and changes in the fair value of venture capital investments.

The Group's personnel and other administrative expenses in July–December amounted to EUR 22 million. This was 4 per cent less than in the first half of 2016.

In December, Finnvera sold 80 per cent of its holding in Seed Fund Vera Ltd. The sale caused a loss of EUR 7 million to the parent company. In addition, the 19.99 per cent shares of Seed Fund Vera Ltd were valued to the actual selling price and an impaired loss was entered in the financial statements for EUR 2 million. For the Group, the sale of Seed Fund Vera Ltd brought in a profit of EUR 1 million. For the parent company, the capital loss from the sale of Seed Fund Vera Ltd is recognised under other operating expenses. Correspondingly, the profit for the Group was recognised under other operating income. In the parent company and the Group, 'Other operating income' also includes the cancellation of subordinated loans received from the State for venture capital investments, in total EUR 9 million. Other operating income for the Group totalled EUR 12 million in 2016, while other operating expenses came to EUR 4 million. Underlying the sale of Seed Fund Vera Ltd was the policy outline made by the government, according to which Finnvera will give up venture capital investments.

The Finnvera Group in January–December 2016

The profit of the Finnvera Group for 2016 was EUR 70 million (111 million). This was EUR 41 million, or 37 per cent, less than in the previous year. As was noted above, the reasons for the weaker performance were the parent company's export credit guarantee losses as well as provisions for losses that were realised during the first half of the year and were markedly greater than those entered the year before. In 2016, the parent company's export credit guarantee losses and provisions for losses totalled EUR 67 million. The losses and provisions realised in the previous year amounted to EUR 10 million.

Apart from the increase in export credit guarantee losses and provisions for losses, another reason for the weaker result in 2016 was the decrease in net interest income, which fell by EUR 6 million, or 10 per cent. In 2016, the Finnvera Group's net interest income came to EUR 50 million (56 million).

The net value of fee and commission income and expenses came to EUR 144 million, or 2 per cent more than the year before (141 million). The main factor underlying the increase in the net value of fee and commission income and expenses in 2016 was the fact that the fee and commission income paid in advance on export credit guarantees indemnified in July–December was recognised in the income statement for the period under review.

The gross amount of the fee and commission income totalled EUR 166 million (158 million), while fee and

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commission expenses came to EUR 22 million (17 million). Fee and commission expenses consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc. In recent years, the company has increased the volume of reinsurance; this also contributed to the rise in fee and commission expenses in 2016. The fee and commission expenses on reinsurance exceeded the figure for the previous year under review by 36 per cent.

Losses from items carried at fair value totalled EUR 20 million (21 million). The losses were EUR 1 million, or 6 per cent, less than the year before, the reason for this being, above all, a decrease in changes in the fair value of debts, interest rate and currency swaps and in venture capital investments.

Within the past few years, Finnvera's exposures and their risk levels have risen significantly. In SME and midcap financing, the quality of the credit portfolio improved in 2016 when compared against the previous years. This is seen as clearly reduced credit losses. However, the overall risk level is still markedly higher than it was before the financial crisis and the subsequent recession. One major credit risk was realised during 2016, when the Brazilian telecommunications company Oi S.A. sought debt restructuring. Altogether 31 per cent of exposures in export financing were in category B1, which is close to investment grade, or better categories. New risks were taken mostly in category B2.

Financial performance of Finnvera plc, the subsidiaries and the associated companies

The profit of the parent company, Finnvera plc, for 2016 stood at EUR 65 million (95 million), of which large corporates business accounted for EUR 33 million (82 million) and SME and midcap business for EUR 32 million (38 million). The performance of the large corporates business declined clearly from the previous year, while the performance of SME and midcap business was at a good level for a second year in a row.

The Group companies and associated companies had an impact of EUR 6 million on the profit for the year (16 million). Venture capital investments accounted for EUR -1 million (-24 million) of this impact. Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 5 million (15 million).

Other factors affecting the Group's financial performance in 2016 included the eliminations of EUR 2 million for the sale of Seed Fund Vera Ltd, and correspondingly the elimination of the impairment loss of EUR 25 million made in 2015 on the shares owned by the parent company in Seed Fund Vera Ltd.

Separate result for export credit guarantee and special guarantee activities

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 19 million (79 million) in 2016.

Analysis of financial performance in January-December 2016

Interest income and expenses and interest subsidies

The Finnvera Group's net interest income in January-December came to EUR 50 million (56 million). The net interest income was EUR 6 million, or 10 per cent lower than during the corresponding period in 2015. Outstanding loans in SME financing provided by the parent company, Finnvera plc, decreased by EUR 77 million in January-December. This and the lower interest rates were the most important factors behind the declining interest income and the fall in the net interest income.

The interest subsidies paid by the State and by the European Regional Development Fund (ERDF) and passed on directly to clients totalled EUR 2 million (3 million). Interest subsidies were about 50 per cent less than during the corresponding period in 2015. Interest-subsidised financing has not been granted since 1 January 2014. In consequence, the volume of Finnvera's interest subsidy will decrease and will account for a limited share of the net interest income, for instance, in 2017.

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses came to EUR 144 million (141 million). This was two per cent more than in the year before. The main factor underlying the increase in the net value of fee and commission income and expenses in 2016 was the fact that the fee and commission income paid in advance on export credit guarantees indemnified in July-December was recognised in the income statement for the period under review.

The gross sum of the fee and commission income totalled EUR 166 million (158 million). Of this, the parent company's fee and commission income from export credit guarantees and special guarantees accounted for 73 per cent (74), or EUR 120 million (108 million), while SME financing accounted for 27 per cent (26), or EUR 44 million (41 million). Finnish Export Credit Ltd's fee and commission income from interest equalisation and export credit financing amounted to EUR 1 million (1 million).

Fee and commission expenses totalled EUR 22 million (17 million). The fee and commission expenses consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc. In recent years, the company has increased the volume of reinsurance; this also contributed to the rise in fee and commission expenses in 2016. The fee and commission expenses on reinsurance exceeded the figure for the previous year under review by 36 per cent.

Losses from items carried at fair value

The Group's losses from items carried at fair value totalled EUR 20 million (21 million), of which the change in the fair value of debts and interest rate and currency swaps accounted for EUR -11 million (2 million). The change in the fair value of venture capital investments was EUR -10 million

(-23 million), while exchange rate differences accounted for EUR 2 million (0.3 million).

In 2016, the parent company, Finnvera plc, adopted hedge accounting. Its purpose is to hedge against the impact of fair value changes caused by changes in market interest rates. The subsidiaries have no corresponding need for hedge accounting. Hedge accounting pertains to the fixed-rate bonds issued by the parent company and to the interest rate swaps that are used to hedge them. Hedge accounting is applied from the date when debt instruments encompassed by hedge accounting are issued to the date of their maturity. In 2016, hedge accounting was applied to the 10-year bond of EUR 1 billion issued by Finnvera in April.

Other income

In January–December, the Group’s net income from investments totalled EUR 0.3 million (0.1 million). Other operating income amounted to EUR 12 million (2 million). Other operating income included, for instance, the cancellation of a subordinated loan from the State, the grant received from the State for losses incurred in ERDF venture capital investments, the Group’s capital gain from the sale of the Seed Fund Vera Ltd and the management fee paid by the State Guarantee Fund for managing the liability for export credit guarantees and special guarantees arisen prior to 1999.

Operating expenses and depreciation

The Group’s administrative expenses, including personnel expenses and other administrative expenses, were EUR 44 million (44 million). Personnel expenses accounted for 68 per cent (69) of administrative expenses.

Other operating expenses in the Group totalled EUR 4 million (6 million) and depreciation EUR 2 million (1 million). Other

operating expenses include rents and costs associated with real property and the EUR 7 million capital loss on the sale of the non-ERDF operations of Seed Fund Vera Ltd.

Impairment losses on receivables, guarantee losses

The Group’s impairment losses on loans, as well as guarantee losses and provisions, were EUR 94 million in January–December (97 million). After the compensation for credit losses by the State and the European Regional Development Fund (ERDF), the Group’s liability for impairment losses and other losses during the period under review amounted to EUR 66 million (15 million).

Impairment losses and losses on loans and guarantees, and the change in impairment losses and provisions for losses, totalled EUR 27 million (87 million). The compensation for losses paid by the State and the European Regional Development Fund totalled EUR 28 million (83 million). Compensation for losses was 58 per cent of the losses realised (64). Some large individual losses that were realised during the reference period had an impact on the total compensation for credit losses during the corresponding period the year before.

Losses on export credit guarantees and special guarantees, including the change in the provisions for losses, were EUR 67 million during the period under review (10 million). During the first half of 2016, a provision of EUR 55 million for guarantee losses was recognised for Oi S.A. of Brazil when it transpired that the receivables from the company involve an obvious risk. During the second half of the year, the provision for the losses of Oi S.A. was kept unchanged. The reasons are the proposal for the restructuring programme of Oi S.A. and the report drawn up by Finnvera on the exposure risk. Loss estimate may still change considerably as additional and more detailed information is obtained.

Finnvera Group	H2/2016	H1/2016	Change	H2/2015	2016	2015	Change	Change
	MEUR	MEUR	%	MEUR	MEUR	MEUR	MEUR	%
Impairment loss on financial assets								
Loans and domestic guarantees	-12	-15	-22	-15	-27	-87	-60	-69
Credit loss compensation from the State	13	15	-16	23	28	83	-54	-66
Export credit guarantees and special guarantees	-2	-66	-98	-8	-67	-10	57	-
Net impairment loss on financial assets	-0.2	-65	-100	-0.2	-66	-15	51	348

Doubtful receivables

Calculated according to the method harmonised at EU level, the amount of doubtful receivables and zero-interest items in SME financing stood at EUR 156 million at the end of December (201 million). When the impairment losses recognised are considered, doubtful receivables accounted for 6.5 per cent of total exposure. This was 1.8 percentage points lower than the amount of doubtful receivables at the end of 2015 (8.3 per cent). The ratio of doubtful receivables to total exposure was 2.3 per cent (3.3) when the compensation for credit losses received from the State for SME and midcap financing is taken into account.

Long-term economic self-sustainability

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

Self-sustainability in Finnvera’s SME and midcap financing has been attained over a 10-year period when the cumulative result is calculated up to the end of December 2016. Correspondingly, export financing has been economically self-sustainable during Finnvera’s 18 years of operation. Economic self-sustainability is also realised over a 20-year

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period 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.

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 December 2016, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 18.4 billion. The exposure for the credits and guarantees of SMEs and midcap companies, as well as guarantee receivables, stood at EUR 2.3 billion. Seen against these exposures, the net profit building a loss buffer on the balance sheet is now about 0.3 per cent at the annual level, and the equity is about 6 per cent.

Balance sheet 31 December 2016

At the end of December, the consolidated balance sheet total was EUR 9,498 million (8,418 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 7,178 million (5,784 million). The consolidated balance sheet total increased by 13 per cent, or EUR 1,080 million, during 2016. Most of the increase stemmed from the financing of export credits carried out by the subsidiary Finnish Export Credit Ltd. At the end of December, the balance sheet total of Finnish Export Credit Ltd was EUR 4,916 million (4,347 million).

At the end of December, the Group's outstanding credits came to EUR 5,827 million (5,347 million), or EUR 480 million more than at the start of the year. The outstanding credits of the parent company, Finnvera plc, came to EUR 3,568 million (2,772 million), of which the receivables from the subsidiaries totalled EUR 2,500 million (1,641 million).

The parent company's outstanding domestic guarantees increased slightly during 2016 and totalled EUR 1,061 million at the end of December (1,003 million).

The exposure defined in the Act on the State's Export Credit Guarantees, totalled EUR 14,442 million at the end of December (14,236 million). The total exposure arising from export credit guarantees and special guarantees (current commitments and offers given, including export guarantees) totalled EUR 18,426 million (17,436 million).

In accordance with the government's policy outlines, Finnvera will 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 available for sale in the parent company's financial statements. Similarly, the assets and liabilities of ERDF-Seed Fund Ltd are presented under long-term assets available 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 available for sale. The Group's long-term assets available for sale totalled EUR 47 million (102 million) at the end of December.

The parent company's long-term liabilities as per 31 December totalled EUR 5,175 million (4,046 million). Of this sum, EUR 4,892 million (3,958 million) consisted of bonds. The liabilities include subordinated loans of EUR 20 million received by Finnvera from the State for investment in the share capitals of Seed Fund Vera Ltd and Veraventure Ltd (38 million), and a subordinated loan of EUR 50 million granted by the State for strengthening capital adequacy (50 million).

At the end of December, the Group's non-restricted reserves contained a total of EUR 955 million (871 million), of which the reserve for domestic operations accounted for EUR 155 million (136 million), the reserve for export credit guarantees and special guarantees EUR 668 million (536 million), the reserve for venture capital investments EUR 15 million (17 million) and retained profits for EUR 117 million (183 million).

The item Other reserves, presented under unrestricted equity on the balance sheet, is used to monitor the assets allocated by the ERDF to venture capital investments.

Finnvera Group

	31 Dec 2016	31 Dec 2015	Change	Change
Balance sheet	MEUR	MEUR	MEUR	%
Share capital	197	197	0	0
Share premium and fair value reserve	55	49	6	12
Non-restricted reserves, in total	955	871	84	10
Reserve for domestic operations	155	136	19	14
Reserve for export credit guarantees and special guarantees	668	536	132	25
Other	15	17	-1	-8
Retained earnings	117	183	-66	-36
Equity attributable to the parent company's shareholders	1,206	1,117	90	8
Share of equity held by non-controlling interests	1	4	-3	-79
Balance sheet total	9,498	8,418	1,080	13

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Funding

In 2016, the Group's long-term acquisition of funds totalled EUR 1,349 million (1,827 million). EUR 629 million in long-term loans was paid back (603 million).

Capital adequacy

The Act on Finnvera (443/1998) stipulates that domestic operations must be kept separate from export credit guarantee and special guarantee operations. In consequence, losses from domestic operations are covered from the reserve for domestic operations, while losses from export credit guarantees and special guarantees are covered from the reserve for export credit guarantee and special guarantee operations. According to the Act on the State Guarantee Fund (444/1998), the State is responsible for export credit guarantees and special guarantees. Should the reserve for export credit guarantee and special guarantee operations lack sufficient assets to cover the losses incurred in the respective operations, the losses are covered from assets in the State Guarantee Fund, which are supplemented,

whenever necessary, by an appropriation from the State Budget.

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.

According to the goal set by the State of Finland, the owner of Finnvera, the Group's capital adequacy ratio for domestic operations should be at least 12.0 per cent. Capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of December, the Group's capital adequacy ratio for domestic operations, Tier 2, stood at 24.3 per cent (19.6) while the capital adequacy for domestic operations, Tier 2, of the parent company, Finnvera plc, was 22.0 per cent (18.1). The Finnvera Group's leverage ratio was 20.0 per cent (19.4) at the end of December.

Capital adequacy

	31 Dec 2016	31 Dec 2015	Change
Finnvera Group, domestic operations	%	%	% points
Tier 1	24.2	19.2	5.0
Tier 2	24.3	19.6	4.7

Capital adequacy

	31 Dec 2016	31 Dec 2015	Change
Finnvera plc, domestic operations	%	%	% points
Tier 1	21.8	17.7	4.1
Tier 2	22.0	18.1	3.9

The Finnvera Group's risk-weighted receivables totalled EUR 2,152 million at the end of December (2,322 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,801 million (1,808 million), or 84 per cent (78) of risk-weighted receivables. Most of the remaining receivables were associated with funding and the investment

of cash assets. About 50 per cent of loans and guarantees consisted of a large number of individual exposures of under EUR 1 million. Calculated according to the standard method, their risk weight was 75 per cent. The risk weight of other loans and guarantees was 100 per cent.

Finnvera Group, domestic operations

	31 Dec 2016	31 Dec 2015
Capital for calculating capital adequacy	MEUR	MEUR
Equity excluding profit for the year	1,144	954
Intangible assets	-7	-4
Reserve for export credit guarantees and special guarantees	-668	-536
Profit for the period	70	111
Profit for the period attributable to export credit guarantees	-19	-79
Subordinated loan	3	10
Total	522	455

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	31 Dec 2016	31 Dec 2015
	MEUR	MEUR
Risk-weighted items		
Receivables from credit institutions	177	118
Receivables from clients	1,801	1,808
Investments and derivatives	0	216
Receivables, prepayments, interest and other receivables, other assets	21	17
Binding promises for loans	71	80
Operational risk	82	83
Total	2,152	2,322

When calculated in accordance with the principles of the Basel III standard method, the capital adequacy of export financing would be at the lower limit of the target of under 10 per cent set by Finnvera's owner for domestic operations, 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.

Risk position

At the end of 2016, total exposure for SME and midcap financing came to EUR 2.6 billion, or EUR 0.1 billion less than the year before. Among SMEs and midcap enterprises, demand focused on financing for working capital. Seen against previous years, however, an upswing was also visible in the demand for investment financing.

During the year, the quality of the credit portfolio in SME financing has improved on the previous years. This is seen as clearly reduced credit losses. It was still possible to reduce the risks pertaining to individual clients. This had a positive effect, for instance, on the amount of non-performing credits and arrears. In its financing, Finnvera focuses on starting and growing enterprises, as well as enterprises in situations of change. The operational risks faced by these enterprises are often greater than the risks of established companies. Moreover, the importance of collateral in the management of credit risks has diminished owing to the revised collateral practices. For these reasons, the exposure risk level remained unchanged during the year when calculated using the so-called indicator of expected losses, which stood at 3 per cent of total exposure at year's end. The distribution of exposure by risk category also remained virtually unchanged, even though the credit ratings of some individual enterprises could be upgraded. Exposure for clients in the weak category B3 shrank by roughly EUR 50 million.

Credit and guarantee losses and impairment losses totalled EUR 38 million, or EUR 47 million less than the year before. Some extraordinary entries made in the previous year complicate the comparability of figures. No major new impairment losses were entered in 2016 and, for example, the exposure for companies that filed for corporate restructuring was clearly lower than in previous years.

At the end of 2016, the exposure for export financing, monitored by risk management, totalled EUR 18.1 billion. The 'old liability' under the State Guarantee Fund's direct responsibility accounted for no more than EUR 1 million of

this sum. Total exposure increased by EUR 1.0 billion during the year. At year's end, a significant share of the current guarantees and binding offers was in the country risk categories 0 and 4. Most of the guarantees granted during the year were also entered into these categories.

The volume of enterprises' commercial exposure, associated with export guarantees and special guarantees, rose by about EUR 1.2 billion during 2016, to EUR 16.9 billion at year's end. The sectors with the highest exposure were telecommunications, shipping companies, shipyards, and the forest industry. These sectors accounted for a total of 88 per cent of corporate exposure. Altogether 31 per cent of the exposure was in category B1, which is close to investment grade, or in better categories. New risks were mostly taken in category B2.

Guarantee losses totalled EUR 67 million in 2016.

Among the subsidiaries, the exposure arisen for Finnish Export Credit Ltd from the financing of export credits totalled EUR 8.6 billion at year's end; this was EUR 0.5 billion less than at the start of the year. The exposure includes export credits financed both under the temporary system and the permanent system launched in 2012, as well as binding credit commitments. The credit risks associated with the exposure are fully covered by means of export credit guarantees granted by Finnvera plc. These export credit guarantees are included in the above-mentioned exposure for export financing.

Attainment of industrial policy and ownership policy goals

Finnvera's operations are steered by the legislation on the company and by the industrial and ownership policy goals determined by the owner. Being responsible for the ownership and industrial policy steering of Finnvera, the Ministry of Economic Affairs and Employment sets industrial and ownership policy goals for the company for a period of four years. Whenever necessary, the Ministry revises these goals annually. Out of the ten goals set for the year 2016, seven goals were reached and three goals were partially reached.

Corporate governance Personnel

At the end of the financial period, the Group had 381 employees (396). Finnvera plc had 376 employees (381), of

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whom 353 (354) held a permanent post and 23 (27) a fixed-term post. The salaries and fees paid to the personnel totalled EUR 24 million for the Group (24 million) and EUR 23 million for the parent company (23 million).

Supervisory Board, Board of Directors and auditor

On 23 March 2016, 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.

The new members on the Supervisory Board are the Members of Parliament Laura Huhtasaari, Timo Kalli, Krista Kiuru, Kari Kulmala, Ville Niinistö and Eero Suutari, Managing Director Kari Luoto, Managing Director Carita Orlando, and Christel Tjeder, Second Vice Chairman of the Finnish Business School Graduates.

Antti Rantakangas, Member of Parliament, was elected Chairman of the Supervisory Board and Krista Kiuru, Member of Parliament, was elected Vice Chairman. The members continuing on the Supervisory Board are: Eeva-Johanna Eloranta, Member of Parliament; Mika Harjunen, Information Security Manager; Lasse Hautala, Member of Parliament; Olli Koski, Chief Economist; Leila Kurki, Senior Adviser; Veli-Matti Mattila, Chief Economist; Tommi Toivola, Senior Adviser; and Sofia Vikman, Member of Parliament.

Markku Pohjola, B.Sc. (Econ.) continues as Chairman of Finnvera's Board of Directors. Pekka Timonen, Director General, continues as the First Vice Chairman and Marianna Uotinen, Specialist Counsel, as the Second Vice Chairman. The members continuing on the Board of Directors are Kirsi Komi, LL.M., Pirkko Rantanen-Kervinen, B.Sc. (Econ.), Harri Sailas, B.Sc. (Econ.), and Antti Zitting, Chairman of the Board.

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

Events after the period under review

No major events have taken place after the period under review.

Outlook for financing

The economic expectations of SMEs and midcap enterprises have taken a slightly upward turn, which is believed to reflect positively on financing granted by Finnvera to SMEs and midcap enterprises in 2017. This will probably be seen particularly clearly in financing for growth companies, but the rising trend in financing intended for investments by growing and internationalising enterprises may also continue following the turn that occurred in 2016. It is assumed that financing granted by Finnvera for transfers of ownership will continue at the same solid level in 2017. It is generally believed that the bond activities of SMEs and midcap enterprises will gain slightly more momentum and will also be reflected in Finnvera's financing.

Financing solutions offered to buyers play a pivotal role in exports of capital goods sold by large corporations. Demand for export credit guarantees and export credits is expected to rise from the previous year, but the total amounts depend on the timing of individual large export transactions. Ships, telecommunications and the forest industry are still anticipated to account for the bulk of demand associated with large corporations' exports. Among the new, opening markets, the greatest demand is likely to focus on Iran and Argentina. Exposures for Russian trade declined in 2016 as buyers postponed investments, but new demand is expected in 2017. Other countries where the demand for Finnvera's guarantees is expected to rise are India and Mexico. In these countries, reforms associated with the modernisation of infrastructure will provide export opportunities for Finnish companies. In Finland, the progress of large investment projects promoting exports have an impact on the demand for guarantees.

The year 2017 is expected to be a year of growing demand. It is thought that implementation of the strategy throughout the Group will proceed as planned and that operations will be self-sustainable in the current financial period as well. The trends in impairment losses on receivables and in guarantee losses involve some uncertainty. In consequence, the results realised may differ from the forecasts even markedly.

Finnvera annual report 2016 > Financial statements > Key figures

Key figures

Finnvera Group	2016	2015	2014	2013	2012
Net interest income and net fee and commission income, MEUR	194	197	189	190	175
Administrative expenses, MEUR	44	44	41	43	43
Write-down on receivables and guarantee losses, MEUR	94	97	98	112	125
Credit loss compensation from the State, MEUR	28	83	64	48	50
Operating profit or loss, MEUR	69	114	101	75	54
Profit for the year, MEUR	70	111	100	75	53
Return on equity, %	6.0	10.4	10.8	9.3	7.2
Return on assets, %	0.8	1.5	1.8	1.8	1.6
Equity ratio, %	12.7	13.3	15.2	18.4	20.3
Capital adequacy ratio, Tier 2, domestic operations, % 1)	24.3	19.6	18.6	16.9	16.3
Expense-income ratio, %	27.0	28.3	25.9	27.0	27.6
Balance sheet total, MEUR	9,498	8,418	6,619	4,604	3,808
Shareholders' equity, MEUR	1,207	1,121	1,009	849	772
- of which non-restricted funds, MEUR	955	871	756	595	513
Personnel at year end	381	396	394	399	411
Finnvera plc, SMEs and midcaps					
Loans, guarantees and export credit guarantees offered, Billion euros	1.0	1.1	1.0	0.8	0.9
Outstanding commitments, Billion euros	2.6	2.7	2.8	3.0	3.0
Number of start-up enterprises financed	3,400	3,600	3,200	3,500	3,100
Number of jobs created	8,700	8,600	8,100	8,700	8,700
Finnvera plc, Large Corporates					
Export credit guarantees and special guarantees offered, Billion euros	4.2	6.6	5.0	3.3	5.3
Outstanding commitments, Billion euros	18.1	17.0	12.2	10.7	10.9
Finnvera plc, clients and personnel					
Number of clients, SMEs and midcap companies and Large Corporates together	27,700	28,400	28,800	29,700	30,000
Personnel at year end	376	381	376	382	393

1) The capital adequacy ratio 2012 has been calculated according to the Basel II methods. The solvency calculation is presented in more detail on page 7.

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Formulas for the key indicators

Return on equity % (ROE)

operating profit/loss – income taxes * 100

equity + minority share + accumulated appropriations deducted by the deferred tax liability
(average of the beginning and the end of the year)

Return on assets % (ROA)

operating profit/loss – income taxes * 100

total assets in average (average of the beginning and the end of the year)

Equity ratio %

equity + minority share + accumulated appropriations deducted by the deferred tax liability * 100

total assets

Capital adequacy ratio

2013–2016 calculated according to Basel III standard method

2012 calculated according to Basel II standard method

Expense-income ratio

administrative expenses + other operating expenses

net interest income + net fee commission income + gains/losses from financial instruments carried at fair value + net income from investments + other income

Finnvera annual report 2016 > Financial statements > The Board of Directors proposal

The Board of Directors' proposal for measures concerning the profit for the financial period

The parent company's profit for the financial period was EUR 64,658,871.97.

The Board of Directors proposes that, by virtue of Section 4 of the Act on the State-owned Specialised Financing Company, the profit be transferred to the unrestricted equity funds as follows:

To the fund for export credit guarantee and special guarantee operations; the share of export credit guarantee and special guarantee operations EUR 19,241,359.79.

To the fund for domestic operations; the share of domestic operations EUR 45,417,512.18.

In addition, the cancellation of a subordinated loan received from the owner, EUR 13,910,532.24 and remeasurement gains in defined benefit pension plans, EUR -144,408.00, were entered directly into retained earnings during the financial period. It is proposed that this sum be transferred to the fund for domestic operations.

Sum transferred to the fund for domestic operations, in total EUR 13,766,124.24.

Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group		Finnvera plc	
		1-12 2016	1-12 2015	1-12 2016	1-12 2015
Interest income	D1				
Interests from loans passed on to the customers		114,190	113,270	55,519	48,658
Subsidies passed on to customers		1,540	3,377	1,540	3,377
Other		-548	4,759	-1,356	4,140
Total interest income		115,182	121,406	55,702	56,175
Interest expenses	D1	-64,892	-65,389	-13,277	-7,798
Net interest income		50,290	56,016	42,425	48,377
Net fee and commission income	D2	143,950	141,281	142,701	140,606
Gains and losses from financial instruments carried at fair value	D3	-19,514	-20,813	1,723	-2,281
Net income from investments	D4	296	127	20	24
Other operating income	D5	12,445	2,231	12,617	2,850
Administrative expenses					
- Personnel expenses	D6	-29,860	-30,413	-28,853	-29,158
- Other administrative expenses		-14,051	-13,581	-13,555	-13,025
Total administrative expenses		-43,911	-43,994	-42,408	-42,183
Depreciation and amortization on tangible and intangible assets	D8	-2,339	-1,046	-2,326	-1,012
Other operating expenses	D9	-4,326	-5,552	-22,356	-13,075
Impairment loss on financial assets	D10				
- Loans and guarantees		-26,559	-86,837	-26,662	-85,459
- Credit loss compensation from the State		28,272	82,566	28,272	82,566
- Export credit guarantees and special guarantees		-67,416	-10,398	-67,416	-10,398
Net impairment loss on financial assets		-65,702	-14,669	-65,805	-13,291
Impairment loss on other financial assets		-1,932	0	-1,932	-25,000
Operating profit		69,256	113,582	64,659	95,014
Income tax expense	D11	958	-2,399	0	0
Profit for the period		70,214	111,183	64,659	95,014
Other comprehensive income					
Items that may not be reclassified subsequently to the statement of income					
- Revaluation of defined benefit pension plans		-144	9	-144	9
Items that may be reclassified subsequently to the statement of income					
- Change in the fair value of shares		5,690	-2,103	5,628	-2,068
Total other comprehensive income		5,546	-2,094	5,483	-2,059
Total comprehensive income for the period		75,760	109,090	70,142	92,957
Distribution of the profit for the period attributable to					
Equity holders of the parent company		70,253	112,356		
Non-controlling interest		-39	-1,173		
		70,214	111,183		
Distribution of the total comprehensive income for the period attributable to					
Equity holders of the parent company		75,799	110,262		
Non-controlling interest		-39	-1,173		
		75,760	109,090		

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Balance sheet

(EUR 1,000)	Note	Finnvera Group		Finnvera plc	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
ASSETS					
Loans and receivables from credit institutions	E1				
- Payable on demand		892,555	543,105	847,523	508,667
- Other than payable on demand		29,936	31,975	7,555	7,873
		922,491	575,080	855,078	516,540
Loans and receivables from customers	E2				
- Loans		5,827,299	5,347,182	3,567,866	2,772,264
- Guarantee receivables		26,259	34,282	26,259	34,282
- Receivables from export credit and special guarantee operations		224,476	12,164	224,476	12,164
		6,078,034	5,393,628	3,818,600	2,818,709
Investments	E3				
- Debt securities		2,042,422	2,014,386	2,042,422	2,014,386
- Investments in group companies		0	0	68,815	68,815
- Investments in associates		14,973	19,860	0	0
Other shares and participations		24,383	24,409	14,399	14,520
		2,081,778	2,058,655	2,125,637	2,097,721
Derivatives	E11	110,649	115,791	110,649	114,543
Intangible assets	E4	7,062	4,447	7,059	4,432
Property and equipment	E5				
- Property		0	164	0	164
- Equipment		1,431	1,425	1,431	1,425
		1,431	1,589	1,431	1,589
Other assets	E6				
- Credit loss receivables from the state		8,731	13,316	8,731	13,316
- Other		2,328	4,790	11,607	1,914
		11,059	18,106	20,338	15,230
Prepayments and accrued income	E7	236,118	148,625	211,531	134,107
Tax assets	E8	2,145	0	0	0
Long-term assets available for sale	E23	46,994	102,183	27,662	81,000
TOTAL ASSETS		9,497,760	8,418,104	7,177,986	5,783,872

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(EUR 1,000)	Note	Finnvera Group		Finnvera plc	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
LIABILITIES					
Liabilities to credit institutions	E9	213,452	0	213,452	0
Liabilities to other institutions	E9				
- At fair value through profit or loss		41,476	39,456	0	0
- Other financial liabilities		2,297,067	2,615,590	75,793	67,985
Debt securities in issue	E10				
- At fair value through profit or loss		4,891,873	3,957,734	4,891,873	3,957,734
Derivatives	E11	212,553	144,228	208,334	144,228
Provisions	E13	46,786	52,168	46,786	52,168
Other liabilities	E12	56,125	51,782	56,082	51,537
Accruals and deferred income	E15	458,691	345,117	447,505	336,730
Tax liabilities	E8	800	2,864		
Subordinated liabilities	E16	57,500	57,500	57,500	57,500
Liabilities associated with long-term assets available for sale	E23	14,075	30,589	12,525	30,589
Total liabilities		8,290,399	7,297,028	6,009,850	4,698,472
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		3,488	-2,202	3,323	-2,304
Non-restricted reserves					
Reserve for domestic operations		154,550	135,879	154,550	135,879
Reserve for export credit guarantees and special guarantees		668,440	536,064	668,440	536,064
Other		15,252	16,570	15,252	16,570
Retained earnings		117,084	182,896	78,929	151,550
		955,327	871,410	917,171	840,063
Equity attributable to the parent company's shareholders		1,206,456	1,116,849	1,168,136	1,085,400
Share of equity held by non-controlling interest		906	4,227		
Total equity		1,207,362	1,121,075	1,168,136	1,085,400
TOTAL LIABILITIES AND EQUITY		9,497,760	8,418,104	7,177,986	5,783,872

Contingent liabilities

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Contingent liabilities				
Commitments for domestic guarantees *)	1,060,984	1,003,387	1,060,984	1,003,387
Commitments for export credit guarantees and special guarantees **)	18,426,175	17,436,060	18,426,175	17,436,060
Credit commitments ***)	4,001,318	4,954,366	142,055	154,823
Total	23,488,476	23,393,813	19,629,213	18,594,270

*) 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.

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Current commitments	15,477,456	16,466,137	15,477,456	16,466,137
- For export credit guarantees	15,312,768	16,324,340	15,312,768	16,324,340
- For special guarantees	164,688	141,796	164,688	141,796
Offers given	2,948,719	969,924	2,948,719	969,924
- For export credit guarantees	2,948,719	969,924	2,948,719	969,924
- For special credit guarantees	0	0	0	0
Total	18,426,175	17,436,060	18,426,175	17,436,060

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

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Liability according to the Act on the State's Export Credit Guarantees	14,441,826	14,236,372	14,441,826	14,236,372

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.

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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 2016	196,605	51,036	-2,202	135,879	536,064	16,570	182,896	1,116,849	4,227	1,121,075
Cancelled amount of subordinated loan received from the owner							13,911	13,911		13,911
Comprehensive income for the period/ Change in the fair value of shares available for sale			5,690				70,253	76,046		76,046
Re-determination of defined benefit pensions							-144	-144		-144
Transfer to reserves				18,671	132,375	-1,317	-151,045	-1,317		-1,317
Adjustments								-102		-102
Balance at 31 Dec 2016	196,605	51,036	3,488	154,550	668,440	15,252	115,870	1,205,241	906	1,209,570
Other							1,214	1,214		1,214
Adjusted equity for the Group 31 Dec 2016	196,605	51,036	3,488	154,550	668,440	15,252	117,084	1,206,456	906	1,207,362
Balance at 1 Jan 2015	196,605	51,036	-99	135,089	435,628	16,619	168,709	1,003,586	5,399	1,008,985
Cancelled amount of subordinated loan received from the owner							3,050	3,050		3,050
Comprehensive income for the period/ Change in the fair value of shares available for sale			-2,103				112,365	110,262	-1,173	109,089
Transfer to reserves				791	100,436	-49	-101,227	-49		-49
Balance at 31 Dec 2015	196,605	51,036	-2,202	135,879	536,064	16,570	182,896	1,116,849	4,227	1,121,075

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(EUR 1,000)	A	B	C	D	E	F	G	H
Finnvera plc								
Balance at 1 Jan 2016	196,605	51,036	-2,304	135,880	536,064	16,570	151,550	1,085,400
Cancelled amount of subordinated loan received from the owner							13,911	13,911
Re-determination of defined benefit pensions							-144	-144
Comprehensive income for the period/ Change in the fair value of shares available for sale			5,628				64,659	70,287
Transfer to reserves				18,671	132,375	-1,317	-151,046	-1,317
Adjustments								0
Balance at 31 Dec 2016	196,605	51,036	3,323	154,550	668,440	15,252	78,928	1,168,135
Balance at 1 Jan 2015	196,605	51,036	-236	135,089	435,628	16,619	154,704	989,444
Cancelled amount of subordinated loan received from the owner							3,050	3,050
Comprehensive income for the period/ Change in the fair value of shares available for sale			-2,068				95,023	92,955
Transfer to reserves				791	100,436	-49	-101,227	-49
Balance at 31 Dec 2015	196,605	51,036	-2,304	135,880	536,064	16,570	151,550	1,085,400

Legend:

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

Statement of cash flow

(EUR 1,000)	Finnvera Group		Finnvera plc	
	1-12 2016	1-12 2015	1-12 2016	1-12 2015
Cash flows from operating activities				
Withdrawal of loans granted	-1,936,058	-3,457,022	-1,934,982	-3,453,658
Repayments of loans granted	1,485,711	2,924,124	1,123,465	2,907,215
Purchase of investments	-7,044	-12,626	0	-15,000
Proceeds from investments	3,351	6,592	0	0
Interest received	125,373	113,279	65,612	42,355
Interest paid	-57,396	-70,826	-10,941	-6,639
Interest subsidy received	373	1,174	373	1,174
Payments received from commission income	184,857	182,557	182,780	180,618
Payments received from other operating income	50,518	141,588	59,486	142,648
Payments for operating expenses	-74,921	-64,129	-79,053	-69,162
Claims paid	-207,788	-39,292	-207,788	-39,292
Taxes paid	-2,809	-3,319	0	0
Net cash used in (-) / from (+) operating activities (A)	-435,834	-277,900	-801,046	-309,742
Cash flow from investing activities				
Purchase of property and equipment and intangible assets	-5,083	-2,313	-5,083	-2,313
Proceeds from the assignment of tangible and intangible assets	66		66	
Other investments	0		-5,000	
Proceeds from other investments	44,544	255	49,529	255
Dividends received from investments	296	106	21	18
Net cash used in (-) / from (+) investing activities (B)	39,823	-1,952	39,533	-2,040
Cash flows from financing activities				
Proceeds from loans	1,348,589	1,827,112	1,348,589	1,509,761
Repayment of loans	-628,504	-603,459	-266,572	-201,177
Payments from derivatives collateral	46,070	29,210	46,070	29,210
Net cash used in (-) / from (+) financing activities (C)	766,155	1,252,863	1,128,087	1,337,793
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	370,144	973,012	366,574	1,026,011
Cash and cash equivalents at the beginning of the period	2,588,169	1,615,157	2,530,926	1,504,914
Cash and cash equivalents at the end of the period	2,958,313	2,588,169	2,897,500	2,530,925
Cash and cash equivalents at the end of the period				
Receivables from credit institutions	886,114	549,022	855,078	516,540
Debt securities	2,062,422	2,029,386	2,042,422	2,014,386
Investments in short-term interest reserves	9,777	9,761	0	0
	2,958,313	2,588,169	2,897,500	2,530,926

Notes to the presentation of the financial statements

A Accounting principles

A1 Basic information of the Group

The Group's parent company is Finnvera plc (hereinafter Finnvera) and its subsidiaries are Veraventure Ltd, ERDF-Seed Fund Ltd and Finnish Export Credit Ltd. Finnvera provides financing for the business of small and medium-sized enterprises (SMEs), for exports and internationalisation, and helps implement the government's regional policy objectives. Veraventure Ltd and ERDF-Seed Fund Ltd engage in venture capital investment, whereas Finnish Export Credit Ltd focuses on the financing of export credits. Through a partial division, Seed Fund Vera Ltd, a former subsidiary of the Group, was split into Seed Fund Vera Ltd and ERDF-Seed Fund Ltd on 15 July 2016. Finnvera sold the majority holding in Seed Fund Vera Ltd to a buyer outside the Group on 16 December 2016. Therefore, the company is no longer included in the consolidated financial statements at the end of 2016. Finnvera had a holding of 19.99 per cent in Seed Fund Vera Ltd at the end of 2016, and Finnvera no longer has a controlling interest in the company. Seed Fund Vera Ltd and ERDF-Seed Fund Ltd are classified as long-term assets available for sale and they are presented in more detail under "E23 Long-term assets available for sale".

The Group's parent company is a Finnish limited liability company established in accordance with Finnish law. Its business ID is 1484332-4 and it is domiciled in Kuopio. The parent company's registered address is P.O. Box 1127, Kallanranta 11, 70111 Kuopio. The Board of Directors approved the financial statements on 28 February 2017.

Copies of the consolidated financial statements and the parent company's financial statements are available on the Internet, at www.finnvera.fi, or in the Group's head offices at Kallanranta 11, 70110 Kuopio and Porkkalankatu 1, 00180 Helsinki.

A2 Principles for drawing up the financial statements

The financial statements include both the consolidated and the parent company's financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IFRSs effective on 31 December 2016 that refer to the standards and their SIC and IFRIC interpretations adopted in accordance with the procedures laid down in IAS Regulation No 1606/2002 of the European Union. The notes to the financial statements also comply with the currently valid requirements of the Finnish Accounting and Limited Liability Companies Acts.

The financial statements have been prepared on the basis of historical costs, except for financial assets available for sale

and financial assets and liabilities carried at fair value through profit or loss. Drawing up financial statements in keeping with the IFRS Standards requires the making of certain accounting estimates and judgment exercised by the management. In its judgments, the management uses estimates and assumptions that are based on earlier experience and the management's best understanding or other knowledge. Use of the management's judgment is described in more detail in section "A12 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty".

The financial statements are presented in thousands of euros. The sums calculated from individual figures may therefore differ from the total sums presented on their own lines.

New and revised standards and interpretations applied

In 2016 Finnvera adopted the following new or revised IFRSs and interpretations:

- Annual Improvements to IFRSs, 2012–2014 cycle (applied to financial periods starting on 1 January 2016 or thereafter): Through the Annual Improvements process, small and less urgent changes to standards are collected in a single document and implemented once a year. The amendments apply to four standards. The impacts of the amendments vary depending on the standard, but they are not significant.
- Amendments to IAS 1 Presentation of Financial Statements – A project concerning information presented in the financial statements (applied to financial periods starting on 1 January 2016 or thereafter). The amendments clarify the guidelines of IAS 1 concerning materiality, the aggregation of items in the income statement and on the balance sheet, the presentation of subheadings, the structure of financial statements and the principles for drawing them up. Minor amendments have been made to Finnvera's consolidated financial statements as concerns their presentation.

New and revised standards and interpretations applied later

The IASB has issued the following new or revised standards and interpretations. The Group applies them as of the effective date of each standard and interpretation. If the effective date is not the first day of a financial period, they are applied as of the beginning of the next financial period following the effective date.

- IFRS 9 Financial Instruments and its amendments** (applied to financial periods starting on 1 January 2018 or thereafter): The new standard replaces the current IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 changes the classification and measurement of financial assets and includes a new calculation model, based on expected loss impairment, for assessing the impairment of financial assets. The classification and measurement of financial liabilities are largely the same as in the current IAS 39 requirements. The standard revision is important from the perspective of Finnvera's financial information. The standard has an essential impact on the current calculation and recognition practices concerning impairment losses and provisions and on the reporting of financial information. In addition, it requires considerable system changes. Owing to the changes required by the standard, Finnvera launched a system development and revision project in autumn 2016. Finnvera has estimated that the most important changes concern impairment losses on loans and provisions for losses on domestic guarantees and export credit guarantees. Late in 2017, Finnvera will report more detailed numerical information on the impact of IFRS 9 on impairment losses on receivables, on provisions for commitments for guarantees, and on the impact of the change on the company's financial standing. According to the management's current view, no major changes are expected in the classification of financial assets and liabilities and in hedge accounting.
- IFRS 15 Revenue from Contracts with Customers** (applied to financial periods starting on 1 January 2018 or thereafter): The new standard replaces the current 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 is also increased. In general, Finnvera recognises the revenue collected on loans and guarantees on the basis of time elapsed. Finnvera deems that the amendments may possibly concern individual premiums collected on export credit guarantees and their recognition. Any amendments that the standard may require will be made in the consolidated financial statements during 2017.
- IFRS 16 Leases** (applied to financial periods starting on 1 January 2019 or thereafter): Replaces the current standard IAS 17 on leases and the related interpretations. IFRS 16 includes major changes to the lessee's accounting because a substantial percentage of leases is transferred to the lessee's balance sheet as an item under fixed assets and as a lease liability. In addition, lessees will no longer classify leases as finance leases and operating leases. In consequence, lessees will have only one accounting model for presenting leases.

A3 Consolidation principles for the financial statements

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group, by being party to a corporation, is exposed to its variable income or is entitled to its variable income and can influence it by using its power over the corporation. The consolidated financial statements include the subsidiaries in which the parent company holds more than 50 per cent of the votes, or in which the company otherwise has control.

In the parent company's financial statements, holdings in subsidiaries have been entered at acquisition cost. The value of the subsidiaries' shares is tested when the books are closed and, whenever necessary, an impairment loss is recognised.

The consolidated financial statements include the financial statements of the parent company and its subsidiaries. Intra-group shareholding has been eliminated using the acquisition method. When subsidiaries are acquired, they are consolidated from the date of acquisition up to the date when the control ceases.

In accordance with the exemption granted under IFRS 1, the acquisition costs arising from business combinations prior to the IFRS transition date 1 January 2006 have been treated according to the Finnish accounting practice. The Group has not made company acquisitions after the date of transition.

Associates

Associated companies are entities in which the Group has significant influence but not control over the financial and operational policies of the entity. Significant influence exists when the Group has 20 to 50 per cent of the voting shares of the entity. Associated companies are consolidated using the equity method of accounting. At the end of 2016, Finnvera had no associated companies consolidated using the equity method of accounting.

Equity investments made by Finnvera through its subsidiaries engaged in venture capital investment – Veraventure Ltd and ERDF-Seed Fund Ltd – are treated in the consolidated financial statements in the alternative manner allowed by IAS 28 Investments in Associates at fair value, as investments recognised through profit or loss. The consequent changes in fair value are recognised in the income statement of the consolidated financial statements, under the item Gains/losses from items carried at fair value.

Elimination of intra-group items in the consolidated financial statements

Intra-group transactions, internal receivables and liabilities, unrealised profits on internal transactions, and intra-group profit distributions are eliminated in the consolidation.

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Non-controlling interest

Non-controlling interest in the equity and in the comprehensive income for the period is reported as a separate item in the comprehensive income statement and on the balance sheet as part of equity.

A4 Transactions denominated in foreign currencies

The consolidated financial statements are presented in euros, which is the currency that all Group companies use in their operations and presentations.

Transactions denominated in foreign currencies are recognised using the exchange rates prevailing at the dates of the transactions, and assets and liabilities denominated in foreign currencies are converted using the exchange rates on the balance sheet date. Foreign exchange gains and losses arising from conversion are recognised under the income statement item Gains and losses from financial instruments carried at fair value.

A5 Principles for recognising income and expenses

Net interest income

Interest income and interest expenses are recognised in the income statement over the maturity of the contract using the effective interest rate method. All fees received and paid, interest points that are an integral part of the effective interest rate of the contract, as well as transaction costs and any other premiums or discounts are taken into consideration in calculating the effective interest. Interest subsidies received from the State are recognised correspondingly over the maturity of the contract using the effective interest rate method.

The interest on interest rate swaps made for hedging receivables is treated as an adjustment item for interest income, while the interest on interest rate swaps made for hedging liabilities is treated as an adjustment item for interest expenses.

Fees and commission income and expenses, net

Guarantee fees are recognised in the income statement over the maturity of the contract. Other fee and commission income and expenses are normally recognised when the service is rendered.

Gains and losses from financial instruments carried at fair value

Gains and losses (both realised and unrealised) from derivatives, liabilities and venture capital investments measured at fair value as well as exchange rate differences are presented under the comprehensive income statement item Gains and losses from financial instruments carried at fair value.

Net income from investments

Gains and losses from shares, participations and debt securities classified as available for sale, and impairments of these items, are presented under the item Net income from investments.

Dividends are recognised as income in the period in which the right to receive dividends is established.

Government grants

Finnvera receives interest and commission subsidies from the State as well as compensation for losses on credits and guarantees that Finnvera has granted on certain regional policy grounds agreed with the State. Credit and guarantee loss compensation is paid for credits and guarantees that have been granted without full security.

Interest and commission subsidies are recognised over the maturity of the contract using the effective interest rate method, and compensation received for credit losses is recognised when the contractual right to receive such compensation is established.

In previous years, Finnvera has also received grants to be used as capital for the subsidiary Seed Fund Vera Ltd. More information on government grants is available in Note E12 to the balance sheet.

A6 Intangible and tangible assets

Intangible assets

Intangible assets and other capital expenditure include licences and user rights for IT applications and software and their development costs, provided that their cost can be measured reliably and it is probable that the Group will gain economic benefit from the assets. Finnvera has two important IT projects in progress. The goal of the eFinnvera project is to improve productivity and efficiency through possible digitisation of business and support processes. The goal of the Salkku project is to replace the old management system of customer accounts with a new application. eFinnvera will be taken into use in steps over several years, whereas Salkku will be in production use during 2017.

Intangible assets are carried at historical cost less accumulated amortisations and impairment losses, and they are amortised over their estimated economic life, which is five years.

Tangible assets

Property, plant and equipment comprise machinery and equipment in the company's own use. Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated over their estimated economic lives.

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Impairment of intangible assets and property, plant and equipment

At every balance sheet date, the carrying amounts of intangible assets and property, plant and equipment are reviewed to determine whether there are indications of impairment. If such indications exist, the asset's recoverable amount is estimated. An impairment loss is entered into the income statement when the carrying amount of an asset exceeds its recoverable amount.

A7 Costs of post-employment benefits

Group pension plans are classified as either defined benefit plans or defined contribution plans. Under a defined contribution plan, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. Obligations resulting from a defined contribution plan are expensed in the period to which they relate. The cost of providing defined benefit plans is charged to the income statement over the working lives of the employees participating in the plan on the basis of actuarial calculations. The net liability of defined benefit plans is entered on the balance sheet.

Expenses based on work performed during the term and the net liability interest of defined benefit plans are entered on the income statement and presented under expenses incurred by employment benefits. Items resulting from revaluation of the net liability of defined benefit plans (e.g. actuarial gains and losses as well as earnings from plan assets) are recognised in other comprehensive income for the financial period during which they are incurred.

A8 Income taxes

Income taxes in the statement of comprehensive income consist of income taxes and deferred taxes for the current and previous financial periods. Taxes are recognised in the income statement with the exception of any deferred tax for items charged or credited directly to equity. In that case, the tax is also charged or credited directly to equity.

Deferred taxes are calculated using the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are calculated using a corporation tax rate of 20.0 per cent.

An amendment to the Income Tax Act passed by Parliament entered into force through a Government Decree issued on 20 December 2007. The amendment made Finnvera exempt from income taxation as from 1 January 2007. Finnvera's subsidiaries have no corresponding exemption.

A9 Financial assets and liabilities Classification

Financial assets are classified as financial assets at fair value through profit or loss, loans and other receivables, as well as financial assets available for sale. Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets and liabilities recognised at fair value through profit or loss

Balance sheet items recognised at fair value through profit or loss comprise derivatives and financial liabilities designated at fair value through profit or loss. Finnvera has no financial assets or liabilities held for trading.

Financial items recognised at fair value through profit or loss comprise derivatives and those liabilities designated at fair value through profit or loss for which the interest rate risk or the currency risk has been hedged using derivatives. Finnvera applies the fair value option in accordance with IAS 39 Financial Instruments: Recognition and Measurement to the above mentioned items. Fair value changes in assets recognised at fair value through profit or loss are recognised in the income statement under the item Gains and losses from financial instruments carried at fair value through profit or loss.

Venture capital investments made by the Group are classified as financial assets at fair value through profit or loss upon initial recognition. Investments are carried at fair value and the change in fair value is recognised in the income statement, under the item Gains/losses from items carried at fair value (for determination of the fair value of venture capital investments, see Note A13 Accounting principles requiring the management's judgment).

Loans and other receivables

Contracts with fixed or determinable payments that are not quoted in an active market are classified as loans and other receivables. Upon initial recognition, loans and other receivables are measured at acquisition cost plus any directly attributable costs. Subsequently these items are measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities comprise other liabilities to credit institutions and customers, as well as debt securities in issue, that are not designated as financial liabilities at fair value through profit or loss.

State subsidies and grants received for the purpose of acquisition of subsidiaries are also classified as other financial liabilities because of the repayment obligation relating to these items in certain situations.

Other financial liabilities are recorded on the balance sheet at the amount of the consideration received, adjusted for any transaction costs incurred, and are measured at amortised cost using the effective interest method. Finnvera treats the zero-interest subordinated loans granted to the Group by the State as loans granted by the owner. They are recognised at nominal value due to their special nature and the related special clauses. Subordinated loans are presented in more detail in Note E16 to the balance sheet.

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Determination of fair value

The fair value of financial instruments is determined on the basis of the following principles:

Level 1: The fair value of quoted shares, fund investments and other financial instruments is determined on the basis of published price quotations on an active market.

Level 2: If a published price quotation on an active market does not exist for a financial instrument in its entirety, but an active market exists for its components, fair value is determined on the basis of relevant market prices for the components using an applicable valuation technique. The valuation techniques used may vary by financial instrument.

Level 3: If the market is not active or the financial instrument is unlisted, the value is determined by using generally applied valuation techniques. If reliable determination of fair value is not possible, the financial instrument is measured at cost less any impairment losses.

The notes on Group financial assets and liabilities describe in greater detail the principles for determining fair value by financial instrument, the valuation techniques used in various situations, and the classification of the fair value of financial instruments according to whether they were obtained by public listing (Level 1), using valuation techniques that use verifiable data (Level 2), or using valuation techniques based on unverifiable data (Level 3).

Recognition and derecognition of financial assets and liabilities

Loans and other receivables are recognised on the balance sheet when a customer takes out a loan; available-for-sale financial assets and derivatives are entered using trade date accounting, and financial liabilities recognised at fair value through profit or loss are entered when the consideration is received.

Financial assets are derecognised from the balance sheet when the contractual right to the asset expires or when a significant share of the risks and income are transferred to another party. Financial liabilities are derecognised when the related obligations are fulfilled.

Impairment losses on financial assets

An impairment loss is recorded on loans and other receivables when there is objective evidence of impairment as a result of one or more loss events and this has an impact on future cash flows to be received from the receivables.

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

Impairment is assessed individually and collectively. Receivables where the customer's total risk exposure is

significant are assessed individually. For the purposes of assessing receivables collectively, the receivables are divided into subgroups that are similar in terms of credit risk.

An impairment loss is recognised if the present value of the future cash flows discounted at the receivable's original effective interest rate is lower than the carrying amount of the receivable. The amount recovered at the realisation of the collateral, as well as the credit loss compensation received from the State, are taken into account in the assessment.

An impairment loss is recognised as a realised loss when the customer has been found insolvent in liquidation proceedings, has ceased operations, or the receivables have been written off in either a voluntary or statutory debt adjustment. In SME financing, as from the financial statements of 2015, Finnvera has applied the definition of doubtful receivables harmonised at the EU level. The following are reported as doubtful receivables: receivables that are more than 90 days overdue; receivables subject to impairment losses, receivables from clients that have applied for restructuring or are in the process of restructuring, guarantee receivables and bankruptcy receivables.

Available-for-sale financial assets

Non-derivative financial assets that are designated as available for sale or that do not belong to any other category of financial assets are classified as available-for-sale financial assets.

In Finnvera, debt securities as well as shares and holdings other than those held for venture capital investments are classified as available-for-sale financial assets. Upon initial recognition these assets are measured at fair value plus any transaction costs directly attributable to the acquisition. Subsequently, available-for-sale financial assets are measured at fair value and the change in fair value is recognised in other components of comprehensive income and in equity in the fair value reserve, excluding short-term investments, which include municipal notes, commercial papers and certificates of deposit that are measured at amortised cost.

If the value of an asset classified as available for sale has declined markedly or for an extended period, the accumulated loss recognised in equity is entered in the income statement. The criteria for impairment loss are as follows: the company has been declared bankrupt or insolvent or has entered into a restructuring agreement, or has sought protection against its creditors, or extensive restructuring having an effect on the creditors is in progress.

Hedge accounting

For bonds issued as from the beginning of 2016, Finnvera has adopted hedge accounting with regard to fair value hedges when the criteria for hedge accounting are met. The purpose of hedge accounting is to hedge against the impact of fair value changes caused by changes in market interest

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rates. Financial liabilities encompassed by hedge accounting and their result are presented in Note E20.

Impact of negative interest rates

As of the second quarter of 2016, the income received by the Group on some euro-denominated accounts and other investments has been negative. This has reduced the Group's interest income.

In accordance with credit agreements, Finnvera compensates its clients for the impact of a negative reference rate.

A10 Provisions

Provisions for export credit guarantee losses

A provision is recognised on outstanding export credit guarantees and special guarantees when there is objective evidence that the obligation to pay an indemnity is likely to arise and it is estimated that the present value of the cash flows arising from the indemnity and discounted at the effective interest rate exceeds the correspondingly discounted cash flow from the recovery receivables arisen on the basis of the indemnity paid.

Objective evidence of a customer's capability to fulfill obligations is based on the risk classification of customers, past experience and estimates made by management about the customer's ability to repay the credit covered by the guarantee.

The need for provisions is assessed individually and collectively. Individual assessment is applied to commitments where the amount of commitments is substantial, i.e. the total commitment as per the guarantee cover is at least EUR 500,000. For smaller commitments, the need for provisions is assessed collectively.

Provisions for domestic guarantee losses

Provisions for domestic guarantee losses are recognised according to the same principles as the impairment losses recognised on loans and other receivables individually or collectively.

A11 Leases

Leases are classified as finance leases and operating leases. The classification is based on whether the substantial risks and rewards incidental to ownership are transferred to the lessee. At the end of 2016, Finnvera had no leases classified as finance leases.

Finnvera enters into operating leases both as a lessee and as a lessor. Lease payments payable and receivable under operating leases are recognised as income or expense on a straight-line basis over the lease term. Operating leases are mostly contracts relating to premises.

A12 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty

Financial statements drawn up according to the International Financial Reporting Standards (IFRS) require the management's estimates and assumptions that affect the items reported in the consolidated financial statements and in the notes to the accounts. In addition, judgment is needed when the principles of drawing up financial statements are applied. The management's estimates and assumptions are based on experience of historical data realised and on future forecasts. Changes in estimates and assumptions are entered into the accounts for the periods when the estimates or assumptions have undergone changes and for all subsequent periods. The final figures realised may differ from these estimates.

In Finnvera, the essential judgments concern the assessment of impairment losses on customers' loans and other receivables, the provisions to be made for domestic guarantee and export credit guarantee commitments, and the determination of the fair value of financial instruments and venture capital investments made through Finnvera's subsidiaries engaged in venture capital investment, i.e. Veraventure Ltd and ERDF-Seed Fund Ltd.

Impairment losses on receivables from clients

The impairment testing of receivables from credits, domestic guarantees and export guarantees included in SME financing is done individually for the largest sums and by risk category for other sums. The impairment testing is based on estimates of future cash flows to be received. The value of the receivables has impaired if the estimated value of the cash flow discounted on the balance sheet date, including collateral, is less than the book value of the receivables. In export financing, the impairment testing of loans and recovery receivables is done separately for individual receivables.

The principles for recognising impairment losses are described in more detail under the section Impairment losses on financial assets. During the financial year, impairment losses were only recorded on the balance sheet item Loans and receivables from customers. Note E2 to the balance sheet shows the amount of impairment losses.

Provisions

A provision is recognised on outstanding domestic guarantees and export credit guarantees in SME financing and export financing when there is objective evidence that the obligation to pay an indemnity is likely to arise and it is estimated that the value of the cash flows arising from the indemnity and discounted on the balance sheet date exceeds the correspondingly discounted cash flow from the recovery receivables arisen on the basis of the indemnity paid.

The principles for recognising provisions are described in more detail under section A10 of the accounting principles.

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The provisions have been made on the commitments presented in the note Contingencies.

Determination of the fair value of venture capital investments

In accordance with the government's policy outlines, Finnvera is giving up its venture capital investments. Finnvera has already initiated measures to this end. During 2016, Finnvera sold 78.9 per cent of its holding in Seed Fund Vera Ltd.

The fair value of venture capital investments made by the subsidiaries engaged in venture capital investment, Veraventure Ltd and ERDF-Seed Fund Ltd, is determined using a valuation method approved by the Board of Directors that complies with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines for early-stage ventures. In this method, the determination of fair value is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund's board of directors.

The starting point of the valuation is the value determined on the basis of the previous round of investments. If necessary,

this value can be adjusted in accordance with change factors in the portfolio company, its performance and its operating environment. When the value of the holding is determined, the effect of any options and conversion options on the value of the ownership is also taken into consideration. Initial investments made within the past year are recognised at book value. Fund investments are also valued using the IPEV Valuation Guidelines.

Determination of the fair value of liabilities and derivatives

The fair value of derivatives and financial liabilities recognised at fair value through profit or loss is determined using a method based on the current value of cash flow, in which calculations are based on market interest rates and other accounting information on the end date of the financial period. The fair values of derivatives are equivalent to the average market price in situations where the Group would transfer or sell derivatives in normal business operations under market conditions on the end date of the financial period. The credit risk associated with derivatives is reduced by means of collateral arrangements.

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B Risk management

IFRS consolidated financial statements, notes to risk management

The principles, role and responsibilities of risk management

Finnvera's strategy and the objectives set for its implementation when financing the growth, internationalisation and exports of enterprises form the foundation for risk management. Finnvera supplements the financial market and takes greater credit risks than financiers operating on commercial grounds. The credit risk is the principal risk segment for the Finnvera Group, other important segments being financial risks and operational risks associated with activities.

The task of risk management is to identify risks and to help Finnvera's management to manage risks that could jeopardise the attainment of the company's objectives. Risk management is of central importance for maintaining the Finnvera Group's ability to take risks and for attaining the company's long-term economic objectives. Finnvera's Board of Directors and executive management are responsible for arranging and organising internal control and risk management. The Board of Directors approves the principles of risk management, risk appetite, credit policy and decision-making powers.

Working independently of Finnvera's business areas, Risk Control is responsible for the development of the methods and guidelines of risk management and for the monitoring of the Group's risk position. Together with the business units, Risk Control is responsible for the development and maintenance of risk classification systems and for monitoring the functioning of these systems. Risk Control reports to the Chief Executive Officer. The practical measures regarding risk management are part of the day-to-day management and are handled by the entire Finnvera organisation and the Group companies.

Risk appetite and risk policies

Finnvera has defined risk appetites for all major risk types. The risk appetite of credit risk has been determined so that the company meets the ownership and industrial policy objectives in the medium term in relation to risk buffers and earnings power. The main indicators are the level of capital adequacy, the internal capital requirement and the expected loss of the credit portfolio. As for liquidity risk, Finnvera secures liquidity for a period defined in advance so that the financing of export credits and lending to domestic SMEs can be managed. Regarding market risks, Finnvera does not take visionary interest rate or currency exchange risks and strives to keep the risk within defined limits. The risk appetite for operational risks has been derived from the ISO 9001 quality standard used by the company and from compliance with the generally applied good practices and requirements

in the financing sector, taking into account the cost-quality ratio.

The State compensates Finnvera for some of the losses incurred in SME financing. Apart from the buffer of accumulated equity, the State Guarantee Fund and the State of Finland secure the foreign country, bank and enterprise risks associated with export credit guarantee operations. In the long term, profits from operations must cover the expenses and guarantee losses arising from operations. Finnvera's goal is to take credit risks in a controlled manner in line with its operating principles, and to hedge against other risks or to minimise them. Some of the investments in subsidiaries consist of capital invested by the State through the parent company, while some is capital invested directly by the parent company.

Finnvera's risk-taking is based on targets set by the owner for effectiveness and profitability. Risk-taking pertaining to financing is steered by means of the credit, guarantee and country policies ratified by the Board of Directors. Instruments such as reinsurance or credit derivatives may be used to hedge some credit risks in export credit guarantee operations.

In line with their strategic policies, the subsidiaries engaged in venture capital investment focus their risk-taking on start-ups and growth enterprises. The subsidiaries are controlled by the parent company and fall within the scope of risk management and internal auditing practised in the Group.

Credit and guarantee risks and risk classification systems

The risk of a credit loss arises when a debtor or another counterparty does not meet its obligations. In SME financing, the reason for credit losses is usually the insolvency of a corporate client. In the case of export credit guarantees, a guarantee loss may stem from the inability or unwillingness of a country, bank or corporate client to meet their payments.

Management of credit risks in SME financing is based on the assessment of each enterprise. Finnvera applies a risk rating system of eight categories, which is based on long-term observation of insolvency events for each risk category. The scale in use has seven categories for operating enterprises and one for insolvent enterprises. When a decision on financing is made, the account manager is responsible for assessing the credit risk, for giving the client the risk rating and for drafting the financing proposal. The Credit Decision Unit participates in the assessment of risk rating in conjunction with decision-making. The risk rating of Finnvera's client enterprises is updated at least every second year. The value of any available collateral is also assessed and updated in a similar way.

For granting export credit guarantees, Finnvera classifies countries into eight categories. The classification is based on methods used by export credit agencies. Various factors affect the determination of the country category: assessment of the country's ability to manage its external liabilities; expectations of the future trend of the country's economy; and political stability and the legislative framework. The granting of export credit guarantees is based on country policy. Each country for which Finnvera can grant export credit guarantees is assigned one country policy out of four policy categories (A–D). Finnvera keeps a close eye on the economic and political situations of countries and makes adjustments to its country policy depending on the changes that have occurred. The category of each country is checked at least once a year.

The taking of bank risks is based on an assessment of each country's banking system and on the risk analyses and risk ratings of individual banks. On the basis of both qualitative and quantitative factors, a risk-taking outline is determined for each individual bank, depending on the risk category. The risk rating of banks is updated whenever needed and always when new projects are introduced.

The taking of enterprise risks is based on an analysis of the enterprise's management, business and finances. The analysis may be concise in the case of small and short-term guarantees. The enterprise analysis is conducted by the account manager and an analysis team independent of business operations. The analysis results in internal risk classification of eight categories, which corresponds in part to the risk classification method used by international rating agencies. The rating is updated when new projects are introduced or otherwise at least once a year.

The credit rating of enterprises is based on the Probability of Default (PD), the Loss Given Default (LGD) and the exposure at default. Finnvera's financial products are mainly loans and guarantees. Owing to the nature of the products, it is justified

to assume that the exposure has been disbursed in full at the time of default. In the model for SME financing, the Loss Given Default is the exposure minus the value of collateral pledged, whereas in the model used for export credit guarantees, losses are estimated empirically. In the model for SME financing, the Probability of Default is based on Finnvera's own historical data, accumulated for over 20 years, on the probabilities of default in various risk categories. There are considerably fewer loss events in export credit guarantee operations, so the probabilities of default have been derived from the data of rating agencies. Risk Control monitors the functioning of the risk classification models regularly, and amendments improving them are made whenever necessary.

The credit risk models are utilised, for instance, for the following:

- assessment and pricing of credit risks when credits are granted;
- definition of credit policies;
- determination of the authority to make financing decisions;
- setting and monitoring qualitative objectives for the credit portfolio;
- risk reporting on the credit portfolio;
- internal assessment of capital adequacy and calculation of the expected loss.

In connection with the proposal for financing, the account manager or the credit risk analyst conducts risk classification using a rating tool suited for assessing the qualitative and quantitative factors of the risk object. The risk category determined when a proposal for financing is made is confirmed in connection with the financing decision. Whenever necessary, Risk Control gives its opinion on the risk ratings of the largest exposures. Risk categories are updated regularly.

Correspondence between the rating categories of enterprise exposures and the rating used by S&P¹

S&P Rating	AAA...AA-	A+...BBB+	BBB...BBB-	BB+...BB-	B+...B-	C
Finnvera	A1	A2...A3	A3-...B1	B1-...B2	B2-...B3	C

¹Because of differences in the rating methods, the comparison with the S&P rating is only suggestive.

Financing decisions are made by the Board of Directors and according to the authorisations delegated by the Board so that the amount of exposure and risk have an impact on the decision-making level. Finnvera's Credit Committee makes decisions under its own authority, discusses proposals submitted to the Board of Directors for decision-making, and

handles issues requiring a specific policy. The Credit Committee is chaired by the CEO. The Head of the Credit Decision Unit serves as the Vice Chair.

Monitoring of credit risks

Client monitoring takes place through annual analysis of the client enterprise's financial statements, regular contacts with the client and through monitoring of the client's payment behaviour and operations. In its monitoring, Finnvera utilises data from its own control systems, from beneficiaries of domestic guarantees and export credit guarantees, and from public registers on payment defaults. Elevated client risks are taken under special monitoring and a report on the special monitoring is drawn up every six months. The probability of credit losses and any needs for write-downs are assessed at the same time.

The concentration of risks in counterparties, sectors and countries is monitored regularly. Owing to the purpose of the company's operations, it is challenging to set precise limits for these risks. In SME financing, credit policy defines the maximum exposure of an individual counterparty. Decisions greater than this maximum must be justified separately to the company's Board of Directors and, whenever necessary, to the guiding ministry. In export financing, instruments such as reinsurance agreements are used to hedge against risks associated with individual counterparties and concentrations.

Counterparty risks also arise in connection with asset and liability management operations. Finnvera's goal is to keep the counterparty risks of asset management low by setting counterparty-specific limits, by concluding netting and security arrangements associated with derivative contracts, and by working with counterparties with high credit ratings.

The risk-taking realised in relation to risk appetite and goals is followed monthly by means of a diverse set of indicators. The main indicators in Finnvera's risk management are the distribution of the current credit and guarantee exposure and the change in exposure by risk category, payment delays and non-performing receivables. In SME financing, the LGD estimate is largely based on the value of collateral, whereas in export credit guarantees it is based on a separate estimate of recoveries. The level of risk-taking in relation to outstanding exposure, financing granted, and export credit guarantees is described by using the anticipated statistical value of credit losses, the total loss, and the credit losses realised. These are reported quarterly.

Interest rate and currency risk

At Finnvera, interest rate risks arise when interest rates for borrowing and lending are determined at different times and when there are structural interest rate risks associated with equity. The interest rate of domestic lending intended for small and medium-sized enterprises is mainly based on the 6-month Euribor. The interest rate in export financing is based either on the 6-month Euribor or on the 6-month USD-LIBOR. Interest determination dates are distributed fairly evenly over the various banking days throughout the year. Borrowing takes place in larger individual sums, and often with a fixed interest rate. In the event that borrowing is based on a reference rate other than the 6-month Euribor (or

USD-LIBOR), the reference rate is converted to the 6-month Euribor (or USD-LIBOR) by using interest rate swaps when the loan is taken. The interest rate risk arising from differences in the timing of interest determination days between borrowing and lending is controlled by striving to distribute the interest determination days for borrowing evenly over different months.

Structural interest rate risks arise when Finnvera's own funds, classified as being interest-free, are used in lending and export financing as one source of funding. Finnvera monitors the consequent interest rate risk and, if necessary, hedges this risk. The company's Board of Directors has determined that the target for return on equity is based on the 6-month Euribor, which governs the size of the structural interest rate risk.

The entire loan portfolio of Finnvera's SME financing is denominated in euros, whereas export financing uses both euros and dollars. Finnvera acquires funds from a number of markets and in a number of currencies. To control the currency risk, the funds acquired are converted into euros or dollars by using currency exchange rate swaps. Cash assets are also invested in the relevant currencies. The remaining currency risk is hedged using currency derivatives, if necessary.

Finnvera's goal is to keep both the interest rate risk and the currency risk low. Risks are monitored actively, and the company's management and the Board of Directors receive regular reports on them.

Liquidity risk

Finnvera acquires long-term funding mainly within the EMTN programme. The programme is guaranteed by the State and has the same credit rating as the State of Finland. The company can also make use of a domestic commercial paper programme. These help distribute the acquisition of funds across several markets and investors.

Finnvera's Board of Directors approves the principles of liquidity management. According to these principles, the liquidity buffer must at any given time cover the payments scheduled for the next 12 months. The principles also determine how much underfunding the company can accept in the longer term. Liquid assets are invested in objects that have a high credit rating. Finnvera's Asset Management is responsible for practical tasks associated with borrowing and liquidity management. The company's accumulated own funds are an important element of the acquisition of funds for lending.

The potentially high claims arising from export credit guarantee operations may lead to a sudden need for liquidity that is greater than normally. To prepare for the realisation of such liquidity risks, Finnvera has entered into contractual arrangements, for instance, with the State Guarantee Fund and the State of Finland.

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Market risk

Finnvera does not trade in instruments subject to the effect of market prices. However, a small amount of market risk arises in the balance sheet when liquid assets are invested and when measures are taken to hedge against currency and interest rate risks. The aim is to invest liquid assets in instruments where investments can be kept until maturity. Since the investments are classified as available for sale, changes in market prices do not affect Finnvera's financial performance. Effort is also made to hedge risks so that the net effect of market changes on financial performance would be slight.

Operational risks

An operational risk is a risk of loss caused by insufficient or inoperable internal processes, systems, human resources or external events. Operational risks also include legal risks and the risk of damage to reputation.

The management of operational risks has been developed systematically since 2006, and operational risks have been registered since the beginning of 2007. Risk Control is responsible for developing the management of operational risks. In practice, the process teams, units and the Information Security Group are responsible for implementing practical measures. Finnvera has a full-time Information Security Manager. Potential risks are charted and the severity of any consequences they might involve is assessed regularly. In addition, Finnvera has drawn up risk scenarios that, if realised, would have serious consequences for the company's operations. Responsibility for the implementation of actions to avert the risk scenarios and other severe risks has been divided between the various organisational units in line with their tasks. Safeguards are taken against operational risks, for instance, by introducing internal control mechanisms, by developing processes, information systems and the quality of operations, and by taking out insurance against risks.

The management of operational risks is closely linked to Finnvera's operating system. Finnvera has an ISO 9001 quality certificate and meets the requirements set by central government for the increased level of information security.

Operational risks realised are registered into the management system of operational risks accessible to the entire personnel. The reasons leading to the events and the measures taken to prevent the recurrence of similar events are described in the application. Finnvera's management and Board of Directors receive regular reports on operational risks realised.

Venture capital investments

Within the Finnvera Group, venture capital investments are carried out by Veraventure Ltd and ERDF-Seed Fund Ltd. Investments made in these companies fall within the scope of Finnvera's credit risk monitoring.

Risk management by the subsidiaries engaged in venture capital investment is based on enterprise analysis, limiting the size of investments, sharing the risk with other investors, and on sufficient diversification of the investment portfolio. The principles for liquidity investment are the same as those applied by the parent company.

The companies engaged in venture capital investment comply with the recommendations issued by the European Venture Capital Association (EVCA) on the valuation of portfolio companies and fund investments. Investments are carried at fair value in accordance with the above-mentioned recommendations.

Capital management, capital adequacy and external risk weight

Finnvera calculates its capital adequacy for SME financing according to the principles of the Basel III standard method even though Finnvera is not officially required to apply this method. Owing to the nature of its business, Finnvera must ensure that the amount of equity is sufficient in relation to the credit risks taken. The Ministry of Economic Affairs and Employment has set a goal of 12–20 per cent for Finnvera's capital adequacy. Finnvera also uses stress tests to assesses credit losses and their impact on capital adequacy.

Economic capital is calculated using a credit risk model that corresponds to the models generally used by banks. The model considers the probability of default for the risk objects and the loss resulting from the exposure should the default be realised. Internally, Finnvera's aim is to attain as much economic capital as is needed to cover the annual losses arising from credit risks and counterparty risks with a certainty of 99 per cent. In addition, capital is reserved for operational risks. Finnvera has assessed that a certainty of 99 per cent is sufficient for the indicator of economic capital because the State is ultimately responsible for Finnvera's domestic guarantees and export credit guarantees.

Equity and retained earnings are allocated to the reserve for domestic operations and to the reserve for export credit guarantee and special guarantee operations. The State provides direct support for Finnvera's domestic financing by paying credit and guarantee loss compensation for some of the credit losses incurred by Finnvera. At present, the compensation for credit and guarantee losses ranges from 35 to 80 per cent, depending on the project. The average is about 55 per cent of the outstanding credit and guarantee exposure. In export credit guarantee operations, the State of Finland is responsible, e.g. through the State Guarantee Fund, for the losses that may arise during the financial period and exceed the assets in the reserve for export credit guarantee and special guarantee operations.

It has been ensured through legislation that, in the capital adequacy calculations of banks, the risk weight of Finnvera's guarantees is the same as that applied to the liability of the State of Finland.

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B1 Credit risks

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Receivables		
Loans and receivables from credit institutions	1,025,706	2,167,331
Loans and receivables from customers *)	6,080,219	5,452,142
Debt securities	193,425	383,509
Derivatives	40,835	55,267
Total	7,340,184	8,058,249
Contingent liabilities **)	23,488,476	23,393,813

*) Finnish Export Credit's receivables, EUR 4,759,831 thousand (EUR 4,216,369 thousand), guaranteed by Finnvera, are included in 'Receivables from customers' in the Group.

***) A more detailed analysis in Contingent liabilities.

SME AND MIDCAP FINANCING

B2 Receivables from customers and guarantees whose value has not impaired

Risk class	SME and midcap financing			
	31 Dec 2016		31 Dec 2015	
	(EUR 1,000)	%	(EUR 1,000)	%
A1	802	0%	382	0%
A2	5,025	0%	3,407	0%
A3	69,421	3%	43,884	2%
B1	346,643	15%	369,447	15%
B2	1,273,190	56%	1,324,693	54%
B3	498,082	22%	587,175	24%
C	48,000	2%	65,517	3%
D	42,319	2%	47,156	2%
Total	2,283,482	100%	2,441,660	100%

B3 Receivables from customers and guarantees by industry

(EUR 1,000)	SME and midcap financing	
	31 Dec 2016	31 Dec 2015
Rural trades	39,158	31,772
Industry	1,251,267	1,380,555
Tourism	180,335	180,654
Services to business	584,503	496,840
Trade and consumer services	228,219	351,839
Total	2,283,482	2,441,660

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B4 Loans and guarantees by area

(1 000 e)	SME and midcap financing	
	31 Dec 2016	31 Dec 2015
Finland	2,283,482	2,441,660
Total	2,283,482	2,441,660

B5 Loans and guarantees, collateral shortage

(EUR 1,000)	SME and midcap financing			
	31 Dec 2016			
	Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	2,283,482	525,201	1,758,281	77%
31 Dec 2015				
	Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	2,441,660	659,248	1,782,412	73%

B6 Impaired loans and guarantees for which a guarantee provision has been made

(EUR 1,000)	SME and midcap financing	
	31 Dec 2016	31 Dec 2015
	Total	Total
Impairment losses on individually assessed loans and guarantee provisions		
Loans		
- Commitment before impairment	63,926	79,661
- Impairment loss	19,987	27,830
- Commitment after the impairment	43,939	51,831
Export guarantees		
- Commitment before expert guarantee provision	11,409	14,522
- Export guarantee provision	9,754	5,700
- Commitment after export guarantee provision	1,655	8,822
Guarantees		
- Commitment before export guarantee provision	50,849	55,341
- Guarantee provision	17,302	18,331
- Commitment after the guarantee	33,547	37,010
Impairment losses on collectively assessed loans and guarantee provisions		
Loans		
Commitment before the impairment	65,036	78,580
Impairment loss	24,685	28,503
Commitment after the impairment	40,351	50,077
Guarantees		
Commitment before the guarantee provision	38,862	48,748
Guarantee provision	14,878	18,653
Commitment after the guarantee provision	23,984	30,095

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B7.1 Doubtful receivables

(EUR 1,000)	SME and midcap financing	
	31 Dec 2016	31 Dec 2015
Receivables that are more than 90 days overdue	97,655	90,492
Classified as insolvent	129,818	196,599
Individually and collectively assessed impairment losses *)	-87,853	-95,505
Doubtful receivables net	139,619	191,586
0-interest credits	16,367	12,954

Doubtful receivables are defined according to the definition of the European Banking Authority that entered into force in 2015.

*) All individually and collectively assessed impairment losses pertain to doubtful receivables.

B7.2 Past due receivables

(EUR 1,000)	SME and midcap financing	
	31 Dec 2016	31 Dec 2015
1 day–3 months	7,873	8,372
3–6 months	4,038	6,265
6–12 months	6,437	16,898
Over 12 months	28,981	25,661
Total	47,329	57,196

Past due receivables comprise any interest payments, loan instalments, guarantee commissions and outstanding guarantee receivables that are unpaid at the balance sheet date for all current commitments, including loans subject to any impairment.

Past due receivables that are more than 90 days overdue are included in doubtful receivables.

EXPORT FINANCING

B8 Enterprise and bank commitments in export credit guarantee operations, by risk category

(EUR 1,000)	Export financing					
	31 Dec 2016			31 Dec 2015		
Risk category	Enterprise commitments	Bank commitments	Total	Enterprise commitments	Bank commitments	Total
A1	458,375	91,677	550,052	369,854	72,266	442,120
A2	0	334,142	334,142	0	373,284	373,284
A3	2,007,549	62,840	2,070,390	2,263,963	96,337	2,360,300
B1	2,776,409	44,480	2,820,888	4,480,952	48,716	4,529,669
B2	9,741,535	439,941	10,181,476	6,991,454	479,649	7,471,103
B3	1,772,574	68,094	1,840,668	1,355,339	111,679	1,467,018
C	9,400	601	10,000	11,043	428	11,471
D	2,428	0	2,428	2,428	0	2,428
No classification	167,655	1,718	169,373	264,362	0	264,362
Total	16,935,924	1,043,494	17,979,418	15,739,395	1,182,359	16,921,754

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B9 Country exposures in export credit guarantee operations, by country category

Country category (EUR 1,000)	Export financing	
	31 Dec 2016	31 Dec 2015
0	11,732,702	10,055,963
1	344	515
2	1,060,971	1,112,223
3	1,499,986	1,694,727
4	1,734,332	3,937,714
5	1,815,614	340,549
6	365,964	92,227
7	88,643	52,375
Total	18,298,556	17,286,293

B10 Enterprise and bank commitments in export credit guarantee operations, by sector

(EUR 1,000)	Export financing	
	31 Dec 2016	31 Dec 2015
	Total	Total
Telecommunications	3,993,867	4,918,939
Shipping companies	8,379,620	6,198,778
Wood processing	2,454,781	2,410,478
Metal industry and ore mining	255,311	324,718
Power generation	404,190	431,648
Other	672,297	509,606
Reinsurance	775,858	945,227
Banks and financing	1,043,494	1,182,359
Total	17,979,418	16,921,754

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B11 Liquidity risk, maturity of assets, liabilities and guarantees

(EUR 1,000)	Finnvera Group						
	Book value	Nominal value	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years
31 Dec 2016							
Assets							
Receivables from credit institutions **)	890,527	890,527	869,006	861	6,886	8,608	5,165
Receivables from credit institutions, debt securities (***) and certificates of deposit	1,694,569	1,686,520	335,220	329,500	1,021,800	0	0
Receivables from customers	4,817,048	4,816,732	141,005	525,533	2,657,720	1,407,732	84,742
Debt securities	290,636	290,700	243,000	47,700	0	0	0
Total	7,692,780	7,684,478	1,588,231	903,594	3,686,406	1,416,340	89,907
Liabilities							
Liabilities to credit institutions	213,452	213,452	0	0	106,726	106,726	0
Liabilities to others	2,337,585	2,337,585	90,031	271,982	1,386,132	572,688	16,752
Debt securities in issue	4,891,873	4,849,676	0	284,603	1,933,708	2,474,338	157,027
Subordinated liabilities	70,025	70,025	0	50,000	0	5,025	15,000
Credit commitments	0	3,859,263	504,119	811,021	2,544,122	0	0
Total	7,512,936	11,330,001	594,150	1,417,607	5,970,688	3,158,777	188,779
Derivatives							
Derivatives - receivables	110,649	5,466,957	194,065	394,803	2,246,724	2,474,338	157,027
Derivatives - liabilities	208,334	5,599,957	204,391	373,071	2,392,968	2,474,338	155,190
Total, net	-97,685	-133,001	-10,325	21,732	-146,244	0	1,837
Assets, liabilities and derivatives, net:	15,108,032	18,881,479	2,172,056	2,342,932	9,510,850	4,575,117	280,523
Guarantees and export credit guarantees*)							
Guarantees		1,060,984	105,579	313,291	535,984	103,841	2,289
Export credit guarantees		18,426,175	637,538	1,672,417	7,798,143	5,372,345	2,945,733

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(EUR 1,000)	Book value	Nominal value	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years
31 Dec 2015							
Assets							
Receivables from credit institutions **)	580,252	580,252	507,010	50,861	6,886	8,608	6,886
Receivables from credit institutions, debt securities ***)	1,579,206	1,575,573	223,500	407,953	944,120	0	0
Receivables from customers	5,405,696	5,405,826	166,463	674,286	2,920,868	1,544,777	99,432
Debt securities	383,509	383,600	241,100	142,500	0	0	0
Total	7,948,664	7,945,251	1,138,073	1,275,600	3,871,874	1,553,385	106,319
Liabilities							
Liabilities to credit institutions	0	0	0	0	0	0	0
Liabilities to others	2,655,046	2,653,738	87,407	279,620	1,402,849	818,221	65,641
Debt securities in issue	3,957,734	3,937,282	0	275,558	1,452,461	2,209,263	0
Subordinated liabilities	88,089	88,089	0	50,000	0	18,089	20,000
Credit commitments	0	4,954,367	550,677	928,642	3,475,049	0	0
Total	6,700,869	11,633,476	638,084	1,533,819	6,330,359	3,045,573	85,641
Derivatives							
Derivatives - receivables		4,269,080	0	275,558	1,784,258	2,209,263	0
Derivatives - liabilities		4,317,634	0	226,057	1,882,314	2,209,263	0
Total, net	-28,437	-48,554	0	49,501	-98,055	0	0
Assets, liabilities and derivatives, net:	14,621,096	19,530,173	1,776,157	2,858,920	10,104,178	4,598,958	191,960
Guarantees and export credit guarantees*)							
Guarantees		1,003,387	124,215	295,870	489,013	91,235	3,054
Export credit guarantees		17,436,060	660,520	1,787,599	7,693,645	5,323,988	1,970,308

*) The guarantees in the table have been broken down according to their due dates. An individual guarantee may give rise to indemnity at any time during its period of validity. There is no historical information as to when such indemnities have been realized during the life cycle of a guarantee.

***) The item 'Receivables from credit institutions' does not include the ERDF assets deposited, EUR 7,555,000. Their use is regulated separately.

**) Investments in debt securities issued by credit institutions.

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B12 Market risk sensitivities

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Interest rate risk		
Market interest increase 1%		
- Change in net interest income during the next 12 months	14,910	12,683
- Changes in items carried at fair value	9,183	7,426
Market interest decrease 0,1%		
- Change in net interest income during the next 12 months	-1,491	-1,268
- Changes in items carried at fair value	-918	-743
Currency risk		
The USD strengthens by 10% against the euro	-481	800
The USD weakens by 10% against the euro	393	-655

C Segment information

Finnvera's segment information is based on the company's internal division into business areas and on the organisational structure. Client enterprises have been divided into business areas according to their size and the need for financing at their development stage. A service concept has been devised for each business area. Finnvera's segments are locally operating small companies, SMEs focusing on the domestic markets, SMEs seeking growth and internationalisation, export financing and venture capital financing. In the parent company, export financing comprises export credit guarantees. In the Group, it also includes export credits.

The clients of the local micro-enterprises segment are locally operating enterprises that have fewer than 10 employees. This segment offers financial services for the start-up and development of enterprises in cooperation with regional enterprise services and other financiers.

The clients of the segment for enterprises on the domestic market are SMEs and, on special grounds, large corporations. The clientele includes companies engaged in production and in services. In cooperation with other financiers, financial solutions are provided especially for the development and growth needs of companies and for transfers of business to the next generation.

The clients of the segment for growing and internationalising enterprises are SMEs and midcap companies* that have a growth strategy based on internationalisation. Some clients already engage in exports on the international market, while others are still starting out on this development path. In general, these enterprises also use the services of other organisations providing services for growth enterprises (Finpro, Tekes, Centres for Economic Development, Transport and the Environment) and make use of the services offered by Finnvera for export financing.

The export financing segment consists of financing for export credit guarantees and export credits. The clients are exporters operating in Finland, generally classified as large corporations, as well as domestic and foreign providers of financing for these. In addition, the segment includes Finnish

Export Credit Ltd, a subsidiary of Finnvera that provides financing for export credits and export financing based on tax agreements and administers the interest equalisation system for officially supported export credits and domestic ship financing in accordance with the OECD Arrangement. Finnvera has official Export Credit Agency (ECA) status.

The segment for venture capital investments consists of the Group's venture capital investment activities. Two of Finnvera's subsidiaries – Veraventure Ltd and ERDF-Seed Fund Ltd – make venture capital investments in enterprises. Finnvera plc sold the majority holding in Seed Fund Vera Ltd to a buyer outside the Group on 16 December 2016. With its holding of 19.99 per cent in the company, Finnvera remains a minority shareholder. For this reason, Seed Fund Vera Ltd is no longer included in the consolidated financial statements on 31 December 2016. The figures of Seed Fund Vera Ltd are included in the segment information up to 16 December 2016.

Income, expenses, assets and liabilities are allocated to each segment when they are deemed to fall within that segment or when such allocation is otherwise sensible. All income and expenses have been allocated to segments. There is no notable intra-segment business.

Assessment of the profitability of Finnvera's segments is based on the operating profit. The assets and liabilities of segments are valued according to the principles for drawing up the financial statements.

The Finnvera Group has operations only in Finland and its clientele consists of a wide spectrum of clients in various sectors.

* Midcap = A national definition included in the Government's commitment to compensate Finnvera plc for credit and guarantee losses. The term refers to an enterprise that is larger than the definition of an SME applied by the EU. Its turnover may not exceed EUR 300 million in the latest financial statements adopted by the enterprise. If the enterprise has drawn up consolidated financial statements, the turnover is taken from them.

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C1 Consolidated income statement by segments

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Export financing	Venture capital financing	Eliminations	Total
Finnvera Group							
1-12/2016							
Net interest income	8,533	22,547	7,138	10,649	1,422	0	50,290
Net fee and commission income	5,213	20,799	14,210	103,730	-2	0	143,949
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1,465	-363	-7,857	-56,209	192	0	-65,702
Operating expenses *)	-10,329	-14,764	-9,739	-25,317	-5,130	17,044	-48,237
Depreciation and amortization	-220	-1,142	-496	-468	-13	0	-2,339
Other income/ expenses **)	107	-368	187	5,339	1,295	-15,265	-8,705
Operating profit	1,840	26,708	3,443	37,724	-2,237	1,778	69,256
1-12/2015							
Net interest income	9,102	28,642	6,697	11,057	519	0	56,016
Net fee and commission income	4,523	21,444	13,986	101,330	-3	0	141,281
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1,691	-17,144	12,354	-6,811	-1,378	0	-14,669
Operating expenses *)	-11,090	-16,093	-9,821	-20,649	-4,867	12,974	-49,546
Depreciation and amortization	-83	-434	-211	-283	-34	0	-1,047
Other income/ expenses **)	-395	-1,731	-354	16,813	-19,826	-12,964	-18,455
Operating profit	366	14,685	22,651	101,456	-25,588	10	113,581

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Finnvera plc
1–12/2016

Net interest income	8,533	22,547	7,138	5,544	0	-1,337	42,425
Net fee and commission income	5,213	20,799	14,210	92,794	0	9,685	142,701
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1,465	-363	-7,857	-56,120		0	-65,805
Operating expenses *)	-10,329	-14,764	-9,739	-9,465	-7,221	-13,246	-64,764
Depreciation and amortization	-220	-1,142	-496	-468	0	0	-2,326
Other income/expenses **)	107	-368	187	384	7,221	4,897	12,428
Operating profit	1,840	26,708	3,443	32,667	0	0	64,658

1–12/2015

Net interest income	9,102	28,642	6,697	3,936	0	0	48,377
Net fee and commission income	4,523	21,444	13,986	100,652	0	0	140,606
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1,691	-17,144	12,354	-6,811	0	0	-13,291
Operating expenses *)	-11,090	-16,093	-9,821	-18,254	0	0	-55,258
Depreciation and amortization	-83	-434	-211	-283	0	0	-1,012
Other income/expenses **)	-395	-1,731	-354	3,072	-25,000	0	-24,407
Operating profit	366	14,685	22,651	82,311	-25,000	0	95,014

*) Operating expenses = administrative expenses + other operating expenses - depreciation and amortization

***) Gains/losses from financial instruments carried at fair value + net income from investments + other operating income + impairment losses on other financial assets

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D Notes to the income statement

D1 Interest income and expenses

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Interest income				
Interests from loans passed on to the customers	114,190	113,270	55,519	48,658
- Domestic financing	36,043	33,652	34,703	39,692
- Export financing	78,147	79,618	20,815	8,966
Subsidies passed on to customers	1,540	3,377	1,540	3,377
- Regional interest subsidy	113	385	113	385
- Interest subsidy to special loans	1,426	2,383	1,426	2,383
- Interest subsidy from the ERDF	0	286	0	286
- National interest subsidy (ERDF)	0	324	0	324
Other interest income	-548	4,759	-1,356	4,140
- Interest on export credit guarantee and special guarantee receivables	487	404	487	404
- Interest on guarantee receivables	1,612	1,899	1,612	1,899
- On receivables from credit institutions	1,057	698	449	136
- On debt securities, available-for-sale	-3,905	1,694	-3,905	1,694
- On other	201	64	2	7
Total	115,182	121,406	55,702	56,175
Interest expenses				
On liabilities to credit institutions	-986	-77	-986	-77
On liabilities to other institutions	-51,769	-57,637	0	0
On debt securities in issue	-10,617	-7,384	-10,617	-7,384
Other interest expenses	-1,519	-291	-1,673	-337
Total	-64,892	-65,389	-13,277	-7,798
Net interest income	50,290	56,016	42,425	48,377
Interest income on financial assets which are not carried at fair value	119,087	119,712	59,607	54,481
Interest expenses on financial liabilities which are not carried at fair value	26,996	57,462	24,314	0
Interest income include interest accrued on impaired loans	2,398	6,716	2,398	6,716
Interest subsidy from the state and the European Regional Development Fund				
The interest subsidy passed on to customers is calculated on the basis of the passage of time, similar to interest, and is presented as a separate item under interest income in the income statement. In 2001 the Group began to grant investment and working capital loans that include interest subsidy from the European Regional Development Fund (ERDF), as well as national interest subsidy granted by the State of Finland.				
Interest-subsidised loans and guarantees in total	77,254	137,723	77,254	137,723

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D2 Fee and commission income and expenses

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Fee and commission income				
From export credit guarantees and special guarantees	120,450	116,254	120,450	116,254
From other guarantees	26,451	24,681	26,451	24,681
From credit operations	18,227	16,666	17,478	16,155
From other	561	184	60	17
Total	165,689	157,785	164,438	157,107

All fee and commission income is from financial assets which are not carried at fair value totalled.

Fee and commission expenses

From reinsurance	-20,926	-15,370	-20,926	-15,370
From borrowing	-366	-1,034	-366	-1,034
From payment transactions	-247	-100	-245	-98
From other	-200	0	-200	0
Total	-21,740	-16,504	-21,737	-16,502
Net fee and commission income	143,950	141,280	142,701	140,606
Fee and commission income from financial assets not carried at fair value	165,689	157,785	164,438	157,107
Fee and commission expenses from financial assets which are not carried at fair value totalled	-21,173	-15,470	-21,170	-15,467

D3 Gains and losses from financial instruments carried at fair value through profit or loss

(EUR 1,000)	Finnvera Group			Finnvera plc		
	Gains and losses from sales	Changes in fair value	Total	Gains and losses from sales	Changes in fair value	Total
31 Dec 2016						
From financial instruments carried at fair value through profit or loss						
Derivatives	0	18,104	18,104	0	-1,041	-1,041
Liabilities carried at fair value	0	-29,059	-29,059	0	809	809
Shares and participations	-7,797	-2,688	-10,485	0	0	0
Exchange rate differences	8,239	-6,313	1,926	6,181	-4,226	1,955
Debt securities	0	5,700	5,700	0	5,700	5,700
Total, net	442	-14,256	-13,814	6,181	1,242	7,423
By categories of financial instruments, IAS 39						
Liabilities carried at fair value	-7,797	55,145	47,348	0	68,556	68,556
Loans and other receivables	8,239	-75,101	-66,862	6,181	-73,014	-66,833
Total, net	442	-19,956	-19,514	6,181	-4,458	1,723

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31 Dec 2015

From financial instruments carried at fair value through profit or loss

Derivatives	0	11,562	11,562	0	-413	-413
Liabilities carried at fair value	0	-9,399	-9,399	0	-2,303	-2,303
Shares and participations	1,113	-24,359	-23,246	0	0	0
Exchange rate differenses	43,507	-43,236	271	37,055	-36,619	435
Total, net	44,619	-65,432	-20,813	37,055	-39,335	-2,281

By categories of financial instruments, IAS 39

Liabilities carried at fair value	1,113	-154,638	-153,526	0	-135,158	-135,158
Loans and other receivables	43,507	89,206	132,713	37,055	95,823	132,877
Total, net	44,619	-65,432	-20,813	37,055	-39,335	-2,281

D4 Net income from investments

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Available-for-sale financial assets				
Shares and participations	0	-53	0	-63
- Gains/losses	0	-53	0	-63
- Impairment losses	0	0	0	0
Debt securities	0	68	0	68
- Gains/losses	0	68	0	68
- Impairment losses	0	0	0	0
Dividends	296	111	21	18
Total	296	127	20	24
Share of profit of associates	0	0		
Total net income from investments	296	127	20	24

D5 Other operating income

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Fee for the management of the old liability	183	180	183	180
Management fees from subsidiaries (internal charging)	0	0	2,588	2,352
Rental income	33	80	123	239
Sales profit/loss	479	0	479	0
Credit for deficit in ERDF venture capital investments	1,615	382	0	0
Cancellation of a subordinated loan granted by the State for venture capital investments	9,153		9,153	0
Profit on the sale of a subsidiary (Note E23)	839	0	0	0
Other	144	1,588	90	78
Total	12,445	2,231	12,617	2,850

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D6 Employee expenses

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Wages and salaries	-23,671	-24,025	-22,924	-23,035
Social security costs	-6,188	-6,388	-5,929	-6,123
Pension costs				
- Defined contribution plans	-4,144	-4,321	-3,921	-4,095
- Defined benefit plans	-361	-497	-361	-497
Other social security costs	-1,683	-1,571	-1,647	-1,531
Total	-29,860	-30,413	-28,853	-29,158

D7 Auditor's fees

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Fees for auditing	-93	-84	-80	-71
Fees for expert services provided by auditors	-100	-65	-100	-65
Total	-193	-149	-180	-136

D8 Depreciation and amortisation on tangible and intangible assets

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Depreciation and amortisation				
Intangible assets	-1,079	-667	-1,066	-633
Property, plant and equipment	-607	-379	-607	-379
- Properties	0	0	0	0
- Machinery and equipment	-607	-379	-607	-379
- Other tangible assets	0	0	0	0
Total	-1,686	-1,046	-1,672	-1,012

D9 Other operating expenses

(EUR 1,000)	Finnvera Group		Finnvera Plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Rental expenses	-3,436	-4,461	-3,436	-4,461
Expenses from property in own use	-890	-1,090	-890	-1,090
Return of the surplus in export credit financing to FEC	0	0	-10,810	-7,523
Valuation loss on long-term assets (Note E23)	-0	0	-7,221	0
Total	-4,326	-5,552	-22,356	-13,075

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D10 Impairment losses on receivables, guarantee losses and impairment losses on other financial assets

(EUR 1,000)	Finnvera Group		Emoyhtiö	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Impairment losses on receivables and guarantee losses				
Impairment losses on receivables	-15,039	-77,662	-15,231	-76,284
- Credit losses materialised	-28,800	-103,871	-28,992	-102,493
- Change in impairment of individually assessed loans	7,842	18,634	7,842	18,634
- Change in impairment of collectively assessed loans	5,918	7,575	5,918	7,575
Guarantee losses	-11,431	-9,175	-11,431	-9,175
- Guarantee losses materialised	-18,423	-23,369	-18,423	-23,369
- Change in individually assessed provisions for losses	3,217	12,628	3,217	12,628
- Change in collectively assessed provisions for losses	3,775	1,566	3,775	1,566
Other receivables	-89	0	0	0
- Credit losses realised	-89	0	0	0
Total, gross	-26,559	-86,837	-26,662	-85,459
The State's and the ERDF's share of the credit and guarantee losses materialised *)	28,272	82,566	28,272	82,566
Total, net	1,714	-4,271	1,611	-2,893

*) The state and the ERDF compensate Finnvera Plc for the final losses on loans and guarantees granted without a securing collateral. On 31 December 2016 these loans and guarantees totalled EUR 2,138 (2,162) million. The compensation was 57.69% (64.19%) of the credit and guarantee losses recognised during the period.

Export credit guarantee and special guarantee losses

Guarantee losses	-67,416	-10,398	-67,416	-10,398
- Net compensation	-67,742	669	-67,742	669
- Provisions for losses on export credit guarantees and special guarantees	326	-11,067	326	-11,067
Total	-67,416	-10,398	-67,416	-10,398

Impairment losses on credits and guarantee losses in total **-65,702** **-14,669** **-65,805** **-13,291**

Impairment losses on financial assets available for sale

Write-off for the shares of Seed Fund Vera Ltd	-1,932	0	-1,932	-25,000
Total	-1,932	0	-1,932	-25,000

D11 Income tax expense

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Current period	-3,156	-2,854
Adjustment for prior periods	0	0
Deferred taxes (Note E8)	4,114	455
Total	958	-2,399

By virtue of §20 of the Income Tax Act, Finnvera plc is exempt from income tax.

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E Notes to the balance sheet

E1 Loans and receivables from credit institutions

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Payable on demand	892,555	556,149	847,523	508,667
Other	29,936	31,975	7,555	7,873
Total	922,491	588,125	855,078	516,540

E2 Loans and receivables from customers

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Loans	5,827,299	5,347,182	1,067,468	1,130,813
- Subordinated loans	16,797	20,604	15,831	18,813
- Other loans	5,856,421	5,386,154	1,097,556	1,171,575
- Impairment losses	-45,919	-59,575	-45,919	-59,575
Loans to Group companies			2,500,398	1,641,451
Guarantee receivables	26,259	34,282	26,259	34,282
Receivables from export credit guarantee and special guarantee operations	224,476	12,164	224,476	12,164
- Fee and commission receivables	212	198	212	198
- Receivables from reinsurance	83,521	0	83,521	0
- Nominal value of recovery receivables	202,708	21,616	202,708	21,616
- Book value of recovery receivables on 31 Dec	133,444	3,587	133,444	3,587
- Impairment losses on recovery receivables	-69,264	-18,029	-69,264	-18,029
- Other export and recovery receivables	7,298	8,378	7,298	8,378
- Recovery receivables	224,264	11,966	224,264	11,966
Total	6,078,034	5,393,628	3,818,600	2,818,709
Impairment losses on loans				
Impairment losses at the beginning of the period	59,575	85,712	59,575	85,712
- Impairment losses on individually assessed loans	27,830	46,464	27,830	46,464
- Impairment losses on collectively assessed loans	31,745	39,248	31,745	39,248
Impairment losses recognised during the period	-9,142	-3,585	-9,142	-3,585
- Impairment losses on individually assessed loans	-368	9,796	-368	9,796
- Impairment losses on collectively assessed loans	-5,814	-7,503	-5,814	-7,503
- Reversal of impairment losses	-2,817	-4,078	-2,817	-4,078
- Other changes	-142	-1,800	-142	-1,800
Credit losses materialised on loans where impairment losses have been recognised	-4,515	-22,553	-4,515	-22,553
Impairment losses at the end of the period	45,919	59,575	45,919	59,575
- Impairment losses on individually assessed loans	19,987	27,830	19,987	27,830
- Impairment losses on collectively assessed loans	25,932	31,745	25,932	31,745

An impairment loss on loans and other receivables is recognised when objective evidence of their impairment exists. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

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E3 Investments

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Debt securities, available-for-sale				
Certificates of deposits and bonds	1,694,569	1,579,206	1,694,569	1,579,206
Commercial papers	193,425	164,020	193,425	164,020
Local authority paper	97,211	219,489	97,211	219,489
Other	57,216	51,671	57,216	51,671
Total	2,042,422	2,014,386	2,042,422	2,014,386
Investments in Group companies				
Acquisition cost at 31 Dec			128,403	192,818
- Acquisition cost at 1 Jan			192,818	177,818
- Investments			5,000	15,000
- Sales			-56,059	0
- Other deductions			-13,356	0
Accumulated impairment losses at 31 Dec			-44,935	-43,003
- Accumulated impairment losses at 1 Jan			-43,003	-18,003
- Impairment losses during the period			-1,932	-25,000
Total			83,468	149,815
Investments in associated companies *)				
Acquisition cost at 31 Dec	23,748	71,830	0	0
- Acquisition cost at 1 Jan	71,830	65,676	0	349
- Sale of Seed Fund Vera Ltd to a buyer outside the Group	-43,194			
- Investments	2,426	5,838	0	0
- Sales	-7,314	317	0	-349
Equity adjustments at 31 Dec	-771	-14,294	0	0
- Reclassifications to assets held for sale (E23)	-8,003	-37,676		
Total	14,974	19,860	0	0
Other shares **)				
At fair value through profit or loss	0	0	0	0
Available-for-sale	37,392	24,409	27,409	14,520
Total	37,392	24,409	27,409	14,520
Investments total	2,094,788	2,058,655	2,153,299	2,178,721

*) Investments in associated companies: investments by subsidiaries engaged in venture capital investments in the Group.

***) Other shares that are publicly quoted

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
- Other shares	10,314	10,340	331	451

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E4 Intangible assets

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Acquisition cost at 31 Dec	44,039	40,302	43,917	40,166
- Acquisition cost at 1 Jan	40,302	38,650	40,166	38,487
- Additions	3,750	1,680	3,750	1,680
- Disposals	-70	-28	-57	0
Accumulated amortisation and impairment losses at 31 Dec	-36,920	-35,854	-36,800	-35,734
- Accumulated amortisation and impairment losses at 1 Jan	-35,854	-35,222	-35,734	-35,108
- Amortisation for the period	-1,066	-632	-1,066	-626
Carrying amount at 1 Jan	4,447	3,426	4,432	3,379
Carrying amount at 31 Dec	7,062	4,447	7,059	4,431

E5 Property, plant and equipment

(EUR 1,000)	Finnvera Group			Finnvera plc		
	Properties	Other tangible	Total	Properties	Other tangible	Total
31 Dec 2016						
Acquisition cost at 31 Dec	5,112	12,794	17,906	5,112	12,794	17,906
- Acquisition cost at 1 Jan	5,277	11,527	16,804	5,277	11,527	16,804
- Additions	0	1,333	1,333	0	1,333	1,333
- Disposals	-164	-66	-231	-164	-66	-231
Accumulated amortisation and impairment losses at 31 Dec	-5,112	-11,362	-16,475	-5,112	-11,362	-16,475
- Accumulated amortisation and impairment losses at 1 Jan	-5,112	-10,102	-15,214	-5,112	-10,102	-15,214
- Amortisation for the period	0	-1,260	-1,260	0	-1,260	-1,260
Carrying amount at 1 Jan	164	1,425	1,589	164	1,425	1,589
Carrying amount at 31 Dec	0	1,431	1,431	0	1,431	1,431
31 Dec 2015						
Acquisition cost at 31 Dec	7,054	11,527	18,581	7,054	11,527	18,581
- Acquisition cost at 1 Jan	7,054	10,894	17,948	7,054	10,894	17,948
- Additions	0	662	662	0	662	662
- Disposals	0	-29	-29	0	-29	-29
Accumulated amortisation and impairment losses at 31 Dec	-6,890	-10,102	-16,992	-6,890	-10,102	-16,992
- Accumulated amortisation and impairment losses at 1 Jan	-6,883	-9,723	-16,606	-6,883	-9,723	-16,606
- Amortisation for the period	-7	-379	-386	-7	-379	-386
Carrying amount at 1 Jan	171	1,171	1,342	171	1,171	1,342
Carrying amount at 31 Dec	164	1,425	1,589	164	1,425	1,589

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E6 Other assets

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Credit loss receivables from the state and the ERDF	8,731	13,316	8,731	13,316
Other	2,328	4,790	11,607	1,914
Total	11,059	18,106	20,338	15,230

The state and the European Regional Development Fund (ERDF) has granted Finnvera commitments to partially compensate Finnvera for the credit and guarantee losses. The commitments enable Finnvera to take higher risks in domestic business than financiers operating on commercial grounds.

E7 Prepayments and accrued income

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Interest and interest subsidy receivables	51,643	30,452	30,255	15,012
Fee and commission receivables	3,332	4,798	4,046	5,921
Reinsurance premiums paid in advance	17,063	23,934	17,063	23,934
Security given for derivatives	156,080	86,710	156,080	86,710
Prepayments and other accrued income	5,938	2,731	4,087	2,531
Total	234,057	148,625	211,531	134,107

E8 Tax assets and liabilities

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Income tax assets	0	0
Deferred tax assets at 31 Dec	2,145	0
- Deferred tax assets at 1 Jan	0	0
- Increase/decrease to income statement during the period	2,145	0
- Increase/decrease to other items in comprehensive income during the period	0	0
Tax assets total	2,145	0
Current income tax liabilities	302	874
Deferred tax liabilities at 31 Dec	2,047	1,990
- Deferred tax liabilities at 1 Jan	1,990	2,609
- Increase/decrease to income statement during the period	42	-214
- Increase/decrease to other items in comprehensive income during the period	16	-405
Tax liabilities total	2,350	2,864

Deferred tax liability arisen when the venture capital investments of subsidiaries engaged in venture capital investment are carried at fair value and investments in funds are carried at fair value. Finnvera plc is exempt from income tax.

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E9 Liabilities to credit and other institutions

(EUR 1,000)	Finnvera Group			Finnvera plc		
	Nominal value	Change in fair value	Carrying amount	Nominal value	Change in fair value	Carrying amount
31 Dec 2016						
Liabilities to credit institutions	213,452	0	213,452	213,452	0	213,452
Liabilities to other institutions						
- At fair value through profit or loss	40,519	957	41,476	0	0	0
- At amortised cost	2,297,067	0	2,297,067	75,793	0	75,793
Total	2,551,038	957	2,551,995	289,245	0	289,245
31 Dec 2015						
Liabilities to credit institutions	0	0	0	0	0	0
Liabilities to other institutions						
- At fair value through profit or loss	38,148	1,308	39,456	0	0	0
- At amortised cost	2,615,590	0	2,615,590	67,985	0	67,985
Total	2,653,738	1,308	2,655,046	67,985	0	67,985

E10 Debt securities in issue

(EUR 1,000)	Finnvera Group				
	Carrying amount 1 Jan	Increase/decrease	Change in fair value	Change in currency exchange rate	Carrying amount 31 Dec
31 Dec 2016					
Bonds					
- At fair value through profit or loss	3,957,734	876,986	32,500	24,653	4,891,873
Total	3,957,734	876,986			4,891,873
Average interest rate *)					0.9050%
31 Dec 2015					
Bonds					
- At fair value through profit or loss	2,564,141	1,233,414	9,431	150,749	3,957,734
Total	2,564,141	1,233,414			3,957,734
Average interest rate *)					0.9300%

(EUR 1,000)	Finnvera plc				
	Carrying amount 1 Jan	Increase/decrease	Change in fair value	Change in currency exchange rate	Carrying amount 31 Dec
31 Dec 2016					
Bonds					
- At fair value through profit or loss	3,957,734	876,986	32,500	24,653	4,891,873
Total	3,957,734	876,986	32,500	24,653	4,891,873
Average interest rate *)					0.3360%
31 Dec 2015					
Bonds					
- At fair value through profit or loss	2,564,141	1,233,414	9,431	150,749	3,957,734
Total	2,564,141	1,233,414	9,431	150,749	3,957,734
Average interest rate *)					0.2000%

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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. The change in fair value does not include the change in credit risk because the liabilities have been guaranteed by the state of Finland, whose credit risk has not changed.

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

E11 Derivatives

(EUR 1,000)	Finnvera Group			Finnvera plc		
	Fair value		Nominal value	Fair value		Nominal value
	Positive	Negative	Total	Positive	Negative	Total
31 Dec 2016						
Contracts entered in hedging purposes						
- Interest rate swaps and foreign exchange derivatives	110,649	212,553	4,890,194	110,649	208,334	4,849,676
Total	110,649	212,553	4,890,194	110,649	208,334	4,849,676
31 Dec 2015						
Contracts entered in hedging purposes						
- Interest rate swaps and foreign exchange derivatives	115,791	144,228	3,975,430	114,543	144,228	3,937,282
Total	115,791	144,228	3,975,430	114,543	144,228	3,937,282

Derivatives hedge liabilities. The derivative contracts and the liabilities hedged with them have been measured at fair value and the changes in their fair values have been recognized in the income statement (fair value option).

Financial assets and liabilities encompassed by hedge accounting are presented in Note E20.

E12 Other liabilities

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Grants under repayment obligation	24,252	24,466	24,252	24,466
Grant from the Ministry of Employment and the Economy to Seed Fund Vera Ltd for venture capital investments	14,653	15,000	14,653	15,000
Prepayments received for ERDF financing	7,598	7,875	7,598	7,875
Accounts payable for debt securities	6,998	0	6,998	0
Other	2,624	4,442	2,581	4,197
Total	56,125	51,782	56,082	51,537

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E13 Provisions

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Provision for export credit guarantee losses at 1 Jan	12,280	1,209	12,280	1,209
Provisions made during the period	8,457	8,782	8,457	8,782
Provisions used during the period	-1,053	-1,209	-1,053	-1,209
Other change	-7,729	3,498	-7,729	3,498
Provision for export credit guarantee losses at 31 Dec	11,954	12,280	11,954	12,280
Impairment losses on guarantees at 1 Jan	39,172	53,367	39,172	53,367
- of which individually assessed guarantees	20,519	33,147	20,519	33,147
- of which collectively assessed guarantees	18,653	20,220	18,653	20,220
Guarantee losses realized during the period on which an impairment loss has been earlier recognized	-810	-22,619	-810	-22,619
Individually assessed impairment losses recognized during the period	1,830	13,319	1,830	13,319
Collectively assessed impairment losses recognized during the period	-3,775	-1,566	-3,775	-1,566
Reversal of impairment losses	-1,315	-3,417	-1,315	-3,417
Other change	-2,922	88	-2,922	88
Impairment losses on guarantees at 31 Dec	32,180	39,172	32,180	39,172
- of which individually assessed guarantees	17,302	20,519	17,302	20,519
- of which collectively assessed guarantees	14,878	18,653	14,878	18,653
Other provisions 31 Dec	2,653	716	2,653	716
Total	46,786	52,168	46,786	52,168

A provision for export credit guarantee losses is recognised when the Group has a constructive and legal obligation to pay a guarantee indemnity, the realisation of the obligation is probable and it can be measured reliably.

A provision for domestic guarantee losses is recognised when objective evidence exists of impairment of guarantees' value. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

For individually and collectively assessed provisions entered for the financial period, a negative figure indicates a decrease and a positive figure an increase in provisions.

E14 Operating leases

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Finnvera as the lessee, premises *)				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	2,330	3,759	2,330	3,759
Between one and five years	5,217	8,280	5,217	8,280
Later than five years	1,979	1,342	1,979	1,342
Total	9,526	13,381	9,526	13,381
Finnvera as the lessor, premises				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	7	36	45	86
Between one and five years	0	0	0	0
Later than five years	0	0	0	0
Total	7	36	45	86

*) In August 2016, Finnvera relocated with Finpro and Tekes to joint premises in Team Finland House in the Ruoholahti district of Helsinki.

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E15 Accruals and deferred income

(1 000 e)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Interest	37,413	16,488	17,370	2,570
Advance interest payments received	9,686	9,904	9,686	9,904
Guarantee premiums paid in advance *)	261,165	244,620	261,165	244,620
Security received for derivatives	45,400	68,700	45,400	68,700
Other accruals and deferred income	105,028	5,405	113,883	10,936
Total	458,691	345,117	447,505	336,730

*) Premiums on export guarantees are usually collected in advance for the entire guarantee period.

E16 Subordinated liabilities, Finnvera plc

Loan	Purpose of use	Interest rate%	Loan period	Finnvera Group	
				Balance (EUR 1,000)	
(EUR 1,000)				31 Dec 2016	31 Dec 2015
Subordinated loan 2009-1	Increase in the share capital of Seed Fund Vera Ltd *)	0	15 years	0	10,589
Subordinated loan 2009-2	Increase in the share capital of Veraventure Ltd *)	0	15 years	7,500	7,500
Subordinated loan 2009-3	Raising Finnvera plc's capital adequacy and improving the financing options **)	0	15 years	50,000	50,000
Subordinated loan 2013	Increase in the share capital of Seed Fund Vera Ltd *)	0	15 years	0	10,000
Subordinated loan 2014	Increase in the share capital of Seed Fund Vera Ltd *)	0	15 years	2,525	5,000
Subordinated loan 2015	Increase in the share capital of Seed Fund Vera Ltd *)	0	15 years	5,000	5,000
Subordinated loan 2016	Increase in the share capital of Seed Fund Vera Ltd *)	0	15 years	5,000	0

*) The loans have been granted to Finnvera for raising the share capital of Seed Fund Vera Ltd and Veraventure Ltd. The loans will be repaid in one instalment at maturity, provided that the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeds the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements. In the event that the venture capital company's financing operations show a loss, the corresponding amount will be deducted from the loan principals to be recovered. Owing to the loss recorded by Seed Fund Vera Ltd in the financial period 2015, in total EUR 13,911 million of the loans granted for raising the share capital of Seed Fund Vera in 2009 and 2013 were cancelled in 2016. In addition, a total of EUR 9,153 million of the subordinated loans granted in 2013 and 2014 were cancelled in 2016, in connection with the sale of the shares of Seed Fund Vera Ltd.

***) The loan was granted for raising the capital adequacy of Finnvera plc and for improving the company's capacity to meet the demand for its products, especially counter-cyclical loans and guarantees, owing to the prolonged financial crisis. The loan will be repaid in one instalment at maturity, provided that the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceed the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements. The loan has not yet been repaid.

The subordinated loans granted for raising the share capital of Seed Fund Vera Ltd pertain to long-term assets available for sale (Note E23).

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E17 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	Total	Fair value	Loans and receivables	Financial instruments carried at fair value	Available for sale	Total	Fair value
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 available for sale	8,189	25,713	13,009	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	9,550,561	4,872,813	110,649	2,084,484	7,067,946	7,066,113
31 Dec 2015										
Loans and receivables from credit institutions	575,080			575,080	575,094	516,540			516,540	516,540
Loans and receivables from customers	5,393,628			5,393,628	5,494,098	2,818,709			2,818,709	2,817,490
Debt securities			2,014,386	2,014,386	2,014,386			2,014,386	2,014,386	2,014,386
Derivatives		115,791		115,791	115,791		114,543		114,543	114,543
Associated companies		19,860		19,860	19,860			0	0	0
Shares and participations			24,409	24,409	24,409			14,520	14,520	14,520
Assets available for sale	20,481	81,460		101,942				81,000	81,000	81,000
Other financial assets	154,250			154,250	154,250	139,933			139,933	139,933
Total 31 Dec 2015	6,143,439	217,111	2,038,795	8,399,345	8,397,888	3,475,182	114,543	2,109,905	5,699,630	5,698,411

Assets available for sale include the equity investments of Finnvera's subsidiaries engaged in venture capital investment, as well as the parent company's equity investments other than investments in Group companies.

The fair value of Finnfund, included in available for sale, cannot be determined reliably; the shares have therefore been valued at the original acquisition price.

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(EUR 1,000)	Finnvera Group				Finnvera plc			
	Financial instruments carried at fair value	Other financial liabilities	Total	Fair value	Financial instruments carried at fair value	Other financial liabilities	Total	Fair value
31 Dec 2016								
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 available for sale		12,525	12,525	12,525		12,525	12,525	12,525
Total 31 Dec 2016	5,145,902	2,817,079	7,962,981	8,050,288	5,100,207	575,756	5,675,963	5,675,963
31 Dec 2015								
Liabilities to other institutions	39,456	2,615,590	2,655,046	2,749,016	0	67,985	67,985	67,985
Debt securities in issue	3,957,734		3,957,734	3,957,734	3,957,734		3,957,734	3,957,734
Derivatives	144,228		144,228	144,228	144,228		144,228	144,228
Other financial liabilities		342,275	342,275	342,275		328,140	328,140	328,140
Subordinated liabilities		57,500	57,500	57,500		57,500	57,500	57,500
Liabilities associated with assets available for sale		30,589	30,589	30,589		30,589		
Total 31 Dec 2015	4,141,418	3,015,365	7,187,372	7,281,342	4,101,962	484,214	4,555,587	4,555,587

Classifications

Under IFRS rules, financial assets can be classified into four main categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial investments. Financial assets at fair value through profit or loss can be further divided into the following categories: classified as held for trading and upon initial recognition designated by the entity as at fair value through profit or loss. The Group has no financial assets to be held for trading or held until maturity.

Under IFRS rules, the Group's financial liabilities can be classified into two main categories: Financial liabilities at fair value through profit or loss and other financial liabilities. Other financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities at fair value through profit or loss are presented in the same manner as financial assets, classified as being held for trading and upon initial recognition designated by the entity as at fair value through profit or loss. The Group has no financial liabilities to be held for trading.

Fair value measurement principles

1. Debt securities

The fair value of debt securities are based on the market quote on the end date of the financial period or the value of the discounted market interest rate on the end date of the financial period.

2. Derivatives

The fair values of interest rate and currency swaps and currency futures are specified using a method based on the current value of cash flows, in which the market interest rates on the end date of the financial period and other market information serve as the accounting principle. The Group uses common valuation techniques in determining the fair value of these instruments. Fair values are equivalent to average market prices in situations where the Group would transfer or sell derivatives in the course of normal business under market conditions on the end date of the financial period. The credit risk related to derivatives is mitigated by means of collateral arrangements. Fair values are monitored on a daily basis using calculations from counterparties and those made in-house.

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3. Investments in associates

The fair value of subsidiaries involved in venture capital investment is determined using a valuation technique approved by the Board of Directors that complies with the International Equity and Venture Capital Valuation (IPEV) Guidelines and recommendations for early stage ventures. In this technique, the determination of the investment's fair value is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund's Board of Directors. The valuation of companies is done continuously throughout the year, with valuations being updated on a biannually basis, for Group reporting in a separate process, where investments are examined by investment portfolio.

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.

4. Shares and participations

Shares and reserve shares listed on the NASDAQ OMX Helsinki stock exchange that are classified as available-for-sale shares and participations are measured at the exchange rate on the date of the financial statements. Unlisted shares classified as available-for-sale shares and participations are measured using the effective interest method. Because their measurement using fair value measurement models has not been possible, nor could the fair value of investments otherwise be reliably determined. The most notable item of this type consists of shares in Finnfund EUR 13.67 million (2015: EUR 13.67 million).

5. Financial liabilities at fair value through profit or loss

The fair value of liabilities are calculated using a method based on the current value of cash flows. In this method, market interest rates on the end date of the financial period and other accounting information serve as the accounting principle. The company's own credit risk is also taken into consideration in the measurement of liabilities.

E18 Hierarchy for carrying financing instruments at fair value

(EUR 1,000)	Finnvera Group			Finnvera plc		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets 31 Dec 2016						
Loans and other assets						
- Loans and receivables from credit institutions		922,491			855,078	
- Loans and receivables from customers		6,060,507	17,527		3,801,073	17,527
- Shares and holdings	10,314					
- Assets available for sale		8,189				
Financial instruments carried at fair value						
- Derivatives		110,649			110,649	
- Assets available for sale			25,713			
Available-for-sale						
- Debt securities		2,042,422			2,042,422	
- Associated companies			14,973			
- Shares and holdings			14,068	331		14,068
- Assets available for sale						13,009
Total	10,314	9,144,258	85,291	331	6,809,222	44,604
Financial liabilities 31 Dec 2016						
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	
Other financial liabilities						
- Liabilities to other institutions		2,297,067			0	
- Subordinated liabilities		57,500			57,500	
- Liabilities associated with assets available for sale		12,525			12,525	
Total		7,512,994			5,170,232	

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	Finnvera Group			Finnvera plc		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets 31 Dec 2015						
Loans and other assets						
- Loans and receivables from credit institutions		575,080			516,540	
- Loans and receivables from customers		5,379,269	14,359		2,804,350	14,359
- Shares and holdings	10,340					
Financial instruments carried at fair value						
- Derivatives		115,791			114,543	
- Associated companies						
- Shares and holdings						
- Assets available for sale			81,460			
Available-for-sale						
- Debt securities		2,014,386			2,014,386	
- Associated companies			19,860			0
- Shares and holdings			14,068	451		14,068
Total	10,340	8,084,525	129,747	451	5,449,819	28,427
Financial liabilities 31 Dec 2015						
Financial instruments carried at fair value						
- Liabilities to other institutions		39,456				
- Debt securities in issue		3,957,734			3,957,734	
- Derivatives		144,228			144,228	
Other financial liabilities						
- Liabilities to other institutions		2,615,590			0	
- Subordinated liabilities		57,500			57,500	
- Liabilities associated with assets available for sale		30,589			30,589	
Total		6,845,097			4,190,051	

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 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: 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.

Transfers between levels 1 and 2

There were no transfers between the fair-value hierarchy levels 1 and 2 during the financial period under review or the preceding financial period.

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E19 Specification of events at hierarchy level 3

LEVEL 3, Financial assets (EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Financial assets carried at fair value				
Balance at 1 Jan	129,747	128,870	28,427	14,068
Profits and losses entered in the income statement, in total	-9,646	-23,299	0	6
Acquisitions	11,449	15,726	0	0
Sales	-50,081	-8,928	0	0
Transfers to level 3	0	14,359	0	14,359
Transfers from level 3	0	0	0	0
Other	3,821	3,019	16,177	-6
Balance at 31 Dec	85,291	129,747	44,604	28,427
Profits and losses entered in the income statement for the instruments held by Finnvera	-2,688	-24,359	0	0

E20 Financial assets and liabilities encompassed by hedge accounting and the net result of hedge accounting

(EUR 1,000)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Financial assets				
Derivatives				
- Encompassed by hedge accounting	0	0	0	0
- Other	110,649	0	110,649	0
Total	110,649	0	110,649	0
Financial liabilities				
Derivatives				
- Encompassed by hedge accounting	984,000	0	984,000	0
- Other	3,907,873	0	3,907,873	0
Total	4,891,873	0	4,891,873	0
Derivatives				
- Encompassed by hedge accounting	16,710	0	16,710	0
- Other	191,623	0	191,623	0
Total	208,334	0	208,334	0
Net of hedge accounting				
Gains/losses from items carried at fair value				
- Derivatives encompassed by hedge accounting	6,087	0	6,087	0
- Debts encompassed by hedge accounting	-6,818	0	-6,818	0
Total	-731	0	-731	0

In 2016, hedge accounting was applied to the 10-year bond of one billion euros issued by Finnvera in April.

In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. Finnish Export Credit is Finnvera's subsidiary.

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E21 Financial instruments set off in the balance sheet or subject to netting agreements

Finnvera Group / Finnvera plc							
(EUR 1,000)	Gross recognised financial assets	Gross recognised financial liabilities set of in the balance sheet	Net carrying amount in the balance sheet	Financial instruments *)	Financial instruments received as collateral *)	Cash received as collateral *)	Net amount *)
Financial assets 31 Dec 2016							
Derivatives	110,649	0	110,649	-69,850	0	-45,400	-4,601
Total	110,649	0	110,649	-69,850	0	-45,400	-4,601
Financial liabilities 31 Dec 2016							
Derivatives	208,334	0	208,334	-69,850	0	-156,080	-17,596
Total	208,334	0	208,334	-69,850	0	-156,080	-17,596
Financial assets 31 Dec 2015							
Derivatives	114,543	0	114,543	-59,276	0	-68,700	-13,433
Total	114,543	0	114,543	-59,276	0	-68,700	-13,433
Financial liabilities 31 Dec 2015							
Derivatives	144,228	0	144,228	-59,276	0	-86,710	-1,758
Total	144,228	0	144,228	-59,276	0	-86,710	-1,758

*) Sums not subject to netting but included in the main netting agreements and similar arrangements.

E22 Equity

(EUR 1,000)	Finnvera Group				Finnvera plc			
	31 Dec 2016		31 Dec 2015		31 Dec 2016		31 Dec 2015	
Parent company's equity	196,605		196,605		196,605		196,605	
Reserves								
- Share premium	51,036		51,036		51,036		51,036	
- Fair value reserve	3,488	54,524	-2,202	48,834	3,323	54,359	-2,304	48,732
Tied equity	251,129		245,439		250,964		245,337	
Unrestricted reserves								
- Reserve for domestic operations	154,550		135,879		154,550		135,879	
- Reserve for export credit guarantee and special guarantee operations	668,440		536,064		668,440		536,064	
- Reserve for venture capital investments	15,252	838,242	16,570	688,513	15,252	838,242	16,570	688,513
Retained earnings								
- Profit/loss for previous periods	33,065		67,481		504		53,476	
- Profit/loss for the period	84,019	117,084	115,415	182,896	78,425	78,929	98,074	151,550
Unrestricted equity	955,327		871,410		917,171		840,063	
Total	1,207,362		1,121,075		1,168,136		1,085,400	
Equity attributable to the parent company's shareholders	1,206,456		1,116,849					
Share of equity held by non-controlling interests	906		4,227					

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Share capital and ownership:	31 Dec 2016			31 Dec 2015		
	Share capital (EUR 1,000)	Shares, nb	Ownership	Share capital (EUR 1,000)	Shares, nb	Ownership
Owner						
- The Finnish state	196,605	11,565	100%	196,605	11,565	100%

Reserves:

Share premium

The share premium reserve has been formed before the new regulations of the Companies' Act came into force on 1 September 2006. The reserve includes the difference of EUR 42.9 million between the acquisition cost and the nominal value of KERA's shares and EUR 0.1 million that was generated in the transfer of assets of Takuukeskus and the acquisition of Fide Oy's shares as well as EUR 8.1 million generated by the raise of share capital of Finnvera as the shares of Finnish Export Credit Ltd were acquired.

Fund for domestic operations and fund for export credit guarantee and special guarantee operations

In 2006 the laws regulating the operations of Finnvera Plc were amended so that separate funds to cover future losses from domestic operations and from export credit guarantee and special guarantee operations were established in equity. Losses from export credit guarantee and special guarantee operations will be covered by resources from the State Guarantee Fund only when the export credit guarantee and special guarantee fund is insufficient. The retained earnings from the domestic operations were transferred to the fund for domestic operations and the retained earnings from the export credit guarantee and special guarantee operations were transferred to the fund for export credit guarantee and special guarantee operations.

Fund for venture capital investments

In 2011, a reserve for venture capital investments was established in the unrestricted equity on the balance sheet. The purpose was to monitor the assets allocated for venture capital investments in accordance with the ERDF operational programmes. The Ministry of Economic Affairs and Employment allocated to Finnvera the sum of EUR 17.5 million, to be used for venture capital investments in accordance with the ERDF operational programmes during the programme period 2007-2013. These assets have been recognised in the above reserve.

Fair value reserve

The reserve includes the fair value change of available-for-sale financial assets. The items recognised in the fair value reserve are taken to the income statement when an available-for-sale financial asset is disposed of or an impairment loss on such an asset is recognised.

The Group's objectives and principles for capital management are presented in the Risk Management section.

€23 Long-term assets available for sale

Through a partial division, Seed Fund Vera Ltd, a former subsidiary of the Group, was split into Seed Fund Vera Ltd and ERDF Seed Fund Ltd on 15 July 2016. On 16 December 2016, Finnvera plc sold 80 per cent of its holding in Seed Fund Vera Ltd to a buyer outside the Group. With its holding of 19.99 per cent in the company, Finnvera remained a minority shareholder. Finnvera recorded a loss of EUR 7.221 million on the transaction. In the Group, EUR 0.839 million of this was recognised under other operating income. Underlying the sale was the policy outline made by the government, according to which Finnvera will give up venture capital investments.

Detailed information on the sale of the subsidiary is presented in the tables below (A–D). In the financial statements of 2015, Finnvera plc transferred the shares, the associated subordinated loans as well as the assets and liabilities of Seed Fund Vera Ltd in the consolidated balance sheet to long-term assets available for sale. After the partial division of Seed Fund Vera Ltd and the sale of its shares carried out in 2016, the long-term assets available for sale in the financial statements of 2016 still include the parent company's remaining shares in Seed Fund Vera Ltd (19.99 per cent), the associated subordinated loans and the shares in ERDF-Seed Fund Ltd (94.59 per cent). The assets and liabilities of ERDF-Seed Fund Ltd are in the consolidated balance sheet.

The shares of Finnvera's subsidiary Seed Fund Vera Ltd in the parent company's financial statements and, correspondingly, the assets and liabilities of Seed Fund Vera Ltd in the consolidated financial statements have been transferred to long-term assets available for sale. With respect to Seed Fund Vera, Finnvera has a subordinated loan from the State, which has also been transferred to this item. The assets available for sale and the associated liabilities have been itemised in the following table:

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(EUR 1,000)	Finnvera Group	Finnvera plc	Finnvera Group	Finnvera plc
	31 Dec 2016	31 Dec 2016	31 Dec 2015	31 Dec 2015
Assets				
Loans and receivables from credit institutions	6,004		13,045	0
Loans and receivables from customers	2,185		7,437	0
Investments	38,723	27,662	81,460	81,000
Prepayments and accrued income	83	0	241	0
Total	46,994	27,662	102,183	81,000
Liabilities				
Subordinated liabilities	12,525	12,525	30,589	30,589
Deferred tax liabilities	1,550	0	0	0
Total	14,075	12,525	30,589	30,589

Each year Finnvera conducts an impairment test on the investments of its subsidiaries, as laid down by IAS 36. The valuation principles of long-term assets available for sale are presented in Note A13 to the financial statements.

A) Information on financial performance and cash flows:

(EUR 1,000)	Seed Fund Vera Ltd	Seed Fund Vera Ltd
	1 Jan-16 Dec 2016	31 Dec 2015
Interest income	1,341	463
Net interest income	1,341	463
Fee and commission income and expenses (net)	-1	-1
Gains/losses from items carried at fair value	-6,455	-19,582
Net income from investments	99	5
Other operating income	0	382
Administrative costs	-2,598	-2,982
Impairment losses on receivables, guarantee losses (-) / Reversal of impairment losses, net (+)	248	-1,378
Operating loss	-7,366	-23,093
Change in deferred tax liabilities	737	1,431
Loss for the year	-6,629	-21,662

B) Sale of the subsidiary realised in 2016 from long-term assets available for sale:

(EUR 1,000)	Finnvera plc
	1 Jan-16 Dec 2016
Consideration received	48,837
Fair value of the shares sold 16 Dec 2016	56,058
The parent company's loss from the sale of shares	-7,221

C) Impact of the sale on the Group's result:

(EUR 1,000)	Finnvera Group
	1 Jan-16 Dec 2016
The parent company's loss from the sale of shares	-7,221
Exit of Seed Fund Vera Ltd from the consolidated balance sheet	
- The subsidiary's loss for the year	6,629
- The subsidiary's losses from previous years	1,431
- Impact from the sale of the subsidiary on the Group's profit	839

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D) The IFRS book values of the assets and liabilities of the sold subsidiary at the time of the transaction were:

(EUR 1,000)	Seed Fund Vera Ltd Dec 16 2016
Assets	
Receivables from credit institutions	4,985
Receivables from customers	1,743
Investments	56,528
Prepayments and accrued income	344
Total	63,600
Liabilities	
Liabilities	0
Total	0

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F Notes on personnel and management

F1 Number of employees

(Number)	Finnvera Group		Finnvera plc	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Number of employees				
- Permanent full-time	343	358	338	344
- Permanent part-time	15	10	15	10
- Temporary	23	28	23	27
Total	381	396	376	381
Personnel as person-years	375	378	365	366

F2 Key management personnel in the Group

In the Group, key management personnel are members of the parent company Board of Directors, members of the Supervisory Board, CEO Pauli Heikkilä, Executive Vice President Topi Vesteri as well as the Management Group, which is comprised of the CEO and Executive Vice President, along with Jussi Haarasilta, Ulla Hagman, Risto Huopaniemi, Katja Keitaanniemi, Tarja Svartström and Merja Välimäki.

The key persons have no reportable business transactions with companies included in the Group.

F3 Key personnel benefit expenses

The table below shows the employment benefits received by key management personnel. The employment benefits shown are performance based. Employee benefits include the bonus corresponding to one month's total remuneration paid to the Chief Executive Officer and the other members of the Management Group in 2016. Post-employment benefits are dealt with as voluntary pension plans, which include both defined contribution and defined benefit pension plans.

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Salaries and other short-term employee benefits	1,652	1,615
Supplementary pension commitments	111	149
Remuneration of the Board of Directors and Supervisory Board members	178	205
Total	1,941	1,969

The CEO belongs to the defined contribution pension plan, whose retirement age is 63 years. The group supplementary pension plan was changed the supplementary pension with a fixed 11.47 per cent bonus and other performance-based salary items deducted from the earnings-related pension insurance (TyEL).

The Executive Vice President belongs to the defined benefit pension plan, which offers eligibility for retirement at 60 years of age. Therefore, the target pension is 60 per cent of the average yearly earnings over the previous five years. Lowering the retirement age from the statutory retirement age is done with a defined benefit supplementary pension.

The period of notice for the CEO is six months, in addition to which the CEO will receive termination benefits equivalent to 18 months' salary if the Executive Vice President will receive termination benefits equivalent to 12 months' salary if the company terminates their employment.

The monthly remuneration for members of the Board of Directors is: EUR 1,500 for the chairman, EUR 850 for the deputy chairman, EUR 850 for the chairman of a Board committee, and EUR 700 for members. The attendance allowance is EUR 500/meeting.

The attendance allowance for members of the Supervisory Board are: EUR 800/meeting for the chairman, EUR 600/meeting for the deputy chairman and 500/meeting for members.

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F4 Salaries, remuneration and pension commitments for the key personnel

(EUR 1,000)	Finnvera Group					
	31 Dec 2016			31 Dec 2015		
	Salaries	Pension commitments		Salaries	Pension commitments	
		Voluntary	Statutory		Voluntary	Statutory
Management salaries (incl. social security costs) as well as applicable pension commitments						
CEO Pauli Heikkilä	376	35	64	346	35	59
Executive Vice President Topi Vesteri	284	58	48	262	71	44
Other members of the Management Group	992	18	168	1,007	43	170
Members of the Board of Directors:						
Markku Pohjola, chairman	26	No	-	29	No	-
Pekka Timonen, I deputy chairman	18	No	-	22	No	-
Marianna Uotinen, II deputy chairman	19	No	-	20	No	-
Kirsi Komi, member	20	No	-	20	No	-
Pirkko Rantanen-Kervinen, member	18	No	-	18	No	-
Harri Sailas, member since 1 May 2015	16	No	-	13	No	-
Antti Zitting, member since 1 May 2015	18	No	-	13	No	-
Members of the Supervisory Board (total)	43	No	-	58	No	-

F5 Defined benefit pension plans

The Group has several defined benefit group pension insurance plans, which cover personnel who transferred to Finnvera from previous organisations, and supplementary pension insurance plans for Management Group members and Regional Directors appointed before 2 April 2009. At the end of the year, there were 120 people covered by the plans. When a person resigns or retires, the insurance is changed to a defined contribution plan, because paid-up policies and pensions are increased by a credit issued by the insurance provider.

The plans are funded with annual contributions paid to the insurance company and based on actuarial calculations. The plans are subject to local tax and other legislation

The obligation is shown as the pledge made to all insureds and the asset is shown as the share of this obligation assumed by the insurance provider. The amount of assets is calculated using the same discount interest rate as an equivalent obligation. As a result, the risk posed by changes in the discounted interest rate only affects the net liabilities. A hypothetical 0.25% increase in salary would increase the obligation 1.4% (1.4%) and, correspondingly, an equivalent decrease would have the opposite effect.

Balance sheet items arising from the defined benefit:

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Pension obligation		
Present value of funded obligations 1 Jan	3,854	3,674
Unrecognised actuarial gains or losses	152	317
Interest on obligation	85	63
Effect of fulfilling the plan and reducing the obligation	-481	-85
Revaluation of defined benefit pension plans		
- Caused by changes in financial assumptions	476	-247
- Caused by changes in demographic assumptions	93	160
- Based on experience	-174	-28
Present value of funded obligations 31 Dec	4,004	3,854

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Fair value of assets			
Fair value of plan assets 1 Jan		3,838	4,203
Interest income on assets	85		73
Effect of fulfilling the obligation	-481		-85
Return on plan assets, excluding items contained in interest expenses or income	251		-106
Contributions paid to the plan	259	114	-247
Fair value of plan assets 31 Dec		3,952	3,838
Net liabilities (difference between obligations and assets)		53	16
Consolidated statement of comprehensive income – pension costs			
Unrecognised actuarial gains or losses		152	317
Effect of fulfilling the obligation		0	0
Net interest expenses		0	-10
Consolidated income statement defined benefit pension costs		151	307
Items resulting from revaluation		144	-9

The net liabilities of the Group's defined benefits have changed during the financial period as follows:

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Defined benefit net liabilities		
Pension debt (+) / Pension receivable (-) 1 Jan	16	-528
Expenses recognised in the income statement	151	307
Paid pension contributions	-259	247
Other items recognised in the consolidated statement of comprehensive income	144	-9
Pension debt (+) / Pension receivable (-) 31 Dec	53	16

The plan assets include 100% qualifying insurance policies.

Actuarial assumptions	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Discount rate	1.50%	2.20%
Future salary increases	2.16%	2.00%
Future pension increases	1.65%	1.65%

Finnvera has decided that the retirement age defined in the insurance policy and the calculation of the overall pension will remain unchanged after the pension reform of 2017.

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G Shares and holdings

G1 Shares and holdings in Group companies

Name and domicile of the company	Sector	Finnvera plc					
		31 Dec 2016			31 Dec 2015		
		Holding of all shares, %	Share of votes, %	Book value EUR 1,000	Holding of all shares, %	Share of votes, %	Book value EUR 1,000
Subsidiaries (holding over 50%)							
Seed Fund Vera Ltd, Kuopio *)	Development and investment company				94.59%	94.59%	81,000
ERDF-Seed Fund Ltd, Kuopio *)	Development and investment company	94.59%	94.59%	14,653			14,653
Suomen Vientiluotto Oy, Helsinki	Export financing and interest equalisation	100.00%	100.00%	20,182	100.00%	100.00%	20,182
Veraventure Ltd, Kuopio	Development and investment company	100.00%	100.00%	48,634	100.00%	100.00%	48,634

*) ERDF-Seed Fund Ltd was split off from Seed Fund Vera Ltd. Following the sale of shares, Finnvera's holding in Seed Fund Vera Ltd shrunk to 19.99%, and the company is no longer included in the Group companies.

G2 Subsidiaries' shares and holdings (holding over 20%)

Name and domicile of the company	Sector	Year	Finnvera plc			
			Holding of all shares, %	Share of votes, %	Equity EUR 1,000	Profit for the year EUR 1,000
Veraventure Oy						
Saimaa Capital Oy	Venture capital investments	2016	31,60%	31,60%		
		2015	36,63%	36,63%	15,315	707
Uudenmaan Pääomarahasto Oy	Venture capital investments	2016	41,13%	41,13%		
		2015	41,13%	41,13%	12,583	27
Wedeco Oy Ab	Venture capital investments	2016	39,80%	39,80%		
		2015	39,80%	39,80%	13,511	300
ERDF-Seed Fund Ltd						
Airmodus Oy	Helsinki		20,13%	20,13%		
	Other scientific research and development	2016				
Aranda Pharma Oy	Kuopio		40,00%	40,00%		
	Medical research and development	2016				
Bone Index Finland Oy	Kuopio		34,91%	34,91%		
	Medical research and development	2016				
GlowWay Oy Ltd	Pieksämäki		24,32%	24,32%		
	Manufacture of electric lighting equipment	2016				
Hapella Oy	Kiuruvesi		21,69%	21,69%		
	Wholesaling of machines used in industry	2016				
Injeq Oy	Tampere		25,23%	25,23%		
	Manufacture of radiation equipment and electronic medical and therapy equipment	2016				
Netled Oy	Honkajoki		23,94%	23,94%		
	Electrotechnical design	2016				
Norsepower Oy Ltd	Rauma		25,17%	25,17%		
	Building of ships and floating structures	2016				

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Proxion Solutions Oy	Varkaus	Design and manufacture of software	2016	30,89%	30,89%
Savroc Oy	Kuopio	Manufacture of products not listed elsewhere	2016	20,02%	20,02%
Silvergreen Oy Ltd	Tampere	Manufacture of chemical products not listed elsewhere	2016	26,61%	26,61%
Traplight Oy	Ylöjärvi	Design and manufacture of software	2016	22,60%	23,43%

G3 Related party transactions, loans and receivables

Related parties include the following: the parent company, its subsidiaries and associated companies; the Ministry of Economic Affairs and Employment; the Ministry of Finance; and companies outside the Finnvera Group where the State holds the majority of shares and where the Ministry of Economic Affairs and Employment exercises ownership steering. Related parties also include the members of the Supervisory Board and the Board of Directors, the Chief Executive Officer, the Deputy CEO and other members of the Management Group. The employment benefits received by key management personnel are presented in the Note F3.

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Related party transactions, loans and receivables		
Services purchased	5,488	5,451
Interest subsidies, compensation for losses and other items from the State	29,675	84,681
Interest income	21,703	16,332
Interest expenses	59,985	57,297
Cancellations of subordinated loans	23,063	3,050

(EUR 1,000)	Finnvera Group	
	31 Dec 2016	31 Dec 2015
Related party transactions, loans and receivables		
Loans	2,500,398	1,641,451
Receivables	102,767	72,872
Long-term liabilities	2,297,067	2,615,590
Short-term liabilities	102,767	72,872
Guarantees	3,726,849	4,664,348

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G4 Separate result of activities referred to in the Act on the State Guarantee Fund §4, and its share of the total result of Finnvera plc

(EUR 1,000)	Finnvera plc's profit		Activities referred to in the Fund Act and their share of the profit		Finnvera plc's profit		Activities referred to in the Fund Act and their share of the profit	
	31 Dec 2016		31 Dec 2016		31 Dec 2015		31 Dec 2015	
Interest income	55,702		493		56,175		409	
Interest expenses	-13,277	42,425	638	1,131	-7,798	48,377	786	1,194
Fee and commission income	164,438		120,484		157,107		116,277	
Fee and commission expenses	-21,737	142,701	-20,989	99,495	-16,502	140,606	-15,411	100,866
Gains and losses from financial instruments carried at fair value through profit or loss		1,723		-506		-2,281		393
Net income from investments		20		0		24		0
Other operating income		12,617		291		2,850		286
Administrative expenses								
- Wages and salaries	-28,853		-7,500		-29,158		-7,194	
- Other administrative expenses	-13,555	-42,408	-4,691	-12,191	-13,025	-42,183	-4,028	-11,222
Depreciation and amortization from intangible assets, property, plant and equipment		-2,326		-585		-1,012		-354
Other operating expenses		-22,356		-977		-13,075		-1,362
Net impairment loss on financial assets								
- Loans and guarantees	-26,662		0		-85,459		0	
- Credit loss compensation from the state	28,272		0		82,566		0	
- Export credit guarantees and special guarantees	-67,416	-65,805	-67,416	-67,416	-10,398	-13,291	-10,398	-10,398
Impairment losses on other financial assets		-1,932		0		-25,000		0
Operating profit		64,659		19,241		95,014		79,403

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Signatures

In Helsinki on 28 February 2017

Markku Pohjola

Pekka Timonen

Marianna Uotinen

Kirsi Komi

Pirkko Rantanen-Kervinen

Harri Sailas

Antti Zitting

Pauli Heikkilä
CEO

Auditor's Report

To the Annual General Meeting of Finnvera Plc Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Finnvera Plc (business identity code 1484332-4) for the year ended 31 December, 2016. The financial statements comprise both the consolidated and the parent company's balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the group's and the parent company's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter

How the matter was addressed in the audit

Fee and commission income from export credit guarantees and special guarantees and guarantee premiums paid in advance (Accounting principles, note D2 to the income statement and note E15 to the balance sheet)

Guarantee fees are recognized over the maturity of the contract. These fees are charged using various methods and in different currencies based on the guarantee contracts.

We assessed the adequacy and functionality of application controls in the IT system and other internal controls in respect of the accounting for guarantee premiums

Income from guarantee premiums charged in advance is recognized over the guarantee period based on the recognition criteria entered into the system.

We tested on a sample basis unrecognized guarantee-specific premiums paid in advance. Testing included guarantee premiums charged both in one installment and periodically.

Guarantee contracts entered into are client-specific and may be amended during the contract period.

We assessed and tested the control environment of the IT system, emphasizing change management.

- Due to the significance of income from export credit and special guarantees (fee and commission income), reinsurance expenses (fee and commission expenses) and guarantee premiums paid in advance, as well as various bases on which they are determined, the related internal control and accounting are considered a key audit matter.

**Impairment losses on receivables and guarantees losses
(Accounting principles, note D10 to the income statement and notes E2 and E13 to the balance sheet)**

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|--|---|
| <ul style="list-style-type: none"> ■ Impairment losses on receivables from clients and loss provisions for guarantees, export credit guarantees and special guarantees granted are items that involve management judgments. | <ul style="list-style-type: none"> ■ We assessed risk management, monitoring systems, accounting for impairment losses and provisions in respect of doubtful receivables and guarantees, and tested related internal controls. |
| <ul style="list-style-type: none"> ■ Impairment losses on receivables and provisions for guarantee losses are recognized on an individual or collective basis | <ul style="list-style-type: none"> ■ We evaluated the Group's approval processes in place for impairment losses and provisions. |
| <ul style="list-style-type: none"> ■ In particular, the export credit guarantee portfolio includes significant individual guarantees which may bear risks and involve loss provisions that are material for the financial statements. | <ul style="list-style-type: none"> ■ Concerning significant individual loss provisions we assessed the appropriateness of the assumptions and methods used for accounting purposes, the financial status of the counterparty and coverage of the company's reinsurance protection. |
| <ul style="list-style-type: none"> ■ The risk rating of clients plays an essential role in the accounting for impairment losses and loss provisions. | <ul style="list-style-type: none"> ■ In respect of impairment losses and provisions recognized on a collective basis we assessed the appropriateness of the assumptions and data used and the accounting treatment applied, and tested the accuracy of these calculations. |
| <ul style="list-style-type: none"> ■ The estimates involve the risk that the impairments and provisions recognized are not recorded at accurate amounts nor on a timely basis. | <ul style="list-style-type: none"> ■ Furthermore, we considered the appropriateness of the notes concerning impairment losses and provisions. |

**Debt securities, debt securities in issue and derivatives
(Accounting principles and notes E3, E10, E11 and E20 to the balance sheet)**

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|--|---|
| <ul style="list-style-type: none"> ■ At the financial year-end the Group had debt securities carried at fair value amounting to EUR 2.0 billion. | <ul style="list-style-type: none"> ■ We evaluated the company's principles for treasury operations, monitoring systems for investments and derivatives, related internal controls, risk management and valuation principles applied to financial assets and liabilities. |
| <ul style="list-style-type: none"> ■ Debt securities in issue carried at fair value through profit or loss totaled EUR 4.9 billion in the balance sheet as at 31 December 2016. Bonds are measured at fair value when they are hedged with derivatives. | <ul style="list-style-type: none"> ■ In respect of the hedge accounting adopted by the company as from 1 January 2016, we evaluated the appropriateness of procedures and documentation by reference to the applicable international financial reporting standards. |
| <ul style="list-style-type: none"> ■ Derivatives are used to hedge the Group's funding-related currency and interest rate risks and they are measured at fair value in preparing financial statements. | |

- The company applies hedge accounting to fixed interest rate bonds issued after 31 December 2015 and to related interest rate and currency swap derivatives when the criteria for hedge accounting are fulfilled.
- Due to the significance of debt securities, debt securities in issue and derivatives, the related internal control and accounting are considered a key audit matter.
- Regarding the treasury IT system we assessed, among others, conversion reconciliations, user rights management and reconciliations to the accounting data.

**Valuation of venture capital investments
(Accounting principles, notes D3 and D5 to the income statement and notes E3 and E23 to the balance sheet)**

- Finnvera is engaged in venture capital investment activities through early-stage investments and investments in regional limited-company type funds made by three subsidiaries.
- Impairment testing for shares in subsidiaries in the parent company and valuation of investments carried at fair value in the consolidated financial statements requires management judgment.
- Valuation methods involve a risk that the fair value determined may substantially differ from the final selling price.
- Venture capital investment activities have showed losses during the past years. Part of subordinated loans received from the State of Finland have been cancelled due to the losses of Seed Fund Vera Ltd.
- Finnvera will gradually give up its venture capital investments. During the financial year the venture capital investments funded by the European Regional Development Fund (ERDF) have been transferred to a separate company through a demerger and the majority of the shares in Seed Fund Vera Ltd has been sold to an external party in December 2016.
- We assessed the investment monitoring systems used, internal controls, valuation methods and principles and management judgments applied.
- In respect of investments carried at fair value, we tested reconciliations of data from the related monitoring systems to accounting and transactions included in the line item "Gains and losses from financial instruments carried at fair value" in the consolidated comprehensive income statement.
- We assessed the bases on which the cancelled part of the subordinated loan was determined.
- We observed management's estimates and reasoning underlying the determination of the long-term assets held for sale presented in the balance sheet.
- We considered the Group's restructuring transactions related to venture capital investment activities carried out in the financial year and their accounting treatment.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business

activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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If, based on the work we have performed on the report of the Board of Directors and the Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit for the financial year is in compliance with the Limited Liability Companies Act. We support that the members of the Supervisory Board and of the Board of

Directors as well as the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 28 February 2017

KPMG OY AB

Juha-Pekka Mylén

Authorised Public Accountant, KHT

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Statement by the Supervisory Board

We have reviewed the financial statements of Finnvera plc, including the consolidated financial statements, for the period 1 January–31 December 2016, as well as the auditors' report issued on 28 February 2017.

We propose to the Annual General Meeting that the financial statements, in which the consolidated income statement shows a profit of EUR 70,214,188.18 and the parent company's income statement shows a profit of EUR 64,658,871.97, be adopted and that the parent company's profit be used in accordance with the proposal made by the Board of Directors.

Helsinki, 28 February 2017

Antti Rantakangas	Krista Kiuru
Eeva-Johanna Eloranta	Mika Harjunen
Lasse Hautala	Laura Huhtasaari
Timo Kalli	Olli Koski
Kari Kulmala	Leila Kurki
Kari Luoto	Veli-Matti Mattila
Ville Niinistö	Carita Orlando
Eero Suutari	Christel Tjeder
Tommi Toivola	Sofia Vikman



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, areas, and exports.