Interim Report 1 January–30 September 2012

FINNVERA

The Finnvera Group's Interim Report for January–September 2012

The best credit ratings for Finnvera's acquisition of funds

Finnvera's loan programme of three billion euros received the best possible ratings from two credit rating agencies: Moody's (Aaa) and Standard & Poor's (AAA). The ratings correspond to the ratings assigned to the State of Finland for its long-term funding. Finnvera's loan programme is guaranteed by the State of Finland and is used for acquiring funds from the market for financing both SMEs and export credits.

Business operations and financial trend

The value of financing offers given by Finnvera for exports during January–September was four per cent less than the year before but more than double the value of offers given during the corresponding period in 2010. The number of financing offers given for SMEs declined slightly, and the value of the offers was about one fifth less than during the corresponding period last year.

In Finnvera's venture capital investments, the value of initial investments made in January–September increased on the figure for the same period in 2011. Moreover, 53 new business angels joined Finnvera's network of business angels during the period under review, bringing the total to 232. Demand for services offered by Finnish Export Credit Ltd was brisk, while the value of offers remained at the same level as last year.

The Group's profit for the third quarter was EUR 11 million, or clearly better than the result for the second quarter. The profit accounted for over one third of the profit of EUR 30 million recorded for January–September. The nine-month profit that was clearly less than in 2011 is explained by increased credit risks in SME financing and the resulting impairment losses and provisions for losses.

The Group's net interest income and the net sum of fee and commission income and expenses increased in January–September by 10 per cent on the previous year. In January–September, administrative expenses remained more or less unchanged from the previous year, but impairment losses on receivables and guarantee losses increased by over 40 per cent. Owing to the losses recorded, SME financing showed a negative result for January–September. Export financing showed a profit. The Group companies and associated companies had an effect of EUR -4 million on the profit.

- At the end of September, the Finnvera Group's capital adequacy ratio was 15.8 per cent, or 0.5 percentage points better than a year ago.
- The Group's cost/income ratio improved by 0.4 percentage points on the previous year and was 27.6 per cent.
- The Group's equity ratio declined by 3.5 percentage points and stood at 23.4 per cent at the end of September.

Finnvera Group, MEUR	Q3/2012	Q2/2012	Change	Q3/2011	Change	1–9/2012	1–9/2011	Change
Net interest income	15	15	2 %	16	-4 %	46	47	-1 %
Fee and commission income and expenses	27	30	-7 %	24	12 %	83	70	17 %
Gains/losses from financial instruments carried at fair value	-0,3	-4,0	-93 %	0,7	-143 %	-3	7	-142 %
Administrative expenses	-9	-11	-23 %	-9	-2 %	-31	-30	1 %
Net impairment loss on financial assets	-22	-33	-34 %	-14	49 %	-63	-44	43 %
Loans and guarantees	-39	-37	6 %	-21	86 %	-90	-61	47 %
Credit loss compensation from the State	19	10	91 %	8	134 %	35	21	71 %
Export credit guarantees and special guarantees	-1	-6	-84 %	-1	-25 %	-8	-4	142 %
Operating profit	11	-5	339 %	16	-32 %	29	47	-37 %
Profit for the period	11	-4	391 %	16	-32 %	30	44	-32 %

Outlook for the rest of the year

Demand for SME financing is not expected to change significantly during the rest of 2012. The sluggish economy will not encourage investments or company reorganisations; in this respect, demand will thus remain moderate. Demand for financing will still focus on working capital and on the arrangement of delivery security enabling transactions.

Demand for Finnvera's export credit guarantees and export credits is likely to continue fairly active despite the downturn in exports. The underlying factors are the increased awareness of risks and the banks' need to reduce the share of long-term credits on their balance sheets. Finnvera's guarantees and financing are likely to play a greater role for Finnish exports.

The uncertain economic trend makes it more difficult to predict Finnvera's financial performance. According to current estimates, the financial performance of both the Group and the parent company is expected to fall below that for 2011. If materialised, individual risks may weaken the result considerably.

CEO Pauli Heikkilä:

The debt crisis in the euro zone and the uncertainty of the global economy have continued to weaken the overall economic situation when compared against the first six months of the current year. This has been reflected as caution especially in the investments of SMEs. Another indication is that most of the financing we have offered to SMEs has been needed for working capital. Demand for export credit guarantees has been high both in Finland and internationally. However, only some of the planned export transactions materialise in the end.

Finnvera issued the first notes under the Euro Medium Term Note programme to the international capital market at the end of October. This funding enables us to finance export credits for buyers of Finnish capital goods. The scheme helps to ensure the competitive standing of Finnish export companies because, in most cases, securing an export contract also requires the arrangement of long-term financing for the buyer.

The Ministry of Employment and the Economy has stated that venture capital investments for start-up enterprises with growth potential will be transferred from Finnvera to Tekes at the latest in January 2014. Finnvera will focus on providing SMEs with loans and domestic guarantees, as well as export credits and export credit guarantees for export financing. The funds needed for this purpose are acquired from the market.

FINNVERA GROUP

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Apart from the parent company Finnvera plc, the Finnvera Group comprises the following subsidiaries: Seed Fund Vera Ltd, Veraventure Ltd and Matkailunkehitys Nordia Oy, engaged in venture capital investments; Finnish Export Credit Ltd, which administers interest equalisation and provides export financing based on withholding tax agreements; and Spikera Oy focusing on asset management.

The Group's Financial Trend

The financial statements of the Finnvera Group and the parent company, Finnvera plc, are drawn up according to the International Financial Reporting Standards (IFRS). The income statement is presented as one statement (statement of comprehensive income) in accordance with the IAS 1 Presentation of Financial Statements.

The Finnvera Group in January–September 2012

The Finnvera Group's profit was EUR 30 million. The profit was clearly, or EUR 14 million, lower than during the corresponding period last year (44 million).The main factor contributing to the reduced profit was the trend in the parent company's credit and guarantee losses in SME financing.

In January–September, the Group's income increased by 1.5 per cent on the previous year. Higher fee and commission income and higher net income from investments contributed to the increase. Correspondingly, expenses increased by 0.4 per cent in January–September. The increase in expenses was due to higher personnel expenses.

In January–September, the financial performance of the parent company Finnvera plc's export financing and SME financing came to EUR 34 million, or nine per cent less than the year before (38 million). Impairment losses on receivables and guarantee losses increased significantly, or about EUR 18 million, on the previous year (10 million), but this was partly offset by an increase of EUR 12 million in fee and commission income (5 million).

Broken down by business areas, the parent company's financial performance was as follows: Export financing, or the separate result of export credit and special guarantee activities referred to in §4 of the Act on the State Guarantee Fund, accounted for EUR 45 million of the total (38 million). The result for domestic credit and guarantee activities was EUR -10 million (0.1 million). In addition, the total figure included costs for starting the new business area, i.e. the funding of export credits, and costs for interest equalisation and lending. These totalled EUR 0.6 million.

The Group companies and associated companies had an impact of EUR -4 million on the profit (6 million). Venture capital investments accounted for EUR -5 million (5.5 million) of this impact. Finnish Export Credit's interest equalisation, lending, and funding for export credits accounted for EUR one million (0.5 million).

The Finnvera Group in July–September 2012

The Group's profit for the third quarter was EUR 11 million, or clearly better than the result for the second quarter. The profit accounted for over one third of the profit of EUR 30 million recorded for January–September.

In July–September, net interest income and the net sum of fee and commission income and expenses increased by 6 per cent on the previous year. Losses from items carried at fair value were less in the third quarter than in the second quarter. In July–September 2011, these items had a positive impact on the financial performance. Administrative expenses, EUR 9 million, were at the same level as during the corresponding period last year (9 million), but nearly one quarter less than during the second quarter (11 million), owing to the accrual of personnel expenses.

During the third quarter, the impairment losses on receivables and guarantee losses totalled EUR 22 million, or EUR 11 million lower than the losses recorded during the second quarter. When seen against the third quarter in 2011, impairment losses on receivables and guarantee losses were about EUR 8 million higher.

Analysis of the financial performance for January–September 2012

Interest income and expenses and interest subsidies
KThe Finnvera Group's net interest income in January–September came to EUR 46 million (47 million). The low interest rates did not have a significant impact on the net interest income because the interest income of Finnish Export Credit increased considerably.

However, owing to the generally falling interest level, the mean interest rate paid by clients for loans and the mean interest rate paid for borrowing were markedly lower than at the same time last year. The mean interest rate for lending was 2.78 per cent (3.47) and that for funding 0.85 per cent (1.60).

FINNVERA

The interest subsidy paid by the State and the European Regional Development Fund (ERDF) and passed on to clients totalled EUR 9 million (11 million), or 13 per cent less than the year before.

Fee and commission income and expenses
The Group's fee and commission income totalled EUR 84 million (72 million). This was EUR 12 million more than in the previous year. The parent company's export credit guarantees and special guarantees accounted for EUR 59 million (48 million) and domestic credits and guarantees for EUR 25 million (24 million) of the total fee and commission income.

The Group's fee and commission expenses totalled 2 million euros and consisted mainly of the parent company's reinsurance costs (2 million).

Gains and losses from items carried at fair value
The Group's gains and losses from financial instruments carried at fair value through profit or loss totalled EUR -3 million (7 million), of which the change in the fair value of venture capital investments came to EUR -5.5 million (8 million). In addition to the fair value of venture capital investments, the item includes changes in the fair value of debts and interest rate and currency swaps as well as exchange rate differences

Other income
The Group's other operating income totalled EUR 0.5 million (1.0 million). Other income includes the management fee paid by the State Guarantee Fund to Finnvera for managing the liability for export credit guarantees and special guarantees arisen before 1999, a remuneration associated with the management of ERDF financing, and rental income.

Impairment losses on receivables, guarantee losses
The Finnvera Group's credit and guarantee losses, impairment losses on receivables and provisions for guarantee losses amounted to EUR 90 million (61 million). Almost 100 per cent of the losses arose from credits and guarantees granted to SMEs. The compensation for credit losses paid by the State and the ERDF totalled EUR 35 million (21 million), or 51 per cent of the losses materialised. After the compensation for credit losses, the Finnvera Group's liability for the credit and guarantee losses during the period under review amounted to EUR 54 million (40 million).

The parent company's losses on export credit guarantees and special guarantees amounted to EUR 8 million (4 million).

The amount of non-performing and zero-interest receivables rose by about EUR 24 million from the turn of the year, totalling 4.2 per cent of outstanding commitments. A factor affecting the amount of non-performing credits was the number of applications filed for corporate restructuring, which was greater than the year before.

Finnvera Group, MEUR	Q3/2012	Q2/2012	Change	1-9/2012	1-9/2011	Change
Net impairment loss on financial assets	-22	-33	-34 %	-63	-44	43%
Loans and guarantees	-39	-37	6 %	-90	-61	47%
Credit loss compensation from the State	19	10	91 %	35	21	71%
Export credit guarantees and special guarantees	-1	-6	-84 %	-8	-4	142%

Other expenses
The Group's administrative expenses totalled EUR 31 million (30 million), of which personnel expenses accounted for 70 per cent (70). Other operating expenses included depreciation and costs associated with real property.

Balance sheet

On 30 September, the consolidated balance sheet total was EUR 3,195 million (2,890 million), of which the parent company accounted for EUR 2,076 million (2,231 million).

Among the subsidiaries, Finnish Export Credit Ltd had the greatest impact on the consolidated balance sheet, or EUR 1,131 million (665 million).

At the end of September, the Group's outstanding credits came to EUR 2,637 million (2,256 million), of which the parent company's outstanding credits accounted for EUR 1,581 million (1,660 million), or EUR 79 million less than at the start of the year.

The parent company's outstanding domestic guarantees increased by EUR 10 million on the figure at the end of 2011 and totalled EUR 1,103 million on 30 September (1,093 million).

The book value of the outstanding commitments, as referred to in the Act on the State's Export Credit Guarantees, amounted to EUR 9,161 million (8,594 million). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given, including export guarantees) totalled EUR 11,448 million (10,365 million).

The parent company's non-current liabilities as per 30 September totalled EUR 929 million (1,175 million). Of this sum, EUR 712 million (904 million) consisted of bonds. The liabilities include subordinated loans of EUR 32 million received by Finnvera from the State for investment in the share capitals of Seed Fund Vera Ltd and Veraventure Ltd, and a subordinated loan of EUR 50 million granted for strengthening the capital adequacy of Finnvera plc. In addition, the balance sheet includes EUR 81 million (50 million) in derivatives. These arise from interest rate and currency swaps and pertain to non-current liabilities. Non-current loans decreased by EUR 246 million during the period under review (191 million). The Group's non-current liabilities totalled EUR 2,073 million (1,811 million).

At the end of the period under review, the Group's unrestricted funds had a total of EUR 490 million (456 million), of which the fund for domestic operations accounted for EUR 140 million (136 million), the fund for export credit guarantee and special guarantee operations EUR 296 million (241 million), and the fund for venture capital investments EUR 18 million (18 million). Retained earnings totalled EUR 37 million (61 million).

Once the annual financial statements have been completed, the annual profits from domestic financing and export financing are transferred to two separate funds on the parent company's balance sheet. Correspondingly, losses from domestic operations are covered from the fund for domestic financing, while losses from export credit guarantees and special guarantees are covered from the fund for export financing. There is no cross-subvention between the funds. The State Guarantee Fund and the State of Finland are responsible for Finnvera's losses only if the losses cannot be covered by assets in these two funds.

In 2011, a fund for venture capital investments was established on Finnvera's balance sheet, under unrestricted equity. This fund is used for monitoring the assets allocated by the European Regional Development Fund (ERDF) for venture capital investments.

Finnvera Group, balance sheet, MEUR	**30.9.2012**	**31.12.2011**	**Change MEUR**	**Change %**
Share capital	197	197	0	0%
Share premium and fair value reserve	51	52	-1	-1%
Unrestricted funds, in total	490	456	34	7%
Fund for domestic operations	140	136	4	3%
Fund for export credit guarantees and special guarantees	296	241	54	23%
Fund for venture capital investments	18	18	0	0%
Retained earnings	37	61	-24	-40%
Equity, in total	738	704	33	5%
Balance sheet total	3 195	2 890	305	11%

Capital adequacy and funding

At the end of September, the Finnvera Group's capital adequacy ratio was 15.8 per cent (15.3). According to the target set, the capital adequacy ratio should be at least 12.0 per cent.Finnvera plc's capital adequacy was 16.2 per cent (14.9). Capital adequacy has been calculated using the Basel II standard method.

The parent company had no new long-term funding during the period under review. EUR 271 million in non-current loans was paid back (223 million).

Personnel

At the end of September, the Group had 416 employees (412 on 30 September 2011), of whom 396 (394) held a permanent post and 20 (18) a fixed-term post.

Changes in the Operating Environment and in Industrial and Ownership Policies

Venture capital investments for start-ups with growth potential to transfer from Finnvera to Tekes

The supply of public risk financing for start-up enterprises with growth potential will be streamlined by concentrating these operations in Tekes. In addition to grants and loans, Tekes will be able to finance growth through venture capital investments. In the division of labour among State-owned providers of risk financing, Finnvera has handled venture capital investments for start-up enterprises, but now these operations will be transferred to Tekes.

The Ministry of Employment and the Economy has decided that Tekes will start making venture capital investments at the latest in January 2014. Finnvera will continue to manage its existing venture capital investments until the investment portfolio is given up.

The change will have no impact on the Finnvera Group's capital adequacy.

A State guarantee for Finnvera's acquisition of funds

On 20 September 2012, the Government granted a State guarantee of EUR 3 billion for Finnvera's acquisition of funds. The State guarantee covers loans with a maximum repayment period of 25 years, taken within five years, and the associated interest rate and currency swaps and other corresponding hedging arrangements, as well as the interest payments and other terms agreed. The State guarantee is not subject to a fee.

The Ministry of Employment and the Economy was assigned to conduct an evaluation of the functioning and impact of the guarantee and the new export financing scheme by the end of 2016.

Finnvera to move from Helsinki to Otaniemi

It has been planned that Finnvera, Finpro and Tekes will move to shared premises in Otaniemi, Espoo. For the customers of the sister organisations, a concept with shared premises will offer the simplest solution for contacts. Cooperation between the organisations will also be easier. The premises, built by Senate Properties, are scheduled for completion in 2016.

Events after the Period under Review

AAA ratings for Finnvera's loan programme

The credit rating agencies Moody's and Standard & Poor's have confirmed the best possible ratings for Finnvera's Medium Term Note programme.

The ratings correspond to the rating assigned to the State of Finland for its long-term funding. The rating given by Moody's to Finnvera is Aaa (stable outlook) and that given by Standard & Poor's is AAA (negative outlook). Finnvera uses the MTN programme to acquire funds from the market for financing both SMEs and export credits.

Finnvera initiated the funding on 2 October 2012 by signing the Medium Term Note programme with five banks operating on the international market. The first notes under the MTN programme were issued to the international capital market this autumn. At the end of October 2012, Finnvera issued a bond of USD 300 million (about EUR 230 million). The bond has a fixed interest rate and a term of five years.

Outlook for the Rest of the Year

Demand for SME financing is not expected to change significantly during the rest of 2012. The sluggish economy will not encourage investments or company reorganisations; demand will thus remain moderate. Demand for financing will still focus on working capital and on the arrangement of delivery security enabling transactions.

Demand for Finnvera's export credit guarantees and export credits is likely to continue to be fairly active despite the downturn in exports. The underlying factors are the increased awareness of risks and the banks' need to reduce the share of long-term credits on their balance sheets. Finnvera's guarantees and financing are likely to play a greater role for Finnish exports.

The uncertain economic trend makes it more difficult to predict Finnvera's financial performance. According to current estimates, the financial performance of both the Group and the parent company is expected to fall below that for 2011. If materialised, individual risks may weaken the result considerably.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1 Jan–30 Sep 2012		1 Jan–30 Sep 2011	
INTEREST INCOME					
Loans		66 158		56 171	
Subsidies passed on to customers		9 378		10 760	
Export credit and special guarantee receivables		134		189	
Guarantee receivables		839		978	
Other		1 675	78 185	3 030	71 128
INTEREST EXPENSES			-32 229		-24 559
OTHER INTEREST SUBSIDIES			0		0
NET INTEREST INCOME			**45 956**		**46 568**
NET FEE AND COMMISSION INCOME			82 562		70 369
GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE	8)		-3 014		7 190
NET INCOME FROM INVESTMENTS					
Debt securities		1 372		763	
Shares and participations		0		0	
Investment property		0		-25	
Associates		5	1 377	-1	736
OTHER OPERATING INCOME			488		985
ADMINISTRATIVE EXPENSES					
Employee benefit expenses					
Wages and salaries		-17 324		-16 797	
Social security costs		-4 090		-4 360	
Other administrative expenses		-9 093	-30 507	-9 094	-30 251
OTHER OPERATING EXPENSES			-4 704		-4 818
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS					
Loans and guarantees	2)	-89 750		-61 149	
Credit loss compensation from state		35 445		20 756	
Export credit guarantees and special guarantees		-8 490	-62 796	-3 503	-43 897
OPERATING PROFIT			**29 362**		**46 884**
INCOME TAX EXPENSE					
Current tax expense		-466		-101	
Deferred tax expenses		1 295	829	-2 344	-2 445
PROFIT FOR THE PERIOD			**30 191**		**44 439**
COMPONENTS OF OTHER COMPREHENSIVE INCOME					
Change in the fair value of shares			161		37
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			**30 354**		**44 477**
Distribution of the profit for the period					
Attributable to					
Equity holders of the parent company			30 600		44 339
Non-controlling interest			-409		100
			30 191		**44 439**
Distribution of the total comprehensive income for the period					
Attributable to					
Equity holders of the parent company			30 762		44 376
Non-controlling interest			-409		100
			30 354		**44 477**

CONSOLIDATED BALANCE SHEET

ASSETS (EUR 1,000)	Note		30 Sep 2012		31 Dec 2011
Loans and receivables from credit institutions			112 528		192 516
Loans and receivables from customers					
Loans		2 636 623		2 256 059	
Guarantee receivables		35 126		42 036	
Receivables from export credit and special guarantee operations		10 968	2 682 718	4 121	2 302 216
Investments					
Debt securities		52 797		120 238	
Associates		73 204		70 366	
Other shares and participations		109 793		104 862	
Investment property		51	235 846	55	295 521
Derivatives	3)		85 056		52 911
Intangible assets			1 734		1 892
Property and equipment					
Properties		1 404		1 425	
Equipment		1 379	2 783	1 548	2 973
Other assets					
Credit loss receivables from the state		35 317		13 913	
Other		3 789	39 106	4 642	18 555
Prepayments and accrued income			35 023		23 631
Tax assets			0		0
TOTAL ASSETS			**3 194 793**		**2 890 215**

LIABILITIES (EUR 1,000)	Note			30 Sep 2012			31 Dec 2011
Liabilities to credit institutions	4)		135 000			185 000	
Liabilities to other institutions	4)		1 094 656			635 298	
Debt securities in issue	4)		761 343			904 428	
Derivatives	3)		0			0	
Provisions			44 532			47 094	
Other liabilities			56 027			56 043	
Accruals and deferred income			269 733			257 973	
Tax liabilities			2 496			3 725	
Capital loans	4)		82 405	2 446 191		85 823	2 175 384
EQUITY							
Equity attributable to the parent company's shareholders							
Share capital			196 605			196 605	
Share premium			51 036			51 036	
Fair value reserve			254			92	
Unrestricted funds							
Fund for domestic operations		139 770			135 753		
Fund for export credit guarantees and special guarantees		295 726			241 378		
Other		17 529			17 529		
Retained earnings		36 840	489 866	737 760	61 187	455 846	703 580
Share of equity held by non-controlling interest				10 842			11 251
TOTAL LIABILITIES AND EQUITY				**3 194 793**			**2 890 215**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to the parent company's shareholders (EUR 1,000)

	Share capital	Share premium	Fair value reserve	Fund for domestic operations	Fund for export credit guarantees and special guarantee	Other reserves	Retained earnings	Total	Share of eqyity held by non-controlling interest	Total equity
Balance at 1 Jan 2011	**196 605**	**51 036**	**-54**	**125 249**	**186 368**	**0**	**17 157**	**576 362**	**11 310**	**587 672**
Cancelled amount of subordinated loan received from the owner							4 017	4 017		4 017
Total comprehensive income for the period			37				44 339	44 376	100	44 476
Transfer to funds				10 504	55 010	17 529	-65 513	17 529	0	17 529
Adjustments							0	0	-36	-36
Balance at 30 Sep 2011	**196 605**	**51 036**	**-17**	**135 753**	**241 378**	**17 529**	**0**	**642 284**	**11 374**	**653 658**
Balance at 1 Jan 2012	**196 605**	**51 036**	**92**	**135 753**	**241 378**	**17 529**	**61 187**	**703 580**	**11 251**	**714 831**
Cancelled amount of subordinated loan received from the owner							3 419	3 419		3 419
Total comprehensive income for the period			161				30 600	30 762	-409	30 353
Transfer to funds				4 017	54 348	0	-58 366	0	0	0
Adjustments							0	0	0	0
Balance at 30 Sep 2012	**196 605**	**51 036**	**254**	**139 770**	**295 726**	**17 529**	**36 840**	**737 760**	**10 842**	**748 602**

CONSOLIDATED STATEMENT OF CASH FLOW

(EUR 1,000)	Jan–Sep 2012	Jan–Sep 2011
Cash flows from operating activities		
Withdrawal of loans granted	-721 325	-309 650
Repayments of loans granted	278 495	278 284
Purchase of investments	-12 376	-8 138
Proceeds from investments	2 279	1 488
Interest received	61 804	50 331
Interest paid	-31 215	-19 078
Interest subsidy received	3 343	9 489
Payments received from commission income	96 391	81 223
Payments received from other operating income	21 477	13 738
Payments for operating expenses	-40 952	-41 518
Claims paid	-50 138	-25 714
Taxes paid	-453	-143
Net cash used in (-) / from (+) operating activities (A)	**-392 670**	**30 312**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	-527	-494
Purchase of other investments	0	0
Proceeds from other investments	0	1 399
Dividends received from investments	598	354
Net cash used in (-) / from (+) investing activities (B)	**70**	**1 260**
Cash flows from financing activities		
Rights issue	0	17 529
Proceeds from loans	545 836	70 073
Repayment of loans	-299 893	-197 855
Payments of derivatives	0	0
Dividends paid	0	-97
Net cash used in (-) / from (+) financing activities (C)	**245 943**	**-110 350**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)	**-146 656**	**-78 778**
Cash and cash equivalents at the beginning of the period	**377 631**	**380 309**
Cash and cash equivalents at the end of the period	**230 975**	**301 531**
Cash and cash equivalents at the end of the period		
Receivables from credit institutions	112 528	132 542
Debt securities	52 797	113 580
Investments in short-term interest funds	65 649	55 409
	230 975	**301 531**

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Finnvera's Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* as adopted by the EU. The principles for drawing up the financial statements are described in Finnvera's Financial Statements for 2011.

The cancellation of the subordinated loan received from the owner is no longer presented under other operating income. Instead, the item is entered directly under equity. The reference data have been changed correspondingly.

The Interim Report also presents data for the parent company Finnvera plc because the rules of the Oslo Stock Exchange require their presentation when bonds have been issued in Norway.

1. SEGMENT INFORMATION

Segment reporting in the Finnvera Group is based on internal business areas and organisational structure.
Client enterprises have been divided into business areas by size, need for financing and development stage. A service concept has been devised for each business area. Finnvera's segments are micro-financing, regional financing, financing for growth and internationalisation, export financing, venture capital investments and financing of export credits.

Micro-financing clients are enterprises with less than 10 employees that operate locally. Micro-financing provides financial services for the start-up and development of enterprises in cooperation with regional enterprise services and other financiers.

The clients of regional financing are SMEs and, on special grounds, large enterprises. The clientele includes companies engaged in production or services. In cooperation with other financiers, regional financing provides financing solutions especially for development and growth needs and for changes of generation.

The clients of financing for growth and internationalisation are SMEs and, on special grounds, large enterprises with a growth strategy based on internationalisation. Some clients already operate on the international market and engage in exports, while others are still at the start of this development. In general, these enterprises also use the services of other public organisations providing services for enterprises (Finpro, Tekes, ELY Centres, TE Office) and make use of the services offered by Finnvera for export financing.

Export financing clients are mostly exporters operating in Finland and classified as large enterprises, as well as domestic and foreign bodies providing financing for these exports. Finnvera has official Export Credit Agency (ECA) status. Export financing offers competitive export credit guarantee services to meet client needs.

Three of Finnvera's subsidiaries – Veraventure Ltd, Seed Fund Vera Ltd and Matkailunkehitys Nordia Oy – make venture capital investments in enterprises. Another subsidiary, Finnish Export Credit Ltd, administers the interest equalisation system associated with export credits granted on OECD terms and domestic ship financing.

Income, expenses, assets and liabilities are allocated to the relevant 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.

Intra-group transactions, receivables and liabilities are eliminated in the consolidated financial statements.

Assessment of the profitability of Finnvera's segments, and decisions concerning resources allocated to segments, are based on operating profit. The assets and liabilities of segments are valued according to the principles applied for the consolidated financial statements.

The Finnvera Group's offices are located in Finland and its clientele encompasses a wide spectrum of enterprises in various sectors.

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN – 30 SEP 2012 (EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Financing of export credits	Eliminations	Total
Net interest income	7 836	23 201	7 891	5 886	1 143	0	0	45 956
Net fee and commission income	3 012	14 380	10 944	54 227	-1	0	0	82 562
Net impairment loss on financial assets	-2 430	-31 402	-21 271	-7 074	-620	0	0	-62 796
Operating expenses *	-9 247	-9 211	-5 836	-7 604	-3 757	-1 077	2 351	-34 381
Depreciation and amortization	-67	-336	-172	-255	0	0	0	-829
Other income, net**	578	2 811	524	86	-3 309	507	-2 346	-1 150
Operating profit	**-318**	**-558**	**-7 920**	**45 267**	**-6 544**	**-570**	**5**	**29 362**
Total assets	**207 751**	**776 229**	**399 148**	**1 659 989**	**171 406**	**-570**	**-19 162**	**3 194 793**
Loans and receivables from customers	253 237	982 181	382 877	1 059 933	22 354	0	-17 865	2 682 718
Total liabilities	**151 729**	**567 399**	**371 370**	**1 279 768**	**93 789**	**0**	**-17 865**	**2 446 191**

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN – 30 SEP 2011 (EUR 1,000)
(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Financing of export credits	Eliminations	Total
Net interest income	8 560	24 462	7 663	4 629	1 254	0	0	46 568
Net fee and commission income	3 003	14 533	10 020	42 796	17	0	0	70 369
Net impairment loss on financial assets	-2 952	-28 882	-12 243	170	1	0	412	-43 493
Operating expenses *	-8 627	-10 416	-5 544	-7 530	-3 494	0	1 750	-33 861
Depreciation and amortization	-210	-320	-252	-425	0	0	0	-1 207
Other income, net**	-2	167	-49	173	10 027	0	-1 808	8 508
Operating profit	**-229**	**-455**	**-404**	**39 812**	**7 805**	**0**	**354**	**46 885**
Total assets	**252 200**	**953 496**	**347 122**	**893 210**	**176 497**	**0**	**-19 502**	**2 603 024**
Loans and receivables from customers	281 877	1 088 166	351 113	357 369	21 376	0	-17 865	2 082 034
Total liabilities	**196 048**	**743 709**	**312 374**	**574 010**	**95 644**	**0**	**-18 202**	**1 903 582**

*) Operating expenses = Administration expenses + Other operating expenses - Depreciation and amortisation
**) Other income, net = Gains and losses from financial instruments carried at fair value + Net income from investments + other operating income

2. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

3. DERIVATIVES (EUR 1,000)

	30 Sep 2012			31 Dec 2011		
	Fair value positive	**Fair value negative**	**Total nominal value**	**Fair value positive**	**Fair value negative**	**Total nominal value**
Interest rate derivatives	0	0	0	0	0	50 000
Currency derivatives	85 056	0	741 858	52 911	0	925 372
Total derivatives	**85 056**	**0**	**741 858**	**52 911**	**0**	**975 372**

Derivatives are held for hedging borrowings. Derivatives and hedged liabilities are measured at fair value through profit or loss and their fair value changes are recognised through profit or loss (the fair value option).

4. CHANGES IN LIABILITIES (EUR 1,000)

Liabilities to credit institutions and other institutions	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2012	816 525	820 298
New loans	496 103	496 103
Repayments	-79 154	-79 154
Changes in fair value	-6 817	-7 590
Carrying amount at 30 Sep 2012	**1 226 657**	**1 229 657**

Debt securities in issue (EUR 1,000)	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2012	886 691	904 428
Debt securities in issue	50 000	49 733
Repayments	-221 320	-221 320
Changes in fair value	26 404	28 501
Carrying amount at 30 Sep 2012	**741 775**	**761 343**

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

Capital loans (EUR 1,000)	**82 405**

5. CONTINGENT LIABILITIES AND COMMITMENTS (EUR 1,000)

	30 Sep 2012	31 Dec 2011
Off-balance sheet items		
Guarantees	1 103 382	1 092 833
Export guarantees and special guarantees	11 447 917	10 365 214
Total guarantees	**12 551 300**	**11 458 047**
Binding financing offers	**1 374 839**	**2 039 006**

6. RELATED PARTIES (EUR 1,000)

Transactions with the state-owned companies (State-owned companies and associates in which the state ownership is at minimum 20 %)	**Financial income 1–9/2012**	**Purchases of services 1–9/2012**	**Balance of receivables 30 Sep 2012**	**Balance of guarantees 30 Sep 2012**
	75	20	26 931	1 041 841

FINNVERA

7. KEY FIGURES AND THEIR CALCULATION

	30 Sep 2012	30 Sep 2011
Equity ratio	23,4	26,9
Capital adequacy ratio	15,8	15,3
Expense-income ratio	27,6	28,0

Calculation of key figures:

Equity ratio % = $\dfrac{\text{(equity attributable to equity holders of the parent + non-controlling interest) *100}}{\text{balance sheet total}}$

Capital adequacy ratio: calculated as per Basel II Standard

Expense-income ratio = $\dfrac{\text{administration expenses + other operating expenses}}{\text{net interest income + gains and losses from financial instruments carried at fair value + net fee and commission income + net income from investments + other operating income}}$

8. GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (EUR 1,000)

	30 Sep 2012	30 Sep 2011
Derivatives	30 427	-2 359
Liabilities designated fair value through profit and loss	-27 728	1 180
Exchange rate differences	-254	-124
Venture capital investments; fair value changes	-5 460	8 493
	-3 014	**7 190**

FINNVERA PLC'S COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1 Jan–30 Sep 2012		1 Jan–30 Sep 2011	
INTEREST INCOME					
Loans		42 478		43 824	
Subsidies passed on to customers		9 378		10 760	
Export credit and special guarantee receivables		134		189	
Guarantee receivables		839		978	
Other		1 635	54 464	2 539	58 290
INTEREST EXPENSES			-10 158		-13 236
OTHER INTEREST SUBSIDIES			0		0
NET INTEREST INCOME			**44 306**		**45 054**
NET FEE AND COMMISSION INCOME			81 221		69 403
GAINS AND LOSSES FROM FINANCIAL INTRUMENTS CARRIED AT FAIR VALUE	8)		2 433		-1 295
NET INCOME FROM INVESTMENTS					
Shares and participations		820		577	
Debt securities		0		0	
Investment property		0	820	0	577
OTHER OPERATING INCOME			1 035		997
ADMINISTRATIVE EXPENSES					
Employee benefit expenses					
Wages and salaries		-16 206		-15 687	
Social security costs		-4 008		-4 087	
Other administrative expenses		-8 260	-28 474	-8 223	-27 998
OTHER OPERATING EXPENSES			-4 664		-4 770
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS					
Loans and receivables	2)	-89 131		-61 159	
Credit loss compensation from state		35 445		20 756	
Export credit and special guarantee		-8 490	-62 176	-3 503	-43 907
OPERATING PROFIT			**34 499**		**38 061**
INCOME TAX EXPENSE					
Taxes on previous years			0		0
PROFIT/LOSS FOR THE PERIOD			**34 499**		**38 061**
OTHER COMPREHENSIVE INCOME					
Change in the fair value of shares			1		-109
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			**34 501**		**37 953**

FINNVERA PLC'S BALANCE SHEET

ASSETS (EUR 1,000)	Note		30 Sep 2012		31 Dec 2011
Loans and receivables from credit institutions					
Payable on demand		40 594		107 586	
Other than payable on demand		27 563	68 157	28 187	135 772
Loans and receivables from customers					
Loans		1 581 227		1 660 245	
Guarantee receivables		35 126		42 036	
Receivables from export credit and special guarantee operations		10 968	1 627 322	4 121	1 706 402
Investments					
Debt securities		51 297		116 938	
Investments in group companies		164 784		164 784	
Associates		602		602	
Other shares and participations		14 649		15 803	
Investment property		0	231 331	0	298 127
Derivatives			80 831		49 628
Intangible assets			1 632		1 846
Property and equipment					
Properties		1 404		1 425	
Equipment		1 379	2 783	1 541	2 966
Other assets					
Credit loss receivables from the state		35 317		13 913	
Other		3 661	38 977	4 604	18 517
Prepayments and accrued income			24 603		17 764
TOTAL ASSETS			**2 075 637**		**2 231 022**

LIABILITIES (EUR 1,000)	Note			30 Sep 2012			31 Dec 2011
Liabilities to credit institutions	4)		135 000			185 000	
Liabilities to other institutions							
At fair value through profit or loss	4)		0			0	
Debt securities in issue							
At fair value through profit or loss	4)		761 343			904 428	
Derivatives	3)		0			0	
Provisions			44 532			47 094	
Other liabilities			52 441			53 902	
Accruals and deferred income			260 727			253 504	
Capital loans	4)		82 405	1 336 447		85 823	1 529 752
EQUITY							
Share capital			196 605			196 605	
Share premium			51 036			51 036	
Fair value reserve			-236			-237	
Unrestricted funds							
Fund for domestic operations		139 770			135 753		
Fund for export credit guarantees and special guarantees		295 726			241 378		
Fund for venture capital investments		17 529			17 529		
Retained earnings		38 759	491 785	739 190	59 207	453 866	701 270
TOTAL LIABILITIES AND EQUITY				**2 075 637**			**2 231 022**

FINNVERA

FINNVERA PLC'S STATEMENT OF CHANGES IN EQUITY

Eguity attributable to the parent company's shareholders (EUR 1,000)

	Share capital	Share premium	Fair value reserve	Fund for domestic operations	Fund for export credit guarantees and special guarantee	Fund for venture capital investments	Retained earnings	Total
Balance at 1 Jan 2011	**196 605**	**51 036**	**-149**	**125 249**	**186 368**	**0**	**66 354**	**625 463**
Cancelled amount of subordinated loan received from the owner							4 017	4 017
Total comprehensive income for the period			-109				38 061	37 953
Transfer to funds				10 504	55 010	17 529	-65 514	17 529
Balance at 30 Sep 2011	**196 605**	**51 036**	**-258**	**135 753**	**241 378**	**17 529**	**42 919**	**684 962**
Balance at 1 Jan 2012	**196 605**	**51 036**	**-237**	**135 753**	**241 378**	**17 529**	**59 207**	**701 270**
Cancelled amount of subordinated loan received from the owner							3 419	3 419
Total comprehensive income for the period			1				34 499	34 501
Transfer between funds				4 017	54 348	0	-58 366	0
Balance at 30 Sep 2012	**196 605**	**51 036**	**-236**	**139 770**	**295 726**	**17 529**	**38 759**	**739 190**

FINNVERA PLC'S STATEMENT OF CASH FLOW

(EUR 1,000)	1 Jan–30 Sep 2012	1 Jan–30 Sep 2011
Cash flows from operating activities		
Withdrawal of loans granted	-220 472	-253 712
Repayments of loans granted	246 569	260 709
Interest received	41 856	39 705
Interest paid	-10 638	-10 213
Interest subsidy received	3 343	9 489
Payments received from commission income	94 983	78 676
Payments received from other operating income	21 625	13 156
Payments for operating expenses	-38 383	-37 190
Claims paid	-50 138	-25 714
Taxes paid	0	0
Net cash used in (-) / from (+) operating activities (A)	**88 743**	**74 906**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	-432	-533
Purchase of other investments	0	0
Proceeds from other investment	0	796
Dividends received from investments	24	88
Net cash used in (-) / from (+) investing activities (B)	**-408**	**352**
Cash flows from financing activities		
Rights issue	0	17 529
Proceeds from loans	49 733	0
Repayment of loans	-271 324	-184 700
Net cash used in (-) / from (+) financing activities (C)	**-221 591**	**-167 171**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)	**-133 256**	**-91 913**
Cash and cash equivalents at the beginning of the period	**252 710**	**272 937**
Cash and cash equivalents at the end of the period	**119 454**	**181 024**
Cash and cash equivalents at the end of period		
Receivables from credit institutions	68 157	71 344
Debt securities	51 297	109 680
	119 454	**181 024**

FINNVERA PLC

1. SEGMENT INFORMATION

FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN - 30 SEP 2012 (EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Financing of export credits	Finnvera plc total
Net interest income	7 836	23 198	7 891	5 381	0	0	44 306
Net fee and commission income	3 012	14 380	10 944	52 885	0	0	81 221
Net impairment loss on financial assets	-2 430	-31 402	-21 271	-7 074	0	0	-62 176
Operating expenses *	-9 247	-9 171	-5 836	-6 978	0	-1 077	-32 309
Depreciation and amortization	-67	-336	-172	-255	0	0	-829
Other income, net**	578	2 675	524	5	0	507	4 287
Operating profit	**-318**	**-657**	**-7 920**	**43 965**	**0**	**-570**	**34 499**
Total assets	**207 751**	**775 687**	**399 148**	**549 151**	**144 468**	**-570**	**2 075 637**
Loans and receivables from customers	253 237	982 181	382 877	9 026	0	0	1 627 322
Total liabilities	**151 729**	**567 063**	**371 370**	**176 037**	**70 248**	**0**	**1 336 447**

FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN - 30 SEP 2011 (EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Financing of export credits	Finnvera plc total
Net interest income	8 560	24 425	7 663	4 406	0	0	45 054
Net fee and commission income	3 003	14 533	10 020	41 847	0	0	69 403
Net impairment loss on financial assets	-2 952	-28 882	-12 243	170	0	0	-43 907
Operating expenses *	-8 627	-10 376	-5 544	-7 016	0	0	-31 563
Depreciation and amortization	-210	-320	-252	-424	0	0	-1 205
Other income, net**	-2	193	-49	137	0	0	279
Operating profit	**-229**	**-427**	**-404**	**39 120**	**0**	**0**	**38 061**
Total assets	**252 200**	**952 723**	**347 122**	**492 783**	**144 468**	**0**	**2 189 296**
Loans and receivables from customers	281 877	1 087 829	351 113	3 961	0	0	1 724 780
Total liabilities	**196 048**	**743 036**	**312 374**	**179 209**	**73 667**	**0**	**1 504 334**

*) Operating expenses = Administration expenses + Other operating expenses - Depreciation and amortisation
**) Other income, net = Gains and losses from financial instruments carried at fair value + Net income from investments + other operating income

Inter-segment revenue is not significant.

2. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

3. DERIVATIVES (EUR 1,000)

	30 Sep 2012			31 Dec 2011		
	Fair value positive	**Fair value negative**	**Nominal value**	**Fair value positive**	**Fair value negative**	**Nominal value**
Interest rate derivatives	0	0	0	0	0	0
Currency derivatives	80 831	0	692 042	49 628	0	786 691
Total derivatives	**80 831**	**0**	**692 042**	**49 628**	**0**	**786 691**

Derivatives are held for hedging borrowings. Derivatives and hedged liabilities are measured at fair value through profit or loss and their fair value changes are recognised through profit or loss (fair value option).

4. CHANGES IN LIABILITIES (EUR 1,000)

Liabilities to other institutions	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2012	185 000	185 000
New loans	0	0
Repayments	-50 000	-50 000
Changes in fair value	0	0
Carrying amount at 30 Sep 2012	**135 000**	**135 000**

Debt securities in issue (EUR 1,000)	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2012	886 691	904 428
Debt securities in issue	50 000	49 733
Repayments	-221 320	-221 320
Changes in fair value	26 404	28 501
Carrying amount at 30 Sep 2012	**741 775**	**761 343**

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

Capital loans (EUR 1,000)	**82 405**

5. CONTINGENT LIABILITIES AND COMMITMENTS (EUR 1,000)

	30 Sep 2012	31 Dec 2011
Off-balance sheet items		
Guarantees	1 103 382	1 092 833
Export guarantees and special guarantees	11 447 917	10 365 214
Total guarantees	**12 551 300**	**11 458 047**
Binding financing offers	**180 919**	**201 700**

6. RELATED PARTIES (EUR 1,000)

Transactions with the state-owned companies (State-owned companies and associates in which the state ownership is at minimum 20 %)	**Purchases of services** Jan–Sep 2012	**Balance of receivables** 30 Sep 2012	**Balance of guarantees** 30 Sep 2012
	19	**17 865**	**1 041 841**

7. KEY FIGURES AND THEIR CALCULATION

	30 Sep 2012	30 Sep 2011
Equity ratio	35,6	31,3
Capital adequacy ratio	16,2	14,9
Expense-income ratio	25,5	28,6

Calculation of key figures:

Equity ratio %	equity * 100 / balance sheet total
Capital adequacy ratio	calculated as per Basel II Standard
Expense-income ratio	administration expenses + other operating expenses / net interest income + gains and losses from financial instruments carried at fair value + net fee and commission income + net income from investments + other operating income

8. GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (EUR 1,000)

	Jan–Sep 2012	Jan–Sep 2011
Liabilities designated fair value through	31 203	-3 338
profit and loss	-28 501	2 159
Exchange rate differences	-269	-116
Venture capital investments; fair value changes	0	0
	2 433	**-1 295**

Osavuosikatsauksen allekirjoitukset

Underskrifter för delårsrapporten

Signatures of the Board of Directors on the Interim Report

Helsinki 22.11.2012

Markku Pohjola
Puheenjohtaja
Ordförande
Chairman

Marjaana Aarnikka

Timo Kekkonen

Risto Paaermaa
Varapuheenjohtaja
I vice ordförande
First Vice Chairman

Johanna Ala-Nikkola

Timo Lindholm

Kristina Sarjo
II varapuheenjohtaja
II vice ordförande
Second Vice Chairman

Leila Helaakoski

Petri Vanhala

Pauli Heikkilä
Toimitusjohtaja
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