



Finnvera Group

Interim Management Statement Q1/2022

1 January - 31 March 2022



Finnvera Group, Stock Exchange Release 12 May 2022

Interim Management Statement 1 January - 31 March 2022

Russia's invasion of Ukraine has significant impact - Group result in January-March showed a loss of EUR 58 million

Finnvera Group, summary Q1/2022 (vs. Q1/2021 or 31 Dec 2021)

- Result -58 MEUR (38) – Due to the increase in the credit loss risk of export credit guarantee exposure in Russia, loss provisions increased by 210 MEUR – there were no grounds for reversing loss provisions made in 2020.
- Result by segment: result of the parent company Finnvera plc's SME and midcap business stood at 9 MEUR (6) and that of Large Corporates business at -77 MEUR (17); the subsidiaries had an impact of 10 MEUR (15) on the Group's result.
- The separate result for export credit guarantee and special guarantee operations was -79 MEUR (18).
- Balance sheet total EUR 12.1 bn (12.2) – change -1%.
- Contingent liabilities stood at EUR 15.8 bn (15.9), decreasing by 1%
- The total exposure of the parent company Finnvera plc decreased by 1 per cent to EUR 25.3 bn (25.6).
- Non-restricted equity and the State Guarantee Fund, that is, the buffer reserves in total, decreased to EUR 1.2 bn (1.4) – change -11%.
- The expected credit losses based on the balance sheet items increased from the end of the previous year to EUR 1.6 bn (1.4) – change 15%
- Equity ratio decreased by 0.3 pp to 6.8% (7.1).
- The expense-income ratio improved by 2.9 pp to 17.6% (20.5).
- The NPS index (net promoter score, NPS) measuring customer satisfaction was 80 (68); the average was increased by improvement in the NPS scores for Locally operating small companies and Large Corporates.

CEO Pauli Heikkilä:

“The positive trend in the growth, internationalisation and investments of companies which began in 2021 continued at the beginning of 2022. Of the sectors of business, demand was the strongest in industry. Russia's invasion of Ukraine had a negative impact on investments. In the longer term, the consequences of the attack and the subsequent sanctions can be remedied, but in the short term, the impacts on both the Finnish and global economies will be significant. Due to the increased uncertainty, the demand for financing for investments may be lower than expected in domestic financing and the demand for working capital financing will increase.

With regard to export financing, especially in the pulp and paper and telecommunications sector, the development has continued positively. The cruise shipping shows signs of recovery from the consequences of the coronavirus pandemic, but there are no grounds for reversing the extensive loss provisions made in the first year of coronavirus 2020.

The credit loss risk of Finnvera Group's export credit guarantee exposure in Russia has increased, due to which we issued a negative profit warning on 11 March 2022 after the loss provisions had increased by EUR 250 million. As a result of the arrangements made due to the war and sanctions, Finnvera's exposure in Russia decreased to EUR 709 million by the end of March, of which loss provisions amounting to EUR 210 million were recognised to the period under review. Due to the increase in loss provisions, the Group's profit for January–March showed a loss of EUR 58 million.

Within its financing authorisations, Finnvera is capable of meeting the financing needs of companies. Finnvera's ability to finance Large Corporates within the framework of the European Investment Bank's EGF guarantee programme will continue until the end of June 2022. In addition, Finnvera has been approved as an implementing partner for InvestEU financing, and the aim is to expand companies' financing opportunities also through this cooperation.”

Finnvera Group, Q1/2022

Result

Q1/2022

-58 MEUR

(Q1/2021: 38)

Balance sheet total

31 Mar 2022

EUR 12.1 bn

(31 Dec 2021: 12.2)

change -1%

Total exposure 31 Mar 2022, the parent company's domestic, export credit guarantee and special guarantee operations

EUR 25.3 bn

(31 Dec 2021: 25.6)

change -1%

Non-restricted equity and The State Guarantee Fund after Q1/2022 result

EUR 1.2 bn

(31 Dec 2021: 1.4)

change -11%

Expense-income ratio

Q1/2022

17.6%

(Q1/2021: 20.5)

change -2.9 pp

Equity ratio

31 Mar 2022

6.8%

(31 Dec 2021: 7.1)

change -0.3 pp

NPS index

(net promoter score)

Q1/2022

80

(Q1/2021: 68)

change 12 points

Expected credit losses based on the balance sheet items

31 Mar 2022

EUR 1.6 bn

(31 Dec 2021: 1.4)

change 15%

Finnvera Group, Stock Exchange Release 12 May 2022

Finnvera Group, financing granted and exposure

Q1/2022 (vs. Q1/2021)

- Domestic loans and guarantees granted: 247 MEUR (442), change -44%
 - However, financing was 38% higher than Q1/2019 before the coronavirus pandemic.
- Export credit guarantees and special guarantees granted, incl. SME and midcap export guarantees: EUR 1.0 bn (1.1), change -6%
- Export credits granted: 120 MEUR (324), change -63%
 - The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee.
 - The fluctuation in the amount of export credit guarantees and export credits is influenced by the timing of individual major export transactions.

31 March 2022 (vs. 31 December 2021)

- Exposure, domestic loans and guarantees: EUR 2.9 bn (3.0), change -2%
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export guarantees: EUR 22.4 bn (22.6), change -1%
 - Drawn exposure: EUR 12.9 bn (12.1), change 6%, of which Large Corporates' cruise shipping exposure in total EUR 5.7 bn (5.4)
 - Undrawn exposure EUR 7.4 bn (7.4) and binding offers EUR 2.1 bn (3.1), in total EUR 9.5 bn (10.5), change -10%, of which Large Corporates' cruise shipping exposure in total EUR 6.5 bn (6.4).
- Exposure, export credits drawn: EUR 7.7 bn (7.9), change -3%.

Financial performance

Finnvera Group's result for January–March 2022 showed a loss of EUR 58 million, whereas the result for the corresponding period last year showed a profit of EUR 38 million. The negative result was due to

Finnvera Group	Q1/2022	Q1/2021	Change	Change	2021
Financial performance	MEUR	MEUR	MEUR	%	MEUR
Net interest income	17	15	3	18%	55
Net fee and commission income	57	39	18	46%	167
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	1	2	-1	-35%	2
Other operating income	94	0	94	-	4
Operational expenses	-12	-11	1	6%	-46
Other operating expenses and depreciations	-2	-3	-2	-54%	-8
Realised credit losses and change in expected credit losses, net	-211	0	211	-	-11
Operating profit/loss	-55	42	-97	-	164
Profit/loss for the period	-58	38	-96	-	153

an increase of EUR 210 million in the loss provisions of export credit guarantee exposure in Russia. No major final losses were realised in January–March. No significant recovery in cruise shipping or substantial reduction in the credit risk of guarantee commitments were assessed to have taken place during the beginning of the year, so there were also no grounds for reversing the extensive loss provisions of EUR 1,222 million made in 2020.

During March, the total exposure in Russia decreased from EUR 977 million to EUR 709 million and drawn exposure increased to EUR 546 million as a result of prepayments. Due to the decrease in exposure, the amount of loss provisions in early March were lower than expected.

Impacted by the increase in loss provisions, separate result for export credit guarantee and special guarantee operations was EUR -172 million, of which EUR 79 million is covered by the reserve for export credit guarantee and special guarantee operations accumulated based on the profits made in 2021 and EUR 93 million as a fund payment from the State Guarantee Fund. The fund payment was recognised in the financial statements as a receivable from the State Guarantee Fund, and it has not

yet been applied for from the Fund. The State Guarantee Fund is a fund not included in the state budget, the funds of which have been accumulated in the activities of Finnvera's predecessor organisations. The Fund covers the result showing a loss in the export credit guarantee and special guarantee operations if the reserve funds in the company's balance sheet are not sufficient.

The net interest income and net fee and commission income improved in January–March compared to the previous year and also compared to the years before the coronavirus pandemic. The net interest income was EUR 3 million higher than in the previous year, especially as a result of gains made by the interest and investment positions. Correspondingly, net fee and commission income increased by EUR 18 million from the previous year, which was due in particular to the recognition of fee and commission income to the period under review as a result of prepayments of exposure.

Finnvera's domestic and export financing reserves for covering potential future losses taking into account the result of the period amounted to a total of EUR 1,062 million (1,224) at the end of March. The reserves consisted of non-restricted equity for domestic financing of

Finnvera Group, Stock Exchange Release 12 May 2022

EUR 408 million (399), non-restricted equity for export credit and special guarantee financing as well as assets in the State Guarantee Fund for covering a loss-making result of EUR 654 million (825) in total.

Risk position of financing

At the end of March, the exposure for drawn domestic loans and guarantees amounted to EUR 2,633 million and it decreased by EUR 16 million from the turn of the year 2021. EUR 383 million of this exposure was related to large corporates employing more than 249 persons.

At the beginning of the year, the distribution of the domestic financing credit portfolio met the targets. Risks pertaining to individual clients and the amounts of non-performing credits and arrears remained at a reasonable level. Expected loss (EL) for exposure remained almost unchanged during the first months of the year and was 3.54 per cent of total exposure at the end of March. The distribution of exposure by risk category also remained virtually unchanged.

At the end of the first quarter, the total exposure arising from export credit guarantees and special guarantees was EUR 22,378 million (22,637). Approximately 75 per cent of the outstanding export credit guarantees and special guarantees totalling EUR 20,285 million (19,500) and binding offers totalling EUR 2,087 million (3,108) were associated with transactions in EU Member States and OECD countries. Altogether, 27 per cent of the exposure was in risk category BBB-, which reflects investment grade, or in better risk categories.

Outlook for 2022

While significant final export credit guarantee losses were not realised during Q1, the calculated expected loss (ECL) remains significantly high, as it did at the end of 2021. The increased level of loss provisions was mainly due to the deterioration of the economic outlook in cruise shipping caused by the coronavirus pandemic and the materially weakened

economic outlook in Russia in the first quarter of the year, which decreased the risk ratings of individual risk subjects.

The recovery of cruise shipping from the coronavirus pandemic as well as the war in Ukraine and the weakened economic outlook in Russia cause significant uncertainty regarding Finnvera Group's profit development in 2022. Finnvera issued a negative profit warning on 11 March 2022, stating that, according to assessment, as yet no grounds exist for reversing the loss provisions previously made due to the coronavirus pandemic and, because of the increase in the export credit guarantee exposure in Russia, Finnvera Group's result for 2022 may show a loss. Changes in the amount of loss provisions and any final losses determine whether the result will show a loss or profit for 2022. However, under the prevailing circumstances, it is very difficult to anticipate these changes and the realised losses.

Further information:

Pauli Heikkilä, CEO, tel. +358 29 460 2400

Ulla Hagman, CFO, tel. +358 29 460 2458

This stock exchange release is a summary of Finnvera Group's interim management statement of January–March 2022 and contains the relevant information from the statement. The entire interim management statement is attached to this release as a PDF file and is available on the company's website at www.finnvera.fi.

Interim Management Statement 1 January – 31 March 2022 (PDF)

Distribution:

NASDAQ Helsinki Ltd, London Stock Exchange, the principal media,

www.finnvera.fi

The report is available in Finnish and English at

www.finnvera.fi/financial_reports

Interim Management Statement Tables

Consolidated comprehensive income statement

(EUR 1,000)	Finnvera Group	
	1-3 2022	1-3 2021
Interest income		
- Interest from loans passed on to customers	14,517	12,495
- Subsidies passed on to customers	-	1
- Other interest income ¹	45,521	41,619
Total interest income	60,038	54,115
Interest expenses ¹	-42,833	-39,511
Net interest income	17,205	14,605
Net fee and comission income	57,073	39,178
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	1,144	1,765
Net income from investments	-43	144
Other operating income	93,593	53
Total operational expenses	-11,695	-11,051
- Personnel expenses	-7,739	-7,489
- Other operational expenses	-3,956	-3,563
Depreciation and amortisation on tangible and intangible assets	-1,428	-3,217
Other operating expenses	-122	-125
Realised credit losses and change in expected credit losses, net	-211,066	290
- Realised credit losses	-8,345	-7,364
- Credit loss compensations from the State	6,267	5,265
- Expected credit losses	-208,988	2,389
Operating profit/loss	-55,339	41,640
Income tax	-2,489	-3,868
Profit/loss for the period	-57,827	37,772

¹ The presentation of interest expenses and interest incomes has been changed and the comparative figures have been updated to reflect the new presentation method.

(EUR 1,000)	Finnvera Group	
	1-3 2022	1-3 2021
Other comprehensive income		
Items that will not be reclassified to profit or loss		
- Change in the credit risk associated with liabilities carried at fair value	2,446	-6,455
Items that may be reclassified subsequently to profit or loss		
- Change in fair value of investments	-4,203	503
- Change in the expected credit losses of investments	10	-2,495
- Cash flow hedging	15,515	-9,053
Total other comprehensive income	13,769	-17,500
Total comprehensive income for the period	-44,059	20,273
Distribution of the profit/loss for the period attributable to equity holders of the parent company	-57,827	37,772
Distribution of the total comprehensive income for the period attributable to equity holders of the parent company	-44,059	20,273

Balance sheet

(EUR 1,000)	Finnvera Group	
	31 Mar 2021	31 Dec 2021
ASSETS		
Loans to and receivables from credit institutions		
- Payable on demand	602,356	475,674
- Investment accounts and deposits	90,033	88,245
- Other	37,181	50,215
	729,570	614,134
Loans to and receivables from customers		
- Loans	6,963,857	7,305,538
- Debt Securities	41,811	42,679
- Guarantee receivables	36,716	35,784
- Receivables from export credit and special guarantee operations	19,599	20,049
	7,061,983	7,404,051
Investments		
- Debt securities	3,342,584	3,309,090
- Other shares and participations	13,723	13,723
	3,356,307	3,322,812
Derivatives	101,112	370,910
Intangible assets	8,901	7,025
Tangible assets	3,681	3,923
Other Assets		
- Credit loss receivables from the state	30,558	24,305
- Other	447,751	354,860
	478,309	379,165
Prepayments and accrued income	382,980	117,690
Tax assets	46	46
Assets	12,122,888	12,219,756

(EUR 1,000)	Finnvera Group	
	31 Mar 2021	31 Dec 2021
LIABILITIES		
Liabilities to other institutions	74,583	74,583
Debt securities in issue	10,180,535	10,284,982
Derivatives	251,698	35,278
Provisions	297,433	205,372
Other liabilities	97,084	36,856
Accruals and deferred income	400,170	711,543
Tax liabilities	2,116	7,817
Liabilities	11,303,621	11,356,431
EQUITY		
Equity attributable to the parent company's shareholders		
Share capital	196,605	196,605
Share premium	51,036	51,036
Fair value reserve	3,548	-10,221
Non-restricted reserves		
- Reserve for domestic operations	399,211	366,373
- Reserve for export credit guarantees and special guarantees	78,658	-
Retained earnings	90,209	259,533
Non-restricted equity	568,078	625,906
Total equity, equity attributable to the parent company's shareholders	819,267	863,326
Total liabilities and equity	12,122,888	12,219,756

Contingent liabilities

In the first table (Table 1) the commitments have been categorised according to their contractual stage. In the second table (Table 2) commitments have been broken down by business area and contractual stage.

Table 1: Contingent liabilities according to the status of commitments

(EUR 1,000)	Finnvera Group	
	31 Mar 2022	31 Dec 2021
Current drawn commitments (A+D+G)	6,679,405	5,716,253
Current undrawn commitments (B+E+F+H)	6,900,509	6,977,106
Offers given (C+I)	2,190,867	3,228,775
Contingent liabilities, total	15,770,780	15,922,133

Table 2: Contingent liabilities by business area

(EUR 1,000)	Finnvera Group	
	31 Mar 2022	31 Dec 2021
Domestic operations		
A) Valid guarantees	2,023,325	2,056,102
B) Binding credit commitments	178,460	232,733
C) Guarantee offers	98,086	91,798
Domestic operations total	2,299,871	2,380,633
Export credit guarantees, special guarantees and export credit commitments		
Current commitments (drawn and undrawn)		
D) Drawn export and special guarantees, not included export loans	4,459,572	3,548,836
E) Undrawn export and special guarantees, not included export loans	2,333,117	2,179,804
F) The Group: undrawn export credits granted by the subsidiary (credit commitments)	4,298,985	4,506,524
G) Export and special guarantee interest commitments, drawn commitments)	196,508	111,314
H) Export and special guarantee interest commitments, undrawn commitments)	89,947	58,045
Offers given		
I) Export and special guarantees	2,092,781	3,136,977
Export credit guarantees, special guarantees and export credit commitments	13,470,909	13,541,500
Contingent liabilities, total	15,770,780	15,922,133

A) Commitments for domestic guarantees mean commitments referred to in §4 and §4a of the Act on Credits and Guarantees Provided by the State-owned Specialised Financing Company (18.6.1998/445). These commitments are current commitments.

F) Credit commitments given by the subsidiary always involve an export credit guarantee granted by the parent company. The figure for the Group includes the unused credit arrangements (credit commitments) for export credits granted by Finnish Export Credit Ltd. The figure for the parent company consists of export credit guarantees that cover the credit risk for the credit commitments presented in the figure for the Group (liability for compensation to the subsidiary).

G) and H) Finnvera pays compensation for the interest included in guaranteed receivables for the amount fallen due, until the due date according to credit documents. If Finnvera pays the compensation before the due date, interest will be paid only until the compensation payment date. The Group interest commitment figures do not include group internal interest commitments to Finnish Export Credit Ltd.

1 The total commitments of Finnvera's export credit guarantees and hedging arrangements may amount to EUR 38 billion (27) at the maximum. The total export credits and ship credits granted by Finnvera's subsidiary Finnish Export Credit Ltd may amount to EUR 33 billion (22).

Table 3: Liability for export credit guarantees calculated according to the Act on the State's Export Credit Guarantees¹

(EUR 1,000)	Finnvera plc	
	31 Mar 2022	31 Dec 2021
Liability according to the Act on the State's Export Credit Guarantees	19,178,930	19,194,867

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.

Table 4: Possible obligations according to IAS 37

(EUR 1,000)	Finnvera Group	
	31 Mar 2022	31 Dec 2021
Possible obligation arising to cover losses of fund payment in accordance with The State Guarantee Fund Act	442,561	349,023

During the reporting period an additional amount of EUR 93.5 million possible obligation debt was booked, which relates to the the export credit guarantees and special guarantees and from which the repayment decision is made later in this year. The possible obligation will be returned to The State Guarantee Fund once the reserve for export credit guarantees and special guarantees has funds of at least EUR 829 million consisting of future profits.

Profit/Loss by segment

(EUR 1,000)	SME and midcap financing			Export financing		Venture capital financing		Total
	Locally operating small companies	SMEs focusing on the domestic markets ¹	SMEs seeking growth and internationalisation	Large corporates	Export credits			
Finnvera Group								
1-3/2022								
Net interest income	1,111	2,393	1,866	2,696	9,138	-		17,205
Net fee and commission income	2,203	5,338	5,780	39,875	3,877	-		57,073
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-	-	-	60	1,084	-		1 144
Net income from investments	-	-	-	-	-43	-		-43
Other operating income	1	7	3	93,582	0	-		93,593
Administrative expenses	-1,727	-2,987	-2,716	-3,234	-1,029	-		-11,695
Depreciation and amortisation on tangible and intangible assets	-237	-514	-393	-224	-59	-		-1,428
Other operating expenses	-24	-35	-28	-28	-7	-		-122
Realised credit losses and change in expected credit losses, net	-534	57	-392	-209,752	-444	-		-211,066
- Realised credit losses	-2,258	-4,224	-1,829	-35	-	-		-8,345
- Credit loss compensations from the State	1,767	3,375	1,126	-	-	-		6,267
- Change in expected credit losses (increase - / decrease +)	-42	906	310	-209,718	-444	-		-208,988
Operating profit/loss	793	4,259	4,120	-77,026	12,516	-		-55,339
Income tax	-	-6	-	-	-2,483	-		-2,489
Profit/loss for the period	793	4,253	4,120	-77,026	10,033	-		-57,827
Finnvera Group								
1-3/2021								
Net interest income	1,321	2,788	2,145	417	7,891	43		14,605
Net fee and commission income	2,189	5,495	4,887	23,479	3,128	0		39,178
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-	-	-	130	1,244	391		1,765
Net income from investments	-	-	-	-	144	-		144
Other operating income	2	11	8	33	0	-		53
Administrative expenses	-1,686	-2,956	-2,486	-3,064	-808	-50		-11,051
Depreciation and amortisation on tangible and intangible assets	-487	-1,067	-675	-751	-236	-		-3,217
Other operating expenses	-27	-36	-27	-28	-7	-		-125
Realised credit losses and change in expected credit losses, net	-126	-446	-3,190	-3,088	7,113	27		290
- Realised credit losses	-1,807	-1,265	-4,552	260	-	-		-7,364
- Credit loss compensations from the State	1,443	1,010	2,811	-	-	-		5,265
- Change in expected credit losses (increase - / decrease +)	238	-191	-1,449	-3,348	7,113	27		2,389
Operating profit/loss	1,185	3,787	661	17,129	18,468	410		41,640
Income tax	-	-	-	-	-3,531	-337		-3,868
Profit/loss for the period	1,185	3,787	661	17,129	14,937	73		37,772

1 The venture capital financing segment has been merged in the SMEs focusing on the domestic markets segment since 1st January 2022.

Key financial performance indicators and formulas for the key indicators

(EUR 1,000)	Finnvera Group	
	31 Mar 2022	31 Dec 2021
Equity ratio, %	6.8	7.1
Expense-income ratio, %	17.6	23.5

On 19 May 2022, lacking figures have been added to the Key financial performance indicator table (31 Mar 2022: Equity ratio 6.8% and Expense-income ratio 17.6%).

Equity ratio, %	$\frac{\text{equity + minority share + accumulated appropriations} \\ \text{deducted by the deferred tax liability}}{\text{balance sheet total}} \times 100$
Expense-income ratio, %	$\frac{\text{operational expenses + depreciation, amortisation and impairment} \\ \text{on tangible and intangible assets + other operating expenses}}{\text{net interest income + net fee and commission income + gains and losses} \\ \text{from financial instruments carried at fair value through profit and loss and} \\ \text{foreign exchange gains and losses + net income from investments + other} \\ \text{operating income excl. fund payment from The State Guarantee Fund}} \times 100$



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

finnvera.fi

 **FINNVERA**