Finnvera Group's Report of the Board of Directors and Financial Statements

H2/2019 AND 1 JAN–31 DEC 2019

FINNVERA

Finnvera Group, Stock Exchange Release 26 February 2020

Finnvera Group's Report of the Board of Directors and Financial Statements for 2019

SME and export financing increased – the positive result grows Finnvera's risk buffer

CEO PAULI HEIKKILÄ:
After a few years' decline, Finnvera's financing granted to SMEs and midcap enterprises increased in 2019. Financing granted to large corporates for export transactions also increased year on year. Growth stemmed particularly from the wave of investments in cruise shipping.

The corona virus that spread across the world from January 2020 on demonstrated that global events affect enterprises in Finland, too – most concretely in tourism and the cruise shipping sector. The total impact of the virus remains to be seen. For a provider of financing, it is essential to assess impacts in the long term. Finnvera's drawn cruise shipping exposure amounts to EUR 3.7 billion, and in addition, Finnvera has a portfolio of commitments and binding offers far into the future.

Our operations are guided by self-sustainability, which is ensured with risk management, careful risk analysis and reinsurance, among other means. Finnvera has achieved cumulative self-sustainability during the company's 20 years of operation.

The year 2019 was financially favourable for Finnvera. The Finnvera Group's result was EUR 94 million (EUR 98 million). The profit of the SMEs and midcap business of the parent company Finnvera plc stood at EUR 17 million (EUR -4 million), and the result of the parent company's Large Corporates business and the subsidiary Finnish Export Credit Ltd. accounted for EUR 77 million (EUR 103 million) in total. The reserves accumulated during the operations for potential future losses amounted to EUR 1.9 billion at the end of the year.

Long delivery times of cruise ships have tied up Finnvera's authorisations to grant export financing. At the turn of the year, the Finnish parliament decided on a legislative amendment that raised our authorisation to grant export credit guarantees from EUR 27 billion to EUR 38 billion at the beginning of 2020. These figures are high, but we need authorisations in order to make the existing orders possible in cooperation with Finnish shipyards and to also serve other sectors and SMEs. The impact of export financing extends widely through subcontracting networks and jobs created, which strengthens its importance for the national economy.

The financing we granted to SMEs and midcap enterprises amounted to nearly EUR 1 billion. In line with our strategy, more than 80 per cent of the financing focused on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership. The share of financing granted to SMEs seeking growth and internationalisation in SME financing increased to 45 per cent. Financing for transfers of ownership also reached a new record. One of the highlights of the year was the introduction of an unsecured SME Guarantee in September 2019. The SME Guarantee is a guarantee of 80 per cent aimed at growth-oriented enterprises. The enterprise applies for the guarantee through a bank from Finnvera for a maximum loan amount of EUR 150,000. The SME Guarantee, for its part, supports our objective of our financing helping clients generate and obtain turnover, financial profit and jobs that would not have been possible otherwise.

Finnvera's total exposure, including credit commitments, at the end of 2019 was EUR 27.5 billion. Approximately half of the total exposure were binding financing offers or agreements that are related to future deliveries by export companies."

FINNVERA GROUP, BUSINESS OPERATIONS AND THE FINANCIAL PERFORMANCE
1-12/2019 (1-12/2018)

- Loans and guarantees granted: EUR 794 million (EUR 765 million), change 4%
- Export credit guarantees and special guarantees granted: EUR 5,442 million (EUR 3,145 million), change 73%
- Export credits granted: EUR 2,491 million (EUR 2,197 million), change 13%
  - The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee
  - The annual fluctuation in the amount of export credit guarantees and export credits is influenced by the timing of individual major export transactions

Finnvera Group, year 2019 (vs. 2018)

PROFIT FOR THE PERIOD 94 MEUR (98 MEUR), CHANGE -4%	BALANCE SHEET TOTAL EUR 12.7 bn (EUR 11.0 BN), CHANGE 15%
AVERAGE NUMBER OF EMPLOYEES 364 (372), CHANGE -2%	NON-RESTRICTED EQUITY AND THE STATE GUARANTEE FUND EUR 1.9 bn (EUR 1.8 BN), CHANGE 6%
EXPENSE-INCOME RATIO 25.4% (29.3%), CHANGE -3.9 PP	EQUITY RATIO 11.6% (12.3%), CHANGE -0.7 PP
FOCUS OF FINANCING 86%* (87%), CHANGE -1 PP	NPS INDEX (NET PROMOTER SCORE) 64 (70), CHANGE -6 POINTS

* of SME and midcap financing focused on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.

Finnvera Group, Stock Exchange Release 26 February 2020

31 December 2019 (31 December 2018)

- Exposure, drawn loans and guarantees for SMEs and midcap enterprises: EUR 1,928 million (EUR 1,974 million), change -2%
- Exposure, export credit guarantees and special guarantees, including SME and midcap export credit guarantees: EUR 25,489 million (EUR 23,631 million), change 8%
  - Of this cruise shipping exposure EUR 13,786 million (EUR 12,835 million)
  - Drawn exposure EUR 11,443 million (EUR 10,275 million), change 11%, of which cruise shipping exposure EUR 3,669 million (EUR 3,005 million)
  - Undrawn exposure EUR 9,486 million (EUR 9,474 million) and binding offers EUR 4,560 million (EUR 3,881 million), change in total 5%, of which cruise shipping exposure in total EUR 10,117 million (EUR 9,830 million)
- Exposure, export credits drawn: EUR 7,299 million (EUR 5,981 million), change 22%.

Finnvera Group's result for 2019 was EUR 94 million (EUR 98 million), which was 4 per cent less than in the previous year. Compared to the previous year, the factors that had the greatest impact on the generation of the result were the increase in the net amount of realised and expected losses from the outstanding credits and guarantees and the guarantee portfolio, positive changes in the value of items measured at fair value through profit or loss, as well as the higher amount of the net fee and commission income from export and special guarantee operations. Of the Group's result, EUR 22 million was generated in July–December and EUR 72 million in January–June. The considerable lower result in the second half of the year was due, in particular, to the increase in the expected losses in the exposure and the measurement at fair value.

OUTLOOK FOR FINANCING

According to forecasts, the year 2020 will be considerably more subdued in the Finnish economy than the previous year. For instance, the Bank of Finland's and the Ministry of Finance's forecasts of the growth of Finland's GDP in 2020 have declined to approximately 1 per cent. The decline in new orders in industrial production also indicates that growth is coming to a halt.

Finnvera Group Financial performance	H2/2019 MEUR	H1/2019 MEUR	Change %	H2/2018 MEUR	2019 MEUR	2018 MEUR	Change %
Net interest income	22	19	18%	19	41	42	-2%
Net fee and commission income	72	68	6%	70	141	135	4%
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	-6	17	139%	-9	10	-9	220%
Administrative expenses	-19	-23	-14%	-23	-42	-46	-8%
Other operating expenses and depreciations	-10	3	-429%	-2	-7	-5	42%
Realised and expected credit losses total, net	-42	-2	-	-7	-43	-22	99%
Operating profit	23	77	-70%	49	100	100	0%
Profit for the period	22	72	-70%	49	94	98	-4%

In order to maintain Finnish enterprises' growth opportunities, Finnvera's strategic objective is to direct 80 per cent of the SME and midcap financing to start-ups, growing and internationalising enterprises as well as to transfers of ownership and investments. In particular, we will work to ensure that investments and international growth receive financing in the current year, and we are prepared to assume even larger financing shares in projects when the business operations meet the profitability requirements. In smaller financing needs, Finnvera focuses on providing guarantees. Increasing the provision and awareness of the SME Guarantee introduced in the autumn 2019 is a key goal for 2020. Our work to increase the number of SMEs that use export financing services continues. Finnvera continues to actively offer advisory services related to financing export transactions and preparing for risks. Demand for financing related to enterprises' transfer of ownership is expected to remain high. The use of the EU guarantee instruments may impact the demand for financing provided by Finnvera. The diversity of the financing market and availability of financing to enterprises are key.

The raised export financing authorisations implemented at the beginning of 2020 will provide Finnvera with opportunities to address the demand. It is estimated that granting export credit guarantees and export credits will remain strong in 2020 and that demand for guarantees will continue to focus on the cruise shipping, telecommunications and pulp and paper sectors. As in previous years, the overall volume is affected by the realisation and timing of individual major transactions. Regionally, financing is expected to focus on the United States and Latin America. The uncertainty of the global economy will support the demand for financing guaranteed by an export credit agency in countries with political risks.

The corona virus that started spreading from January 2020 on may have an extensive effect on world economy. The overall impact remains to be seen. For a provider of financing, it is essential to actively monitor the situation and to assess the impacts in the long term.

The strategy will be implemented throughout the Group as planned in 2020, and operations are expected to be self-sustainable in the current financial period as well. The realisation of losses and development of expected losses involves uncertainty, which may have a considerable impact on the generation of the result.

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Finnvera Group's Report of the Board of Directors and Financial Statements 1 January – 31 December 2019 (PDF)

Distribution:
NASDAQ Helsinki Ltd, London Stock Exchange, the principal media, www.finnvera.fi
The Annual Report is available in Finnish and English at www.finnvera.fi/financial_reports.

How Finnvera creates value

Our vision is:

OUR CLIENTS' SUCCESS STRENGTHENS THE FINNISH ECONOMY

NUMBER OF CLIENTS
31 DEC 2019: 24,500

- Micro-enterprises: 88%
- SMEs and midcap enterprises: 11%
- Large corporates: 1%

PRODUCTS AND SERVICES
1–12/2019

Loans and guarantees granted
EUR 0.8 billion in total
Export credit guarantees and special guarantees granted
EUR 5.4 billion in total
Export credits granted
EUR 2.5 billion in total

AUTHORISATIONS AND EXPOSURES
31 DEC 2019

Loans and guarantees
For SMEs and midcap enterprises
- authorisation EUR 4.2 billion
- exposure EUR 1.9 billion

Export credit guarantees
- authorisation EUR 27.0 billion
- exposure EUR 25.3 billion

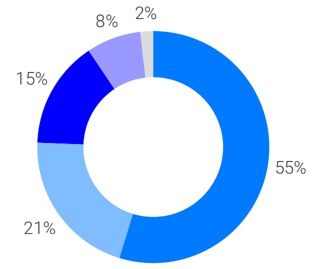
Export credits
- authorisation EUR 22.0 billion
- exposure EUR 7.3 billion

Special guarantees
(shipping and environmental guarantees and raw material guarantees)
- authorisation EUR 3.2 billion
- exposure EUR 0.2 billion

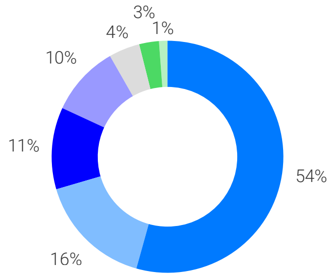
The exposure defined in the Act on the State's Export Credit Guarantees includes commitments and half of offers given at the closing date's exchange rate. The exposure according to the Act on the State's Export Credit Guarantees was EUR 20.8 billion at the end of 2019. The total exposure arising from export credit guarantees and special guarantees includes current commitments and offers given at the reporting date's exchange rate.

More in Annual review >

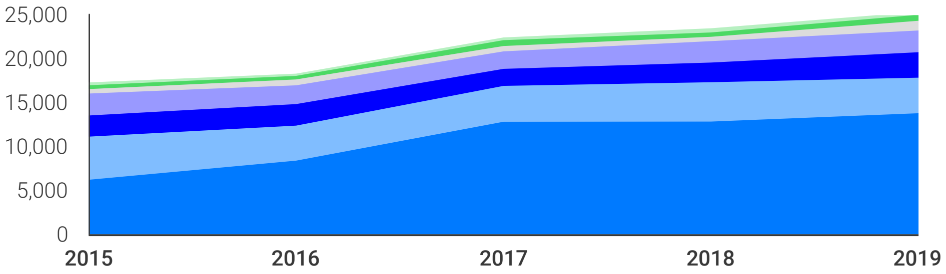
EXPOSURE BY SECTOR 2019, % LOANS, GUARANTEES AND EXPORT GUARANTEES



EXPOSURE BY SECTOR 2019, % EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES



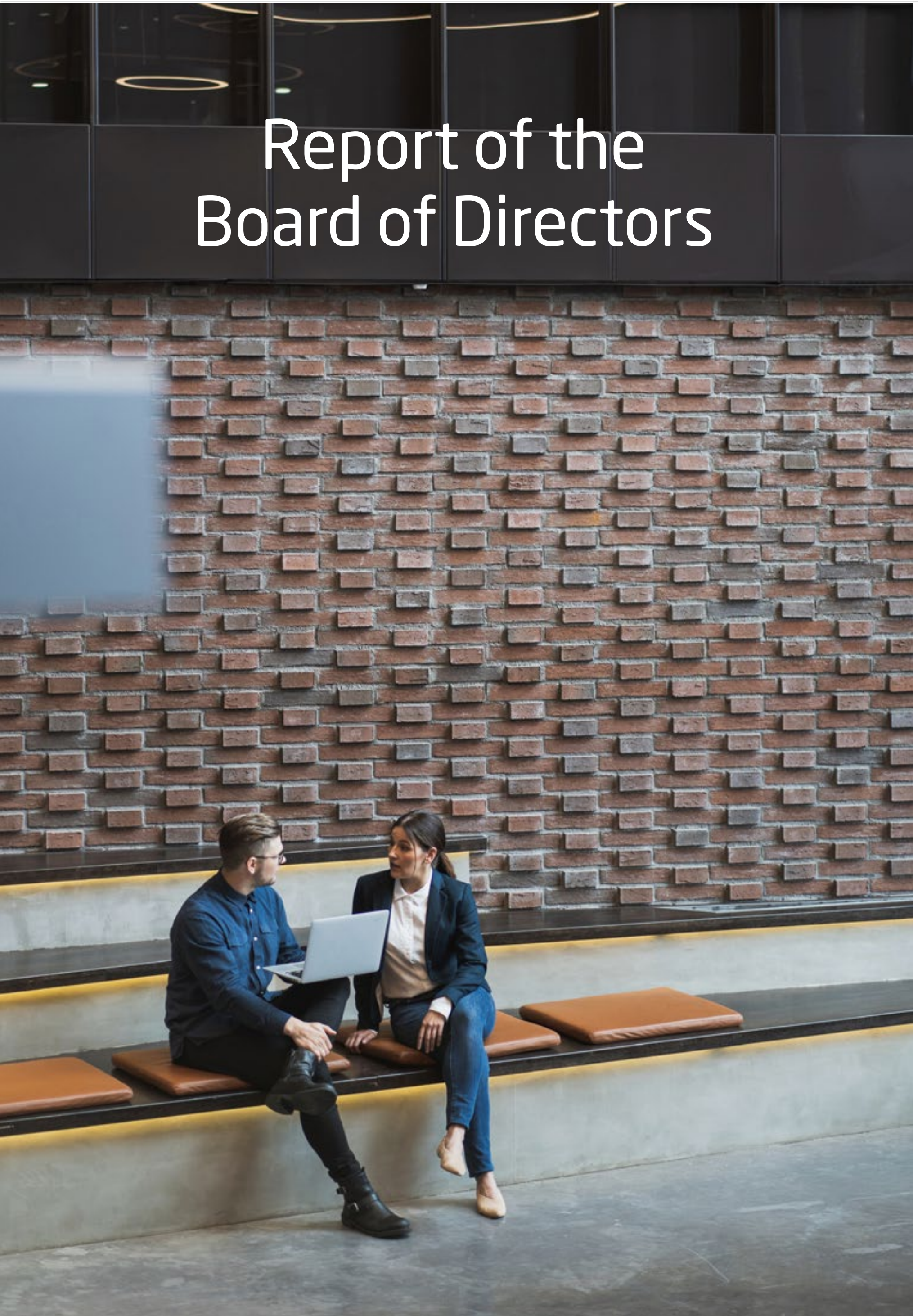
EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES, 5-YEAR-TREND OF EXPOSURE BY SECTOR, MEUR



* Including other risks such as sovereign risks related to states and bank risks

The Finnvera Group's parent company is Finnvera plc and its subsidiaries are Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd.

Finnvera Group's Report of the Board of Directors and Financial Statements



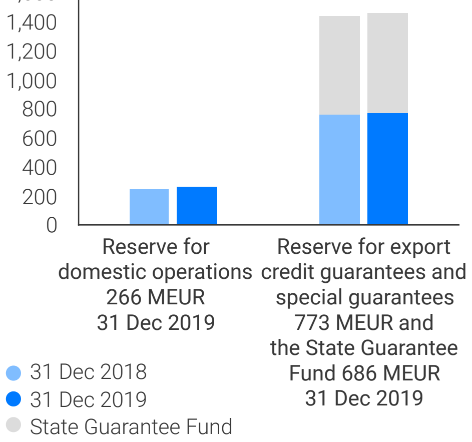
Report of the Board of Directors

Finnvera Group

PROFIT FOR THE PERIOD
94 MEUR
(2018: 98 MEUR)

BALANCE SHEET TOTAL
12,665 MEUR
(31 Dec 2018: 11,039 MEUR)

RESERVE FOR DOMESTIC OPERATIONS AND RESERVE FOR EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES



NON-RESTRICTED EQUITY AND THE STATE GUARANTEE FUND
1,907 MEUR
(2018: 1,806 MEUR)

FINNVERA'S GOAL IS, BY MEANS OF FINANCING, TO PROMOTE THE OPERATIONS OF SMES AS WELL AS THE INTERNATIONALISATION AND EXPORTS OF ENTERPRISES.

FOCUS OF FINANCING:
86%
(2018: 87%)

The majority of SME and midcap financing was allocated to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership

EXPENSE-INCOME RATIO
25.4%
(2018: 29.3%)

EQUITY RATIO
11.6%
(31 Dec 2018: 12.3%)

CAPITAL ADEQUACY, TIER 1

Domestic operations
29.4%
(31 Dec 2018: 27.2%)

Export financing
6.9%
(31 Dec 2018: 6.8%)

Clients willing to recommend Finnvera
NPS INDEX (NET PROMOTER SCORE)
64
(2018: 70)

Report of the Board of Directors

In 2019, the world economy was characterised by slowing growth and global trade conflicts. Country risks also increased with regard to Finnvera's country exposures, such as Argentina. The GDP growth forecast in Finland was also lowered from the earlier situation. The volume of Finnvera's export financing increased year-on-year, and the parliament decided to raise the financing authorisations. The company reached its strategic goals to a large extent in 2019.

EXPORT FINANCING INCREASED AND THE AUTHORISATIONS WERE RAISED

Finnvera's export financing increased from the previous year, and the company provided EUR 5.2 billion in new export credit guarantees and special guarantees and EUR 2.5 billion in export credits for the export transactions of large corporates. The annual fluctuations in the amounts are due to the timing of individual large export transactions, but the figures also reflect the international wave of investments in cruise ships. The cruise ships built in Finland are, without exception, financed through Finnvera's Buyer Credit Guarantees and export credits, which ties Finnvera's export financing authorisations. Raising Finnvera's authorisations became relevant in the autumn, and the parliament approved the raises in December 2019. After the raises, Finnvera's authorisation for export credit guarantees and special guarantees is EUR 38 billion from the beginning of 2020, and the maximum authorisation of its subsidiary Finnish Export Credit Ltd for export and ship credits as well as its interest equalisation authorisation are both EUR 33 billion.

Finnvera's exposures have risen, together with the increased demand for export financing. Exposure in the Large Corporates business was EUR 25.2 billion at the end of 2019. Export credits amounted to EUR 7.3 billion, and Finnvera's balance sheet total was EUR 12.7 billion.

One of Finnvera's strategic goals is to ensure a competitive export financing system when compared to the key competitor countries. The export financing working group appointed by the Ministry of Economic Affairs and Employment examined the functioning of the export financing system and the CIRR system. Based on the working group's proposals, a legislative project will be initiated in 2020 with the main topics including Finnvera's financial supervision and the reform of the CIRR system. The measures aim to ensure that Finnvera's risk management procedures are effective and that Finnvera is capable of providing Finnish companies with equal opportunities to compete on the international markets.

INVESTMENTS IN DEVELOPMENT OF RISK MANAGEMENT AND PROTECTION AGAINST RISKS

The requirement of self-sustainability in Finnvera's operations has been realised throughout Finnvera's 20-year history. The powerful growth of the export financing exposure and the raised financing authorisations have increased the importance of risk management and protection against risks in Finnvera. Finnvera's export financing typically focuses on the cruise shipping, telecommunications and pulp and paper industries. Conventional risk management methods are not sufficient to materially reduce concentration risks, which is why investments in reinsurance and exploring the opportunities provided by new risk transfer methods continued actively in 2019. The maximum indemnity amount of reinsurance arrangements at the end of 2019 was EUR 1.5 billion, or 13 per cent of the drawn guarantees.

Exports of large capital goods require long financing agreements. More than half of the exposure are binding financing offers or agreements that are related to future deliveries by export companies.

Finnvera's export financing is driven by demand, and growth in it reflects Finland's fairly centralised sector structure. The domestic impact of export financing is assessed by means of input-output analyses, which indicate that the direct and, in particular, indirect impacts on the Finnish economy of financing that compensates for market failure are considerable. In the recent years, export financing by Finnvera has generated added value of several billions of euros and helped accumulate tens of thousands of person-years in the Finnish economy.

INCREASED FINANCING FOR SMES AND MIDCAP ENTERPRISE, A NEW SME GUARANTEE INTRODUCED

After a few years' decline, financing granted by Finnvera to SMEs and midcap enterprises grew and reached EUR 990 million. A positive development was financing to enterprises seeking growth and internationalisation increased. Their share of the SME and midcap financing granted grew to 45 per cent. The share of investments in the total SME and midcap projects financed by Finnvera in 2019 was 38 per cent. SME and midcap financing exposure was EUR 2.3 billion at the end of the year.

More SME investments are needed, and a new SME Guarantee product was introduced to boost them. Finnvera and the European Investment Fund (EIF) signed a two-year COSME guarantee programme agreement in June 2019, and the SME Guarantee was implemented at the beginning of September. The SME Guarantee was made possible by COSME and the guarantee that was provided by the European Fund for Strategic Investments (EFSI) set up under the Investment Plan for Europe. The purpose of EFSI is to help support financing and implementing productive investments in the European Union and to ensure increased access to financing. The unsecured SME Guarantee makes it easier for growth-oriented SMEs to receive financing for their working capital and investment needs, especially if they do not have sufficient securities. At the end of the year, a total of EUR 13 million in SME Guarantees was granted to 185 enterprises. Increasing the provision and awareness of the SME Guarantee is a key goal for 2020.

The SME Guarantee is an excellent example of Finnvera's mission to complement the financing market in accordance with the strategy. The guarantee ensures an effective way for Finnvera to share the risk with banks and to offer solutions to enterprises' smaller financing needs.

According to its strategy, Finnvera continued to shift the focus of financing in small financing needs to guarantees and decided to raise the minimum amount of the Finnvera Loan intended for working capital and investment needs to EUR 50,000 at the beginning of 2020. Finnvera's primary product for the micro-financing of start-ups is the Start Guarantee, and for the small financing needs of growth-oriented enterprises, the primary product is the SME Guarantee. The lower limit of the guarantees is EUR 10,000.

Finnvera continued to actively examine the use of other EU financial instruments. The participation in the InvestEU programme will be resolved during 2020.

Financing granted for transfers of ownership in SMEs increased to the highest level in five years in 2019. Finnvera's financing for transfers of ownership amounted to EUR 155 million. At the same time, the average size of the transfers of ownership financed continued to grow. Transfers of ownership are important in terms of the vitality of the SME sector, and the acceleration of the transfers continued with other providers of financing, public agencies and organisations in the Forum for Transfers of Ownership.

Finnvera has been to targeting financing to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership. In line with the goals, these target groups' share of the financing granted was 86 per cent.

Finnvera granted EUR 197 million in guarantees related to the export activities of SMEs. The free-of-charge export financing tour directed to SMEs and organised jointly with the Finland Chamber of Commerce, banks and credit insurers continued in 2019. The goal is to increase the number of enterprises using export financing services and also to improve export financing competence and export risk management in SMEs. Approximately 270 enterprises participated in the tour. In addition to the tour, Finnvera also organised nearly 150 free-of-charge export financing workshops for its client enterprises.

CORPORATE RESPONSIBILITY AND IMPACT DEFINE THE FINANCING OPERATIONS

Corporate responsibility and impact are key factors in Finnvera's financing operations. The policy on the environmental and social risk management of the financing operations was reformed in 2019 and the implementation of the new operating models begins in 2020. From now on, the assessment of transactions to be financed will be guided by a risk-based approach, not only by the size or the repayment period of a transaction. The assessment of human rights risks will also play a more prominent role in the policy. The international Shift Project prepared an analysis on Finnvera's management of human rights risks, and its results are taken into account in the reformed policy.

The anti-bribery policy of the financing operations was intensified by adding screenings of the parties to the financing application processing. In addition, Finnvera introduced a new policy to identify and recognise tax havens and associated tax evasion risks.

Corporate responsibility and impact are the foundation of Finnvera's operations and also spearhead the strategy updated for 2020.

NEED FOR FUNDING HAS INCREASED

The need for funding has been emphasised in the recent years, since financing solutions offered to buyers have taken an increasingly central role the export transactions of capital goods, such as cruise ships. In 2019, financing from Finnish Export Credit Ltd was applied for approximately 80 per cent of the euro amount of guarantees granted by Finnvera for buyer credits.

Finnvera's funding succeeded as planned in 2019. A total of EUR 1.9 billion was acquired from the market by issuing mainly EUR and USD bonds under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. The funds will be primarily used for financing export credits with the aim of securing competitive financing for clients of Finnish export companies.

The size of Finnvera's EMTN programme was raised to EUR 15 billion in October, and the amount of the State guarantee for funding was raised from EUR 15 billion to EUR 20 billion at the beginning of 2020. In 2020, Finnvera's funding need is estimated to be EUR 2.0–2.5 billion.

SERVICE DEVELOPMENT WITH A FOCUS ON THE CLIENT

Finnvera's role is to, for its part, improve Finnish enterprises' prospects related to exports, investments and other development activities by offering financing solutions both independently and together with commercial actors and banks in cases where the company could not have acquired financing solely from commercial markets. Services were developed further in 2019.

Finnvera's significant investments in digitalisation and information system development proceeded when Finnvera launched a public procurement procedure for renewing its current financing information systems. When completed, the renewal will provide clients with a more streamlined service and customer experience. A new digitalisation unit was set up in Finnvera in 2019. The organisational change strengthened the development resources. Digitalisation plays a more comprehensive role in Finnvera's updated strategy, and it will impact the operations as a whole.

The cooperation with the Team Finland network intensified in 2019 with the implementation of KasvuCRM, a shared customer information management system, at the beginning of the year. Team Finland also updated its strategy in order to ensure more streamlined services for growing and internationalising companies going forward. Increasing exports by Finnish companies and facilitating their access to international markets are shared objectives.

Customer experience is a central indicator by which Finnvera monitors customer satisfaction and the alignment of the services with customers' needs. Customers' willingness to recommend Finnvera's services continued to be high in 2019. In SME and midcap financing services, the NPS rating was 56 among small enterprises, 69 among enterprises on the domestic market, and 72 among enterprises seeking growth and internationalisation. The NPS rating among large corporates was 59. The extensive customer and stakeholder survey conducted every two years also indicated that according to enterprises and cooperation partners, the benefit and quality provided by Finnvera is high. Finnvera received very good scores for professionalism and expertise and was regarded as reliable and responsible.

Financial performance

Finnvera Group's result for 2019 was EUR 94 million (EUR 98 million), which was 4 per cent less than in the previous year. Compared to the previous year, the factors that had the greatest impact on the generation of the result were the net increase of EUR 22 million in the realised and expected losses from the outstanding credits and guarantees and the guarantee portfolio, positive change of EUR 18 million in the value of items measured at fair value through profit or loss, as well as the increase of EUR 6 million in the net fee and commission income.

Of the Group's result, EUR 22 million was generated in July–December and EUR 72 in January–June. The considerably lower result in the second half of the year was due, in particular, to the increase in the expected losses in the outstanding credits and guarantees and the guarantee portfolio and the changes in the value of items measured at fair value through profit or loss.

The realised and expected losses totalled EUR 42 million in July–December, whereas the corresponding amount in the first half of the year was only EUR 2 million. Expected losses increased by EUR 33 million in July–December from the first half of the year. The change in the expected losses was primarily due to the increase in risks concerning individual exposures for export credit guarantees. An individual exposure for export credit guarantees, on which an expected loss of EUR 30 million had been recorded, was removed from the guarantee portfolio during the year due to an early repayment. This improved also the result of the first half of the year. In July–December, the expected losses of exposures for export credit guarantees targeting Argentina were raised by EUR 49 million, since the country's economic and political development increased risks. This weakened the result in the second half of the year by a corresponding amount.

In 2019, positive changes in the value of items recognised at fair value through profit or loss and net income from foreign currency operations totalled EUR 10 million (EUR -9 million). The impact of measurement at fair value on financial performance was EUR 9 million (EUR -9 million) and that of net income from foreign currency operations EUR 1 million (EUR 0 million).

In July–December, changes in the value of items recognised at fair value through profit or loss were negative EUR 7 million, whereas during the first half of the year, these items showed a profit of EUR 16 million. The fluctuation was mainly due to the recognition of derivatives and liabilities at fair value. The premium of USD-denominated funding on the cross currency swap market, which fluctuated considerably during the year, caused volatility in the financial performance. In July–December, the premium of USD-denominated funding decreased, resulting in a negative change in value, which reduced the considerable positive value change experienced in the first half of the year.

The net interest income of EUR 41 million (EUR 42 million) in 2019 was nearly on the previous year's level. By contrast, the net value of fee and commission income, EUR 141 million (EUR 135 million), increased by 4 per cent from the previous year. Net interest income and the net value of fee and commission income and expenses were higher in July–December than in the first half of the year. In July–December, the accumulation of net interest income was EUR 22 million, which was 18 per cent higher that in the first half of the year, and the net value of the fee and commission income and expenses was EUR 72 million, which was 6 per cent lower than in the first half of the year.

The administrative expenses in 2019 amounted to EUR 42 million (EUR 46 million); in other words, the expenses decreased by 8 per cent during the year. Of the administrative expenses, EUR 19 million was generated in the second half of the year and EUR 23 million in the first half. The administrative expenses were reduced by the implementation of the IFRS 16 standard, the continued goal of freezing the cost development and keeping the expert costs of collection and other collection costs below the previous year's level. In 2019, the depreciation and other operating expenses amounted to EUR 7 million (EUR 5 million). The implementation of the IFRS 16 standard generated structural changes between other administrative expenses, depreciation and other operating expenses. According to the standard, leased items are recorded on the balance sheet as a right-of-use assets and as a lease liability. The right-of-use assets is amortised over the lease period instead of the earlier practice of being recorded as a lease expense. This reduced the amount of other administrative expenses and other operating expenses in 2019 by EUR 4 million and increased the depreciation amount almost correspondingly.

FINANCIAL PERFORMANCE OF FINNVERA PLC AND THE GROUP COMPANIES

The profit of the parent company, Finnvera plc, for 2019 stood at EUR 73 million (EUR 91 million), of which the Large Corporates business accounted for EUR 56 million (EUR 95 million) and the SMEs and Midcap business for EUR 17 million (EUR -4 million).

The performance was reduced most considerably by the losses in the Large Corporates business and the expected losses totalling EUR 25 million. A nearly corresponding amount of increased expected losses in accordance with the IFRS 9 standard was recorded on the exposure for export credit guarantees, while in the previous year, the amount of expected losses in the Large Corporates business decreased by EUR 20 million. The increase in the risks in the exposure for export credit guarantees is related to Argentina and the country's economic and political development.

Interest income in the Large Corporates business amounted to EUR 3 million (EUR 3 million). Net fee and commission income increased by 6 per cent from the previous year, totalling EUR 88 million (EUR 82 million).

The net interest income in the SMEs and Midcap business totalled EUR 30 million (EUR 34 million) and net fee and commission income was EUR 40 million (EUR 38 million). The amount of realised and expected losses in the outstanding credits and guarantees and the guarantee portfolio was EUR 18 million (EUR 42 million). The amount of losses reduced by 56 per cent from the previous year, resulting in the SMEs and Midcap business showing a profit in 2019.

The impact of the Group companies and subsidiaries on the Group's result in 2019 was EUR 22 million (EUR 8 million). Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 22 million (EUR 8 million) of the result impact, and the result of the subsidiaries Veraventure Ltd and ERDF-Seed Fund Ltd, which engage in venture capital financing, showed a slight loss (EUR 0 million).

SEPARATE RESULT FOR EXPORT CREDIT GUARANTEE AND SPECIAL GUARANTEE OPERATIONS

The separate result for export credit guarantee and special guarantee operations, as defined in the Act on the State Guarantee Fund, came to EUR 56 million (EUR 88 million) in 2019.

ANALYSIS OF FINANCIAL PERFORMANCE IN JANUARY-DECEMBER 2019

Interest income and expenses and interest subsidies

The Finnvera Group's net interest income in January–December came to EUR 41 million (EUR 42 million).

Interest income increased by 15 per cent year on year, totalling EUR 166 million (EUR 145 million). The major portion of the growth was generated by interests from loans passed on to the customers. At the end of December, outstanding export credits granted by the subsidiary Finnish Export Credit Ltd were at a 22 per cent higher level year on year and interest income from receivables from interest from loans was 24 per cent higher. On the other hand, outstanding loans in SME and midcap financing provided by the parent company, Finnvera plc, decreased by 13 per cent year on year, which decreased interest income from SME and midcap financing in a nearly equal proportion. In addition to the increase in interest income from export credits, the total interest income was increased by interest income from receivables from credit institutions, EUR 9 million (EUR 6 million), and interest income from debt securities, which was EUR 7 million higher than in the previous year.

Interest expenses were EUR 125 million (EUR 103 million), showing a year-on-year increase of 22 per cent. The growth was due to the increase in the export credit financing operations. In 2019, the amount of funds acquired from the market by Finnvera was EUR 1,937 million. The amount of debt securities in issue at the end of December was EUR 10,138 million, which was 15 per cent higher year on year.

Net fee and commission income

The net value of the Group's fee and commission income and expenses increased by 4 per cent year on year and was EUR 141 million (EUR 135 million).

Fee and commission income increased by 2 per cent, totalling EUR 162 million (EUR 160 million). Fee and commission income was increased especially by fee and commission income from export credit guarantee and special guarantee operations, which grew by 3 per cent as a result of an increase in the drawn exposure and significant individual early repayments. On the other hand, export credit commitment fees decreased by 11 per cent year on year. Of fee and commission income, the parent company's export credit guarantee and special guarantee operations accounted for 70 per cent (69 per cent), while SME and midcap financing accounted for 22 per cent (21 per cent). Export credits accounted for 8 per cent (10 per cent) of fee and commission income.

Fee and commission expenses totalled EUR 21 million (EUR 25 million). Fee and commission expenses consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc.

Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses

The Group's positive changes in the value of financial instruments carried at fair value through profit and loss and foreign exchange gains and losses totalled EUR 10 million (EUR -9 million), of which the unrealised change in the fair value of liabilities, debt securities and interest rate and currency swaps accounted for EUR 9 million (EUR -8 million). The unrealised change in the fair value of venture capital financing and the sales gains and losses from venture capital financing and SME bonds amounted to EUR -0.2 million (EUR -1 million). Net income from foreign exchange was EUR 1 million (EUR 0 million).

Finnvera applies fair value hedge accounting in the valuation of liabilities, when the liabilities in question can be classified as financial liabilities included in hedge accounting. At the end of the year, the carrying amount of these liabilities was EUR 6,961 million (EUR 4,770 million). In accordance with the Group's risk management policy, the liabilities are hedged from changes caused by market interest rates through interest rate swaps. In accordance with the hedging principles, it can be assumed that the change in market interest rates will be reflected in both the item to be hedged and the hedging instrument equally. Credit risk changes are not part of the hedging relation. The unrealised change in the fair value of the liabilities covered by hedge accounting and the derivatives that are used for hedging them had a total impact of EUR 2 million (EUR 1 million) on profit in 2019. Correspondingly, their cumulative unrealised impact was EUR 2 million (EUR -1 million) at the end of 2019.

The fair value option is applied to the valuation of liabilities that fall outside hedge accounting when they are hedged with derivative contracts. Liabilities are hedged from changes caused by market interest rates through interest rate swaps and the valuation of the liabilities is based on market quotes. The share of the credit risk in the value change of liabilities is presented in other comprehensive income. The changes in fair value resulting from the change in market interest rates are recognised through profit or loss. Based on the use of the fair value option, it can be assumed that the changes in fair value caused by the market interest rates of the liability and the hedging derivative are reflected in the result in equal amounts. At the end of the year, the carrying amount of these liabilities was EUR 3,177 million (EUR 4,013 million). In 2019, the liabilities subject to the fair value option and the derivatives that are used for hedging them had an impact of less than EUR 1 million on profit (EUR -4 million). Correspondingly, their cumulative unrealised impact was EUR -1 million (EUR -1 million) at the end of 2019.

In addition to derivatives that are used in hedging liabilities, Finnvera has taken out individual long-term cross currency swaps to cover foreign currency commitments. At the end of the year, the nominal value of these swaps was EUR 1,131 million (EUR 1,051 million) and the unrealised change in the fair value had an impact of EUR 7 million (EUR -4 million) on the 2019 profit. The result was considerably affected by the increase in the costs of USD-denominated funding on the cross currency swap market, which manifested as a positive change in the value of the existing currency swaps. The premium payable on US dollars fluctuated considerably during the year, causing volatility in the result. In the first half of the year, the costs of USD-denominated funding increased considerably in relation to euro, after which the premium decreased, reducing the positive total value change for the financial period. The cumulative unrealised impact of these items was EUR 3 million (EUR -4 million) at the end of 2019.

Debt securities designated at fair value through profit and loss, interest rate swaps hedging debt securities as well as other interest rate swaps taken out for liquidity management had a positive impact of less than EUR 1 million on profit (EUR 0 million).

Other income

Net income from investments and other operating income were less than EUR 1 million (EUR 5 million) in 2019. In the previous year, other operating income included the operating grant that the State transferred from an ERDF escrow account to Finnvera for SME development.

Operating expenses, depreciations and amortisations

The Group's operating expenses were EUR 42 million (EUR 48 million), of which personnel and other administrative expenses accounted for EUR 42 million (EUR 46 million) and other operating expenses for less than EUR 1 million (EUR 2 million). Depreciations amounted to EUR 7 million (EUR 3 million). The differences compared to the previous year were primarily due to the implementation of the IFRS 16 standard and changes in the recognition method, which caused structural changes between other administrative expenses, depreciation and other operating expenses. According to the standard, leased items are recorded on the balance sheet as a right-of-use assets and as a lease liability. The right-of-use assets is amortised over the lease period instead of the earlier practice of being recorded as a lease expense.

In addition to the implementation of the IFRS 16 standard, the reduction in operating expenses was due to the expert services in collection and other collection expenses being EUR 2 million lower than in the previous year. Personnel expenses totalled EUR 29 million (EUR 28 million) and were nearly at the same level as last the year before. Personnel expenses accounted for 68 per cent of operating expenses in 2019.

Realised and expected credit losses

The Group's realised credit losses and the change in expected credit losses totalled to EUR 60 million (EUR 45 million). After the compensation for credit losses by the State the Group's liability for losses and expected losses during the financial period amounted to EUR 43 million (22 million).

Realised credit losses totalled EUR 32 million (EUR 51 million). The compensation for losses paid by the State and the European Regional Development Fund totalled EUR 17 million (EUR 24 million). According to the lower credit loss compensation commitment adopted at the beginning of 2018, the State's compensation for losses was 50 per cent of the losses realised.

The change in expected losses was EUR 28 million positive (EUR -6 million). During the period under review, expected losses in SME and midcap financing increased by EUR 3 million (EUR 17 million), and expected losses in the Large Corporates business increased by EUR 25 million (EUR -23 million).

The parent company Finnvera plc has a considerable receivable from export credit and special guarantee operations related to the export credit guarantees of the Brazilian company Oi S.A., for which compensation was paid in 2016. At the end of the year, the carrying amount of receivables from export credit and special guarantee operations from Finnvera's export credit and special guarantee operations was EUR 136 million, the majority of which was receivables from Oi S.A.

When calculating expected credit losses (ECL), Finnvera adheres to the same general principles as the banking sector in general. Calculation is specific to each financing instrument and is carried out according to stage 1, 2 or 3 depending on whether the credit risk of the export credit guarantee of the financial instrument on the reporting date is significantly higher than at the moment when it was originally granted. Factors that have an impact on a significant increase of the credit risk include the client's financial situation, a change in the risk classification, payment behaviour or the financial instrument product used by the client. A significant change in credit risk is determined by estimating the probability of credit loss during the entire validity period between the granting date and the reporting date. Guarantee receivables and receivables from export credit and special guarantee operations on the balance sheet are also handled according to stage 3 as they have already been compensated to a third party.

Significant individual exposures are estimated separately. The entries for impairment losses and provisions for losses are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

Non-performing exposure

Calculated according to the method harmonised at the EU level, the amount of non-performing exposure in SME and midcap financing stood at EUR 117 million at the end of December (EUR 119 million). When the impairment losses recognised are considered, non-performing exposure accounted for 5.6 per cent of total exposure. This was 0.1 percentage points higher than the amount of non-performing exposure at the end of 2018 (5.5 per cent). The ratio of non-performing exposure to total exposure was 2.8 per cent (2.8 per cent) when the compensation for credit losses received from the State for SME and midcap financing is taken into account.

The amount of non-performing exposure in export financing stood at EUR 107 million at the end of December (EUR 110 million). At the end of the period under review, non-performing exposure accounted for 0.4 per cent of total exposure. This was 0.1 percentage points lower than the amount of non-performing exposure at the end of the previous year (0.5 per cent).

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 2019. Correspondingly, export financing has been economically self-sustainable during Finnvera's 20 years of operation.

The company's risk-based pricing and 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. When examining the financial performance, it is essential to note that, at the end of December 2019, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 25.5 billion and the exposure for the credits and guarantees of SMEs and midcap enterprises, as well as guarantee receivables, stood at EUR 2.0 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, non-restricted equity is about 4 per cent, and equity is about 5 per cent.

BALANCE SHEET 31 DECEMBER 2019

At the end of the year, the consolidated balance sheet total was EUR 12,665 million (EUR 11,039 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 12,583 million (EUR 10,959 million). The consolidated balance sheet total increased by 15 per cent, or EUR 1,626 million, during 2019. At the end of the year, the balance sheet total of Finnish Export Credit Ltd was EUR 7,476 million (EUR 6,137 million).

At the end of December, the Group's outstanding credits came to EUR 7,920 million (EUR 6,731 million) after the recognition of expected losses. Outstanding credits increased by 18 per cent, or EUR 1,189 million, during 2019. The outstanding credits of the parent company, Finnvera plc, came to EUR 7,941 million (6,721 million), of which the receivables from the subsidiaries totalled EUR 7,232 million (5,909 million). Approximately 60 per cent of Finnish Export Credit Ltd's loans are in US dollars, foreign exchange differences affect the EUR value of the loans.

The parent company's outstanding guarantees in SME and midcap financing increased by 6 per cent during 2019 and totalled EUR 1,165 million at the end of December (EUR 1,103 million).

The exposure defined in the Act on the State's Export Credit Guarantees (commitments and half of offers given at the closing date's exchange rate) totalled EUR 20,774 million at the end of December (EUR 19,108 million). The total exposure arising from export credit guarantees and special guarantees (commitments and offers given at the reporting date's exchange rate) totalled EUR 25,489 million (EUR 23,631 million), of which drawn guarantees amounted to EUR 11,443 million (EUR 10,275 million). The maximum indemnity amount of reinsurance arrangements valid at the end of the year was EUR 1,473 million, or 13 per cent of drawn guarantees.

In accordance with the Government's policy outlines, Finnvera gives up its venture capital financing operations. The shares in the subsidiary ERDF-Seed Fund Ltd and Innovestor Kasvurahasto I Ky's capital input owned by the parent company (19.71 per cent) have been transferred to assignable assets available for sale in the parent company's financial statements. Similarly, the assets and liabilities of ERDF-Seed Fund Ltd are presented under assignable assets available for sale in the consolidated financial statements. Finnvera has a subordinated loan from the State, related to Innovestor Kasvurahasto I Ky, that has also been transferred to liabilities held for sale. At the end of December, the Group's assets held for sale totalled EUR 50 million (EUR 51 million) and liabilities held for sale EUR 19 million (EUR 19 million).

The Group's long-term liabilities as per 31 December totalled EUR 10,236 million (EUR 9,075 million), of which EUR 10,138 million (EUR 8,783 million) consisted of bonds. The liabilities include a subordinated loan of EUR 16 million received by Finnvera from the State for fund investment of Innovestor Kasvurahasto I Ky (EUR 23 million).

At the end of December, the Group's non-restricted equity was EUR 1,221 million (1,126 million), of which the reserve for domestic operations accounted for EUR 266 million (244 million), the reserve for export credit guarantee and special guarantee operations for EUR 773 million (756 million), the reserve for venture capital investments for EUR 15 million (15 million) and retained earnings for EUR 167 million (111 million).

At the end of 2019, the accumulated loss reserve amount in export credit guarantee and special guarantee operations was EUR 1,459 million (EUR 1,435 million), when the State Guarantee Fund's assets, EUR 686 million, are taken into account in addition to the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet. The result of the export credit guarantee and special guarantee operations for the financial period was EUR 56 million, which will, by the decision of the Annual General meeting, be transferred from retained earnings to the reserve for export credit guarantee and special guarantee operations after the adoption of the financial statements. After the transfer, the loss reserve amount in export credit guarantee and special guarantee operations will be EUR 1,515 million, which is 13 per cent of the drawn guarantees and 6 per cent of the total exposure.

The item Other reserves, presented under non-restricted equity on the balance sheet, has been formed from the assets allocated by the European Regional Development Fund to venture capital financing.

Finnvera Group Balance sheet	**31 Dec 2019 MEUR**	**31 Dec 2018 MEUR**	**Change MEUR**	**Change %**
Share capital	197	197	0	0%
Share premium and fair value reserve	46	35	10	30%
Non-restricted equity, in total	1,221	1,126	94	8%
Reserve for domestic operations	266	244	22	9%
Reserve for export credit guarantees and special guarantees	773	756	17	2%
Other	15	15	0	0%
Retained earnings	167	111	56	50%
Equity attributable to the parent company's shareholders	1,463	1,358	105	8%
Balance sheet total	12,665	11,039	1,626	15%

FUNDING

In 2019, the Group's long-term funding totalled EUR 1,937 million (EUR 2,355 million). EUR 1,185 million in long-term loans was paid back (2,012 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 assesses its capital adequacy, i.e. the ratio between its exposure and assets, only for domestic operations and export credit guarantee and special guarantee 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 15.0 per cent. Finnvera's 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 1, stood at 29.4 per cent (27.2 per cent) and the leverage ratio was 24.7 per cent (21.1 per cent).

The risk-weighted receivables in the Finnvera Group's domestic operations totalled EUR 1,827 million at the end of December (EUR 1,889 million). Of them, loans and guarantees pertaining to business proper amounted to EUR 1,566 million (EUR 1,610 million), or 86 per cent (85 per cent) of risk-weighted receivables. Most of the remaining receivables were investments and derivatives. 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.

No specific requirement has been set for the capital adequacy of Finnvera's export financing because ultimately it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finnvera, considering its special industrial policy purpose as a promoter of exports. However, when only the assets in the reserve for export credit guarantee and special guarantee operations and the State Guarantee Fund are taken into account, the estimated capital adequacy of export financing in accordance with Tier 1 would be 6.9 per cent (6.8 per cent).

Finnvera Group Domestic operations	31 Dec 2019	31 Dec 2018	Change	Change
Capital for calculating capital adequacy	**MEUR**	**MEUR**	**MEUR**	**%**
Equity excluding profit for the period	1,314	1,276	37	3%
Intangible assets	-20	-9	11	123%
Reserve for export credit guarantees and special guarantees	-773	-756	17	2%
Profit for the period	73	91	-18	-20%
Profit for the period attributable to export credit guarantees	-56	-88	-32	-36%
Total	**538**	**514**	**23**	**5%**

Finnvera Group Domestic operations	31 Dec 2019	31 Dec 2018	Change	Change
Risk-weighted items	**MEUR**	**MEUR**	**MEUR**	**%**
Receivables from credit institutions	5	12	-8	-63%
Receivables from clients	1,566	1,610	-44	-3%
Investments and derivatives	83	95	-12	-12%
Receivables, prepayments, interest and other receivables, other assets	25	29	-4	-14%
Binding promises for loans	58	58	0	0%
Operational risk	90	85	5	6%
Total	**1,827**	**1,889**	**-62**	**-3%**

RISK POSITION

At the end of 2019, the exposure of the SME and midcap business was EUR 2,272 million (EUR 2,326 million). The quality of the SME and midcap financing credit portfolio was at the targeted level. The exposure decreased by EUR 54 million. Risks related to individual clients remained moderate, which also reduced credit losses. The amount of non-performing exposure was EUR 117 million (EUR 119 million).

In its financing, Finnvera focuses on start-ups, enterprises seeking growth and internationalisation, as well as enterprises in situations of change. The operational risks faced by these enterprises are often greater than the risks of established companies.

Expected loss (EL) for exposure increased during the year by 0.25 percentage points and was 3.25 per cent of total exposure at the end of the year (3.0 per cent). The key indicator was increased by certain lowered credit ratings and the reduction of the exposure of the B2 risk category clients by approximately EUR 100 million. Credit and guarantee losses and impairment losses totalled EUR 32 million (EUR 67 million). The credit losses recognised in the 2018 comparison period were higher than normal as the State's credit loss and guarantee loss compensation decreased to 50 per cent, which increased the amount of the IFRS 9 impairment.

At the end of 2019, the exposure of the Large corporates business was EUR 25,168 million (EUR 23,276 million). Approximately 78 per cent of the current guarantees (EUR 20,618 million) and binding offers (EUR 4,550 million) were associated with EU and OECD countries.

The main sectors were cruise shipping, telecommunications and pulp and paper. These sectors accounted for a total of 82 per cent of total exposure. Altogether, 66 per cent of the exposure was in risk category B1-, which reflects investment grade, or in better risk categories. Similarly to 2018, there were no significant export credit guarantee losses in 2019.

The exposure arisen for the subsidiary Finnish Export Credit Ltd from the financing of export credits, including outstanding credits and binding credit commitments, totalled EUR 14,173 million at year's end (EUR 13,544 million). The credit risks associated with the outstanding credits are fully covered by means of export credit guarantees covered by the parent company Finnvera plc that are included in the above-mentioned exposure for export financing.

Finnvera Group's deposits in banks and investments in liquid assets, excluding cash collateral received, stood at EUR 3,799 million (EUR 3,638 million) at the end of 2019. All investments are at least in the investment level risk category B1- or in better risk categories, and all long-term (exceeding 12 months) investments are made in assets with a minimum credit rating of A3-, which matches credit rating agencies categories A- (S&P and Fitch) or A3 (Moody's). A total of 95 per cent of assets were in investments or account banks with a minimum rating of A3-. Expected loss (EL) for deposits and investments was EUR 1 million, or 0.05 per cent.

The company hedges interest rate and currency risks using derivatives, the nominal value of which was EUR 12,952 million at the end of 2019 (EUR 11,759 million). The minimum credit rating of all derivative contract counterparties was A3. The derivative-related counterparty risk is mitigated with collateral agreements.

At the end of 2019, the most significant market risks associated with treasury operations were within the risk limits of the asset and liability management policy. The most significant of these risks were the EUR 56 million funding-related cost risk due to structural funding gap and the price risk related to the investment portfolio, also amounting to EUR 56 million. The balance sheet's interest rate sensitivity was EUR 19 million for a 200-basis-point change, and the net interest income change for 12 months was EUR 15 million for a 100-basis-point change.

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. As the body 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 nine goals set for the year 2019, eight goals were reached and one was not reached. The goal not reached was the signing of a guarantee agreement between EIF and Finnvera within the set schedule. More information about the goals in the Annual Review's Governance section.

Corporate governance

PERSONNEL

At the end of the financial period, the Group had 354 employees (360). The parent company Finnvera plc had 351 employees (357), of whom 318 (335) held a permanent post and 33 (22) a fixed-term post. The Group's average number of employees during the period under review was 364 (372) and personnel expenses totalled EUR 29 million (EUR 28 million).

BOARD OF DIRECTORS, SUPERVISORY BOARD AND AUDITOR

In 2019, Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, continued as Chairman of Finnvera's Board of Directors and Terhi Järvikare, Director General, continued as Second Vice Chairman. The members who continued on the Board of Directors were Ritva Laukkanen, M.Sc. (Econ.); Pirkko Rantanen-Kervinen, B.Sc. (Econ.); and Chairman of the Board Antti Zitting, M.Sc. (Tech.). On 29 March 2019, Finnvera's Annual General Meeting elected new members to the company's Board of Directors. The new members of the Board of Directors were Antti Neimala, Director General; and Pekka Nuuttila, Forester. Neimala was elected as First Vice Chairman of the Board.

The members who continued on the Supervisory Board in 2019 were Pia Björkbacka, Adviser, International Affairs; Eeva-Johanna Eloranta, Member of Parliament; Leila Kurki, Senior Adviser; Kari Luoto, Managing Director; Veli-Matti Mattila, Director, Chief Economist; Tommi Toivola, Director; and Carita Orlando, CEO. The new members elected to Finnvera's Supervisory Board on 29 March 2019 were Anette Vaini-Antila, M.Sc. (Econ.), Second Vice Chairman, Finnish Business School Graduates; and Jaana Möntti, Finance Manager, as personnel representative. New members were also elected to the Supervisory Board on 7 November 2019. They were elected by the State of Finland as Finnvera plc's only shareholder. Sofia Vikman, Member of Parliament, was elected Chairman of the Supervisory Board and Johannes Koskinen, Member of Parliament, was elected Vice Chairman. The new members elected to the Supervisory Board were Members of Parliament Mari Holopainen, Anne Kalmari, Juho Kautto, Juha Pylväs, Lulu Ranne, Wille Rydman and Joakim Strand.

Finnvera's regular auditor is KPMG Oy Ab, with Marcus Tötterman, Authorised Public Accountant, as the principal auditor.

Other events during the period under review

FINNVERA'S FINANCING AUTHORISATIONS WERE RAISED

The President of the Republic of Finland on 30 December 2019 confirmed the amendments to the Act on the State's Export Credit Guarantees (422/2001), act on publicly funded export and ship credits as well as interest equalisation (1543/2011) and Act on the State-Owned Specialised Financing Company (443/1998). The amendments took effect in 1 January 2020. The authorisation to grant export credit guarantees increased from EUR 27 billion to EUR 38 billion. The authorisation to finance export credits increased from EUR 22 billion to EUR 33 billion. The authorisation to provide interest equalisation was also increased from EUR 22 billion to EUR 33 billion. The State guarantee amount for funding provided by Finnvera was also increased from EUR 15 billion to EUR 20 billion.

FINNVERA'S DOMESTIC COLLECTION SERVICES TO INTRUM

On 21 October 2019, Finnvera started using the services of Intrum Oy in the collection of Finnvera's domestic receivables. Intrum was elected as the service provider through public competitive tendering. A total of 11 employees from Finnvera's domestic collection team transferred to Intrum as part of the transfer of business, with unchanged terms of employment. Intrum opened an office in Kuopio. Finnvera will maintain the responsibility for collection and its control.

APPOINTMENTS AT FINNVERA

Tina Schumacher, M.Sc. (Econ.), CETA, was appointed Finnvera Chief Risk Officer and member of the Management Group as of 22 November 2019. Finnvera appointed Minna Kaarto, M.Sc. (Tech.), as Chief Digitalisation Officer and member of the Management Group as of 1 June 2019, and a new digitalisation unit was established to steer the development of digital services and IT operations. Tapio Jordan, M.Sc. (Econ.), B.Sc. (Agriculture and Forestry), was appointed Finnvera's Group Chief Credit Officer and a member of Finnvera's Management Group. He started in the position on 15 April 2019. Deputy CEO Topi Vesteri retired. On 20 June 2019, Jussi Haarasilta, LL.M., M.Sc. (Econ.), Executive Vice President, Large Corporates, was appointed the new Deputy to the CEO.

Timo Lindholm, M.S.Sc., was appointed Finnvera's Chief Economist as of 26 August 2019.

FINNVERA AWARDED AS THE BEST EXPORT CREDIT AGENCY

In June 2019, Finnvera was awarded as the best export credit agency in the world in a survey conducted by TXF Media, an international export trade and finance analyst. Globally, 300 representatives from exporters, buyers and banks took part in the survey. The results underlined Finnvera's industry expertise and flexibility. Export companies praised Finnvera for quick answers and flexible solutions. Banks value the fact that both export credit guarantee and financing are available in the same place.

FINNVERA AWARDED FOR PUBLISHING THE MOST INFORMATIVE ANNUAL REPORT

In its annual report review in May 2019, ProCom, the Finnish Association of Communications Professionals, recognised Finnvera's Annual Report as the most informative annual report. According to the review, highly informative reporting fulfils the stakeholders' needs for information in an insightful manner.

FINNVERA'S OPERATIONS HAD THEIR 20TH ANNIVERSARY

The year 2019 marked the 20th anniversary of the establishment of Finnvera's operations. Finnvera's operations as a financing company started in 1999 when Kera Plc (former Kehitysaluerahasto Ltd) and the Finnish Guarantee Board merged. Currently, Finnvera serves approximately 25,000 clients ranging from micro-enterprises to global Finnish large corporates and those operating in Finland. The volume of the operations has grown during the 20 years, but the basis of the operations continues to be the financing of the start-up, growth and internationalisation of enterprises and their export.

Outlook for financing

According to forecasts, the year 2020 will be considerably more subdued in the Finnish economy than the previous year. For instance, the Bank of Finland's and the Ministry of Finance's forecasts of the growth of Finland's GDP in 2020 have declined to approximately 1 per cent. The decline in new orders in industrial production also indicate that growth is coming to a halt.

In order to maintain Finnish enterprises' growth opportunities, Finnvera's strategic objective is to direct 80 per cent of the SME and midcap financing to start-ups, growing and internationalising enterprises as well as to transfers of ownership and investments. In particular, we will work to ensure that investments and international growth receive financing in the current year, and we are prepared to assume even larger financing shares in projects when the business operations meet the profitability requirements. In smaller financing needs, Finnvera focuses on providing guarantees. Increasing the provision and awareness of the SME Guarantee introduced in the autumn 2019 is a key goal for 2020. Our work to increase the number of SMEs that use export financing services continues. Finnvera continues to actively offer advisory services related to financing export transactions and preparing for risks. Demand for financing related to enterprises' transfer of ownership is expected to remain high. The use of the EU guarantee instruments may impact the demand for financing provided by Finnvera. The diversity of the financing market and availability of financing to enterprises are key.

The raised export financing authorisations implemented at the beginning of 2020 will provide Finnvera with opportunities to address the demand. It is estimated that granting export credit guarantees and export credits will remain strong in 2020 and that demand for guarantees will continue to focus on the cruise shipping, telecommunications and pulp and paper sectors. As in previous years, the overall volume is affected by the realisation and timing of individual major transactions. Regionally, financing is expected to focus on the United States and Latin America. The uncertainty of the global economy will support the demand for financing guaranteed by a export credit agency in countries with political risks.

The corona virus that started spreading from January 2020 on may have an extensive effect on world economy. The overall impact remains to be seen. For a provider of financing, it is essential to actively monitor the situation and to assess the impacts in the long term.

The strategy will be implemented throughout the Group as planned in 2020, and operations are expected to be self-sustainable in the current financial period as well. The realisation of losses and development of expected losses involves uncertainty, which may have a considerable impact on the generation of the result.

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 72,648,630.33.

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 56,369,144.34

To the fund for domestic operations; the share of domestic operations EUR 16,279,485.99

In addition, the remeasurement gains in defined benefit pension plans, EUR 139,587.00, were entered directly into retained earnings during the financial period. It is proposed that this sum be transferred to the fund for domestic operations.

Key figures

Finnvera Group	2019	2018	2017	2016	2015
Key P&L figures:					
Net interest income, MEUR	41	42	46	50	56
Net fee and commission income, MEUR	141	135	127	144	141
Administrative expenses, MEUR	-42	-46	-43	-44	-44
- of which salaries including social security costs, MEUR	-29	-28	-29	-30	-30
Realised and expected credit losses, MEUR	-60	-45	-42	-94	-97
Credit loss compensation from the State, MEUR	17	24	23	28	83
Operating profit, MEUR	100	100	109	69	114
Profit for the period, MEUR	94	98	107	70	111
Key Balance sheet figures:					
Loans to and receivables from customers, MEUR	8,072	6,876	5,846	6,078	5,394
Investments, MEUR	3,241	2,665	3,084	2,082	2,059
Liabilities, MEUR	11,202	9,681	9,023	8,290	7,297
- of which debt securities in issue, MEUR	10,138	8,783	6,483	4,892	3,958
Shareholders' equity, MEUR	1,463	1,358	1,314	1,207	1,121
- of which non-restricted equity, MEUR	1,221	1,126	1,062	955	871
Balance sheet total, MEUR	12,665	11,039	10,337	9,498	8,418
Key ratios:					
Return on equity, ROE, %	6.7	7.4	8.5	6.0	10.4
Return on assets, ROA, %	0.8	0.9	1.1	0.8	1.5
Equity ratio, %	11.6	12.3	12.7	12.7	13.3
Capital adequacy ratio, Tier 1, domestic operations, %	29.4	27.2	25.3	22.4	18.1
Capital adequacy ratio, Tier 1, export credit guarantees and special guarantees, %[1]	6.9	6.8			
Expense-income ratio, %	25.4	29.3	27.2	27.0	28.3
Average number of employees	364	372	383	398	404
Finnvera plc, SMEs and midcaps; financing, exposure and impact					
Loans, guarantees and export credit guarantees offered, Billion EUR	1.0	0.9	1.0	1.0	1.1
Outstanding commitments, Billion EUR	2.3	2.3	2.5	2.6	2.7
Number of start-up enterprises financed	2,400	2,600	3,100	3,400	3,600
Number of new jobs created	8,000	7,700	9,100	8,700	8,600
Finnvera plc, Large Corporates; financing and exposure					
Export credit guarantees and special guarantees offered, Billion EUR	5.2	3.0	7.5	4.2	6.6
Outstanding commitments, Billion EUR	25.2	23.3	22.2	18.1	17.0
Finnvera plc, clients					
Number of clients, SMEs and midcaps and Large Corporates together	24,500	25,700	27,300	27,700	28,400

1 The publishing of capital adequacy ratio, Tier 1, for export credit guarantee and special guarantee operations began in 2019. The figure for the comparison year 2018 is also provided. No specific requirement has been set for the capital adequacy of Finnvera's export financing because ultimately it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finnvera, considering its special industrial policy purpose as a promoter of exports.

Formulas for the key indicators

Return on equity % (ROE)

$$\frac{\text{profit/loss for the period}}{\text{equity (as the average of the value at the beginning and the end of the period)}} \times 100$$

Return on assets % (ROA)

$$\frac{\text{operating profit/loss} - \text{income taxes}}{\text{balance sheet total on average (as the average of the value at the beginning and the end of the period)}} \times 100$$

Equity ratio, %

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

Capital adequacy, Tier 1

calculated according to Basel III standard method

Expense-income ratio, %

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

Average number of employees

based on monthly average for the whole period

Financial Statements

Finnvera Group

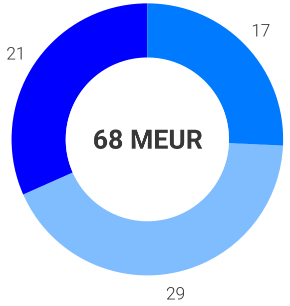
NET INTEREST INCOME
41 MEUR
(2018: 42 MEUR)

NET FEE AND COMMISSION INCOME
141 MEUR
(2018: 135 MEUR)

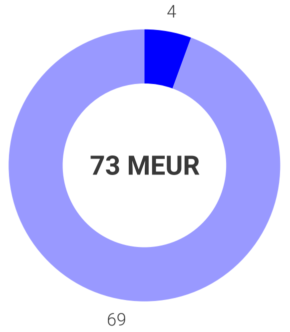
OPERATING EXPENSES AND DEPRECIATION
49 MEUR
(2018: 51 MEUR)

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). The Notes to the financial statements also comply with the currently valid requirements of the Finnish Accounting and Limited Liability Companies Acts.

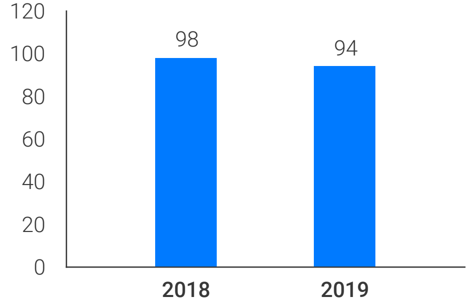
EXPECTED CREDIT LOSSES ON LOANS, GUARANTEES AND EXPORT GUARANTEES 2019, MEUR



EXPECTED CREDIT LOSSES ON EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES 2019, MEUR



PROFIT FOR THE PERIOD, MEUR



REALISED CREDIT LOSSES AND CHANGE OF EXPECTED CREDIT LOSSES, NET
43 MEUR
(2018: 22 MEUR)

AVERAGE NUMBER OF EMPLOYEES
364
(2018: 372)

Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group 1–12 2019	Finnvera Group 1–12 2018	Finnvera plc 1–12 2019	Finnvera plc 1–12 2018
Interest income	D1				
- Interest from loans passed on to customers		144,037	124,848	133,845	90,044
- Subsidies passed on to customers		162	356	162	356
- Other interest income		22,186	19,561	20,747	18,793
Total interest income[1]		**166,385**	**144,765**	**154,754**	**109,193**
Interest expenses[1]	D1	-125,135	-102,808	-122,243	-74,612
Net interest income		**41,250**	**41,958**	**32,511**	**34,581**
Net fee and commission income	D2	140,545	134,824	140,066	134,168
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	D3	10,238	-8,546	1,024	-1,095
Net income from investments	D4	120	418	120	413
Other operating income	D5	332	4,147	2,816	6,630
Total administrative expenses		-42,102	-45,853	-41,707	-45,336
- Personnel expenses	D6	-28,573	-28,436	-28,295	-28,107
- Other administrative expenses		-13,529	-17,418	-13,411	-17,229
Depreciation and amortisation on tangible and intagible assets	D8	-7,022	-2,779	-7,022	-2,779
Other operating expenses	D9	181	-2,039	-11,680	-14,138
Realised and expected credit losses, net	D10	-43,385	-21,808	-43,478	-21,565
- Realised credit losses		-32,128	-51,041	-32,128	-50,734
- Credit loss compensation from the State		16,737	23,624	16,737	23,624
- Expected credit losses		-27,993	5,609	-28,087	5,545
Operating profit		**100,156**	**100,321**	**72,649**	**90,878**
Income tax expense	D11	-5,892	-1,861	-	-
Profit for the period		**94,264**	**98,460**	**72,649**	**90,878**

1 The comparative figures have been adjusted to reflect the updated accounting policy regarding derivative interest allocation between interest income and interest expense. The change does not impact on net interest income.

(EUR 1,000)	Note	Finnvera Group 1–12 2019	Finnvera Group 1–12 2018	Finnvera plc 1–12 2019	Finnvera plc 1–12 2018
Other comprehensive income					
Items that may not be reclassified subsequently to the statement of income					
- Revaluation of defined benefit pension plans	F5	140	57	140	57
- Change in the credit risk associated with liabilities carried at fair value		8,329	4,958	445	1,625
Items that may be reclassified subsequently to the statement of income					
- Change in the credit risk associated with investments carried at fair value		2,155	-5,642	2,155	-5,642
Total other comprehensive income		**10,623**	**-626**	**2,739**	**-3,959**
Total comprehensive income for the period		**104,887**	**97,834**	**75,388**	**86,919**
Distribution of the profit for the period attributable to equity holders of the parent company		**94,264**	**98,460**		
Distribution of the total comprehensive income for the period attributable to equity holders of the parent company		**104,887**	**97,834**		

Balance sheet

(EUR 1,000)	Note	Finnvera Group 31 Dec 2019	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2019	Finnvera plc 31 Dec 2018
ASSETS					
Loans to and receivables from credit institutions	E1				
- Payable on demand		210,725	1,028,060	190,849	975,261
- Investment accounts and deposits		408,145	43,668	408,145	43,668
- Other		42,346	36,349	4,000	4,000
		661,216	**1,108,078**	**602,994**	**1,022,929**
Loans to and receivables from customers	E2				
- Loans		7,920,345	6,730,888	7,940,845	6,721,413
- Guarantee receivables		16,612	19,984	16,612	19,984
- Receivables from export credit and special guarantee operations		135,542	125,419	135,542	125,419
		8,072,498	**6,876,292**	**8,092,998**	**6,866,816**
Investments	E3				
- Debt securities		3,227,667	2,645,970	3,227,667	2,645,970
- Investments in group companies		-	-	30,078	68,815
Other shares and participations		13,723	18,752	13,723	13,723
		3,241,390	**2,664,722**	**3,271,468**	**2,728,508**
Derivatives	E11	392,739	101,741	392,739	101,741
Intangible assets	E4	19,748	8,841	19,748	8,841
Tangible assets	E5	12,248	1,084	12,248	1,084
Other assets	E6				
- Credit loss receivables from the state		9,549	10,951	9,549	10,951
- Other		7,940	12,181	4,110	21,672
		17,489	**23,132**	**13,658**	**32,622**
Prepayments and accrued income	E7	194,788	199,585	149,015	167,530
Tax assets	E8	2,946	4,869	-	-
Assets of disposal groups classified as held for sale	E23	49,939	50,905	28,445	28,621
TOTAL ASSETS		12,665,002	11,039,249	12,583,314	10,958,692

(EUR 1,000)	Note	Finnvera Group 31 Dec 2019	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2019	Finnvera plc 31 Dec 2018
LIABILITIES					
Liabilities to credit institutions	E9	-	171,943	-	171,943
Liabilities to other institutions	E9	82,042	96,958	75,000	65,000
Debt securities in issue	E10	10,138,250	8,782,823	10,138,250	8,782,823
Derivatives	E11	41,274	81,288	41,274	81,288
Provisions	E13	51,255	44,135	100,198	73,892
Other liabilities	E12	75,354	93,392	87,206	105,404
Accruals and deferred income	E15	794,900	384,324	749,308	354,153
Tax liabilities	E8	514	376	-	-
Subordinated liabilities	E16	-	7,500	-	7,500
Liabilities of disposal groups classified as held for sale	E23	18,575	18,558	15,867	15,867
Total liabilities		**11,202,163**	**9,681,297**	**11,207,103**	**9,657,869**
EQUITY	E22				
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		-5,403	-15,886	1,662	-937
Non-restricted reserves					
- Reserve for domestic operations		265,822	244,152	265,822	244,152
- Reserve for export credit guarantees and special guarantees		772,541	755,674	772,541	755,674
- Other		15,252	15,252	15,252	15,252
Retained earnings		166,985	111,119	73,292	39,041
Non-restricted equity		**1,220,601**	**1,126,197**	**1,126,907**	**1,054,119**
Total equity, equity attributable to the parent company's shareholders		**1,462,839**	**1,357,952**	**1,376,211**	**1,300,823**
TOTAL LIABILITIES AND EQUITY		12,665,002	11,039,249	12,583,314	10,958,692

Contingent liabilities

Contingent liabilities according to the status of commitments – in the table the commitments have been categorised according to their contractual stage (Table 1).
Contingent liabilities by business area – commitments have been broken down by business area and contractual stage (Table 2).

Table 1: Contingent liabilities according to the status of commitments

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current drawn commitments (A+D+F+G+I)	4,602,648	4,897,526	12,608,598	11,378,307
Current undrawn commitments (B+E+H+J)	8,455,183	8,163,559	9,526,166	9,513,150
Offers given (C+K)	4,635,644	3,957,321	4,635,644	3,957,321
Contingent liabilities, total	**17,693,475**	**17,018,406**	**26,770,407**	**24,848,779**

Table 2: Contingent liabilities by business area

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Domestic operations				
A) Valid guarantees	1,165,364	1,102,902	1,165,364	1,102,902
B) Binding credit commitments	40,541	38,679	40,541	38,679
C) Guarantee offers	75,349	76,661	75,349	76,661
Domestic operations, total	**1,281,253**	**1,218,242**	**1,281,253**	**1,218,242**
Export credit guarantees, special guarantees and export credit commitments				
Current commitments (drawn and undrawn)				
D) Drawn export and special guarantees, not included export loans	3,301,490	3,591,776	3,301,490	3,591,776
E) Undrawn export and special guarantees, not included export loans	1,560,779	529,643	1,560,779	529,643
F) Export and special guarantees of the parent company on behalf of the subsidiary's[1] drawn export credits, no parent company funding	-	-	41,021	48,479
G) Export and special guarantees of the parent company on behalf of the subsidiary's[1] drawn export credits, parent company funding	-	-	7,216,804	5,883,667
H) The Group: undrawn export credits granted by the subsidiary (credit commitments); in the parent company, the export credit guarantees for the subsidiary's export credits in question[1]	6,814,608	7,560,129	6,814,608	7,560,129
I) Export and special guarantee interest commitments, drawn commitments	135,795	202,848	883,920	751,484
J) Export and special guarantee interest commitments, undrawn commitments	39,257	35,108	1,110,239	1,384,700
Offers given				
K) Export and special guarantees	4,560,295	3,880,660	4,560,295	3,880,660
Export credit guarantees, special guarantees and export credit commitments, total[2]	**16,412,223**	**15,800,164**	**25,489,154**	**23,630,537**
Contingent liabilities, total	**17,693,475**	**17,018,406**	**26,770,407**	**24,848,779**

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) and G) rows do not include in the Group figures as the items consist of the parent company's guarantees for drawn export credits granted by Finnish Export Credit Ltd that are included in the consolidated balance sheet. On the row G is stated the parent company's receivables from Finnish Export Credit Ltd which is funded by the parent company.
H) 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).
I) and J) 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 Subsidiary mentioned is Finnish Export Credit Ltd (FEC)
2 Commitments for export credit guarantees and special guarantees are as referred to in the Act on the State Guarantee Fund (18.6.1998/444). Total export credit guarantees and special guarantees are EUR 25 489 million (EUR 23 631 million), of which drawn export credit guarantees are EUR 11 443 million (EUR 10 275 million).

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

	Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Liability according to the Act on the State's Export Credit Guarantees	20,774,192	19,107,574

The total commitments of Finnvera's export credit guarantees and hedging arrangements may amount to EUR 27 billion at the maximum at the end of the financial period, but starting from 1 January 2020, Finnvera plc's total commitments were raised to EUR 38 billion. The total export credits and ship credits granted by Finnvera's subsidiary Finnish Export Credit Ltd may amount to EUR 22 billion at the end of the financial period, but starting from 1 January 2020, Finnish Export Credit Ltd may grant export and ship credits based on Finnvera plc's funding with fixed and floating interest rates for a maximum capital value of EUR 33 billion.

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.

Statement of changes in equity

(EUR 1,000)	Share capital	Share Premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
Finnvera Group's equity 2019, equity attributable to the parent company's shareholders								
Reported equity at 31 Dec 2018	196,605	51,036	-15,886	244,152	755,674	15,252	111,119	1,357,952
Profit/loss from the previous accounting period transfer to reserves	-	-	-	21,670	16,868	-	-38,538	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	140	140
Change it the credit risk associated with liabilities carried at fair value	-	-	8,329	-	-	-	-	8,329
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	2,071	-	-	-	-	2,071
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	84	-	-	-	-	84
Profit/loss for the period	-	-	-	-	-	-	94,264	94,264
Total equity at 31 Dec 2019	**196,605**	**51,036**	**-5,403**	**265,822**	**772,541**	**15,252**	**166,985**	**1,462,839**
Finnvera Group's equity 2018, equity attributable to the parent company's shareholders								
Reported equity at 31 Dec 2017	196,605	51,036	4,534	213,734	687,681	15,252	145,403	1,314,245
IAS 39 reversal entry 1 Jan 2018 concerning impairments	-	-	-	-	-	-	86,780	86,780
Expected credit losses according to IFRS 9, 1 Jan 2018	-	-	-	-	-	-	-141,531	-141,531
Change in the fair value of investments recognised at fair value through comprehensive income (IFRS 9)	-	-	807	-	-	-	-	807
Change in the credit risk associated with liabilities carried at fair value, 1 Jan 2018[1]	-	-	-20,352	-	-	-	20,352	-
Valuation adjustment of issued bonds 1 Jan 2018[2]	-	-	-	-	-	-	-434	-434
Reclassificafition of financial assets (IFRS 9)	-	-	-191	-	-	-	191	-
Adjusted equity at 1 Jan 2018	**196,605**	**51,036**	**-15,203**	**213,734**	**687,681**	**15,252**	**110,761**	**1,259,867**
Profit/loss from the previous accounting period transfer to reserves	-	-	-	30,418	67,993	-	-98,411	-
Other changes in the previous years' retained earnings	-	-	-	-	-	-	251	251
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	57	57
Change it the credit risk associated with liabilities carried at fair value	-	-	4,958	-	-	-	-	4,958
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	-5,468	-	-	-	-	-5,468
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	-174	-	-	-	-	-174
Profit/loss for the period	-	-	-	-	-	-	98,460	98,460
Total equity at 31 Dec 2018	**196,605**	**51,036**	**-15,886**	**244,152**	**755,674**	**15,252**	**111,119**	**1,357,952**

1 The company has reconsidered the use of hedge accounting and decided to continue to apply it in the connection of the adoption of the IFRS 9 standard with regard to liabilities previously covered by hedge accounting. Consequently, the re-classification or re-measurement of liabilities has not been carried out on the opening balance sheet of the financial statements on 1 January 2018.

2 An adjustment has been made to the valuation method for foreign currency issued debt on 1 Jan 2018. As a result an adjustment of EUR -0.4 million was reconised in retained earnings and EUR 0.4 million for issued bonds.

(EUR 1,000)	Share capital	Share Premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
Finnvera plc's equity 2019, Equity attributable to the parent company's shareholders								
Reported equity at 31 Dec 2018	196,605	51,036	-937	244,152	755,674	15,252	39,041	1,300,823
Profit/loss from the previous accounting period transfer to reserves	-	-	-	21,670	16,868	-	-38,538	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	140	140
Change it the credit risk associated with liabilities carried at fair value	-	-	445	-	-	-	-	445
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	2,071	-	-	-	-	2,071
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	84	-	-	-	-	84
Profit/loss for the period	-	-	-	-	-	-	72,649	72,649
Total equity at 31 Dec 2019	**196,605**	**51,036**	**1,662**	**265,822**	**772,541**	**15,252**	**73,292**	**1,376,211**
Finnvera plc's equity 2018, equity attributable to the parent company's shareholders								
Reported equity at 31 Dec 2017	196,605	51,036	4,342	213,734	687,681	15,252	98,914	1,267,565
IAS 39 reversal entry 1 Jan 2018 concerning impairments	-	-	-	-	-	-	86,780	86,780
Expected credit losses (ECL) (IFRS 9), at 1 Jan 2018	-	-	-	-	-	-	-141,248	-141,248
Change in the fair value of investments recognised at fair value through comprehensive income (IFRS 9)	-	-	807	-	-	-	-	807
Change in the credit risk associated with liabilities carried at fair value, at 1 Jan 2018	-	-	-20,352	-	-	-	2,070	-18,282
Finnish Export Credit Ltd's share of the change in the credit risk associated with liabilities at 1 Jan 2018[1]	-	-	18,282	-	-	-	-	18,282
Adjusted equity at 1 Jan 2018	**196,605**	**51,036**	**3,079**	**213,734**	**687,681**	**15,252**	**46,516**	**1,213,904**
Profit/loss from the previous accounting period transfer to reserves	-	-	-	30,418	67,993	-	-98,411	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	57	57
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	-5,468	-	-	-	-	-5,468
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	-174	-	-	-	-	-174
Change it the credit risk associated with liabilities carried at fair value (IFRS 9)	-	-	1,625	-	-	-	-	1,625
Profit/loss for the period	-	-	-	-	-	-	90,878	90,878
Total equity at 31 Dec 2018	**196,605**	**51,036**	**-937**	**244,152**	**755,674**	**15,252**	**39,041**	**1,300,823**

1 Finnish Export Credit Ltd's share of the change in the credit risk associated with liabilities is transferred from the parent company's equity to the parent company's other receivables on 1 Jan 2018.

Statement of cash flows

(EUR 1,000)	Finnvera Group 1–12 2019	Finnvera Group 1–12 2018	Finnvera plc 1–12 2019	Finnvera plc 1–12 2018
Cash flows from operating activities				
Withdrawal of loans granted	-2,872,440	-2,171,046	-2,885,134	-3,647,856
Repayments of loans granted	1,711,048	1,232,477	1,717,374	1,027,577
Purchase of investments	-642	-1,774	-	-
Proceeds from investments	7,073	1,576	-	-
Interest received[2]	173,512	128,996	161,765	85,969
Interest paid[2]	-126,748	-102,414	-123,633	-66,058
Net interest subsidy received (+) / repaid to the State (-)	0	444	0	444
Payments received from commission income	193,396	159,823	190,475	159,144
Payments received from other operating income	559	3,953	2,946	6,433
Payments for operating expenses	-60,991	-84,031	-72,502	-89,703
Claims paid (-) and recovered amounts (+)	-14,134	-20,928	-14,134	-20,928
Net credit loss compensation from the State	18,139	18,397	18,139	18,397
Taxes paid	-3,806	-2,208	-	-
Net cash used in (-) / from (+) operating activities (A)	**-975,033**	**-836,736**	**-1,004,703**	**-2,526,581**
Cash flows from investing activities				
Purchase of property and equipment and intangible assets	-3,017	-3,064	-3,017	-3,064
Sale of property and equipment and intangible assets	-	119	-	119
Short-term and other liquid investments	-6,919,728	-6,335,893	-6,919,728	-6,335,893
Proceeds and maturities of short-term and other liquid investments	6,123,360	7,016,065	6,123,360	7,011,108
Other investments	-997	-1,370	-997	-1,370
Proceeds from other investments	1,173	903	39,910	903
Dividends received from investments	7	5	-	-
Net cash used in (-) / from (+) investing activities (B)	**-799,201**	**676,767**	**-760,471**	**671,804**
Cash flows from financing activities				
Proceeds from long-term loans	1,936,724	2,354,880	1,936,724	2,354,880
Repayment of long-term loans	-1,185,185	-2,012,013	-1,170,269	-298,445
Net proceeds (+) and repayments (-) of short-term	0	0	10,014	-18,296
Payments of lease liabilities	-3,461	-	-3,461	-
Proceeds from subordinated liabilities	-	3,342	-	3,342
Repayment of subordinated liabilities	-27,500	-	-27,500	-
Payments (-) / receipts (+) from derivative collaterals	380,930	44,410	380,930	44,410
Net cash used in (-) / from (+) financing activities (C)	1,101,508	390,618	1,126,439	2,085,890
Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)	-672,726	230,649	-638,735	231,113
Cash and cash equivalents at the beginning of the period[1]	1,074,454	821,445	1,019,083	766,656
Translation differences[1]	7,196	22,360	6,425	21,314
Cash and cash equivalents at the end of the period[1]	**408,923**	**1,074,454**	**386,773**	**1,019,083**

1 Cash and cash equivalents comprise of cash and investment accounts held in credit institutions and deposits with a maturity less than 3 months. Cash and cash equivalents are included in the balance sheet line item "Loans to and receivables from credit institutions -payable on demand" and "Loans to and receivables from credit institutions -investment accounts and deposits
2 The impact of derivatives on the items "Interest received" and "Interest paid" have been updated to to reflect the accounting policy change from the beginning of 2019. The comparative figures have been adjusted to reflect the new accounting policy.

(EUR 1,000)	Finnvera Group 1–12 2019	Finnvera Group 1–12 2018	Finnvera plc 1–12 2019	Finnvera plc 1–12 2018
Cash and cash equivalents at the end of the period				
Cash and investment accounts held in credit institutions	408,923	1,030,785	386,773	975,414
Short-term deposits	-	43,668	-	43,668
Total	**408,923**	**1,074,454**	**386,773**	**1,019,083**

Changes in liabilities arising from financing activities

Finnvera Group 2019

(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Liabilities to credit institutions	**171,943**	-	-175,986	-	4,042	-	**-**
Liabilities to other institutions	**96,958**	-	-14,917	-	-	-	**82,042**
Debt securities in issue	**8,782,823**	1,923,801	-953,268	333,212	45,037	6,646	**10,138,250**
Subordinated liabilities	**23,367**	-	-7,500	-	-	-	**15,867**
Security given for derivatives[1]	**-62,260**	24,230	-	-	-	-	**-38,030**
Security received for derivatives[2]	**61,700**	356,700	-	-	-	-	**418,400**
Total	**9,074,531**	**2,304,731**	**-1,151,670**	**333,212**	**49,079**	**6,646**	**10,616,528**

Finnvera plc 2019

(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Liabilities to credit institutions	**171,943**	-	-175,986	-	4,042	-	**-**
Liabilities to other institutions	**65,000**	174,483	-164,469	-	-14	-	**75,000**
Debt securities in issue	**8,782,823**	1,923,801	-953,268	333,212	45,037	6,646	**10,138,250**
Subordinated liabilities	**23,367**	-	-7,500	-	-	-	**15,867**
Security given for derivatives[1]	**-62,260**	24,230	-	-	-	-	**-38,030**
Security received for derivatives[2]	**61,700**	356,700	-	-	-	-	**418,400**
Total	**9,042,573**	**2,479,214**	**-1,301,222**	**333,212**	**49,065**	**6,646**	**10,609,486**

1 Included in "Prepayments and accrued income" in the balance sheet.
2 Included in "Accruals and deferred income" in the balance sheet.

	Finnvera Group 2018						
(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Liabilities to credit institutions	**187,609**	-	-24,470	-	8,804	-	**171,943**
Liabilities to other institutions	**1,773,680**	-	-1,713,929	-193	37,400	-	**96,958**
Debt securities in issue	**6,483,055**	2,339,406	-190,594	83,563	62,099	5,293	**8,782,823**
Subordinated liabilities	**20,025**	3,342	-	-	-	-	**23,367**
Security given for derivatives[1]	**-79,100**	16,840	-	-	-	-	**-62,260**
Security received for derivatives[2]	**34,130**	27,570	-	-	-	-	**61,700**
Total	**8,419,400**	**2,387,158**	**-1,928,993**	**83,370**	**108,303**	**5,293**	**9,074,531**

	Finnvera plc 2018						
(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Liabilities to credit institutions	**187,609**	-	-24,470	-	8,804	-	**171,943**
Liabilities to other institutions	**82,519**	229,073	-247,369	-	777	-	**65,000**
Debt securities in issue	**6,483,055**	2,339,406	-190,594	-83,563	62,099	5,293	**8,782,823**
Subordinated liabilities	**20,025**	3,342	-	-	-	-	**23,367**
Security given for derivatives[1]	**-79,100**	16,840	-	-	-	-	**-62,260**
Security received for derivatives[2]	**34,130**	27,570	-	-	-	-	**61,700**
Total	**6,728,239**	**2,616,230**	**-462,433**	**83,563**	**71,680**	**5,293**	**9,042,573**

1 Included in "Prepayments and accrued income" in the balance sheet.
2 Included in "Accruals and deferred income" in the balance sheet.

Notes to the financial statements

Finnvera Group

FINNVERA ADOPTED THE IFRS 16 LEASES STANDARD

No material changes similar to the implementation of the IFRS 9 standard were made in Finnvera Group's bookkeeping in 2019. Finnvera adopted the IFRS 16 Leases standard in 2019. As a result of this, the Group's balance sheet grew by EUR 22 million at the end of the year, but the impacts on the profit were minor. Finnvera applied the transition option, on the basis of which information for the comparison year is not adjusted to reflect the adoption of the IFRS 16 Leases standard.

RETURN ON EQUITY, ROE
6.7%
(31 Dec 2018: 7.4%)

RETURN ON ASSETS, ROA
0.8%
(31 Dec 2018: 0.9%)

BALANCE SHEET, CHANGE FROM THE PREVIOUS YEAR
14.7%
(31 Dec 2018: 6.8%)

Segments

SME AND MIDCAP FINANCING

Locally operating small companies
The clients are locally operating enterprises with fewer than 10 employees that are offered financing services for starting and developing their business operations.
Result:
-1.9 MEUR
(2018: -8.4)

SMEs focusing on the domestic markets
The clients are SMEs and, on special grounds, large corporates. The clientele includes companies engaged in production and in services.
Result:
12.8 MEUR
(2018: 6.8)

SMEs seeking growth and internationalisation
The clients are SMEs and midcap enterprises that have a growth strategy based on internationalisation.
Result:
6.2 MEUR
(2018: -2.8)

EXPORT FINANCING

The clients are exporters operating in Finland, generally classified as large corporates, as well as domestic and foreign providers of financing for these.
Result:
77.4 MEUR
(2018: 102.8)

VENTURE CAPITAL FINANCING

The Group's venture capital financing is classified as assets available for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital financing operations.
Result:
-0.1 MEUR
(2018: 0.0)

Notes concerning 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 Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund 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. Finnish Export Credit Ltd focuses on the financing of export credits, whereas Veraventure Ltd and ERDF-Seed Fund Ltd engage in venture capital financing.

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, FI-70111 Kuopio, Finland. Finnvera's Board of Directors approved the financial statements on 25 February 2020.

Copies of the consolidated financial statements and the parent company's financial statements are available at www.finnvera.fi, or from the Group's headquarters at Kallanranta 11, FI-70110 Kuopio, Finland and Porkkalankatu 1, FI-00180 Helsinki, Finland.

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 2019 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.

Drawing up financial statements in keeping with the IFRS standards requires the making of certain accounting estimates and judgment exercised by the management. Use of the management's judgment is described in more detail in section *A11 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. The key figures presented in the financial statements have been calculated using precise values.

Changes in the calculation method implemented as of the beginning of 2019 and their impact on the accounting principles

As of the beginning of 2019, the interest on all interest rate and currency swaps related to funding has been treated as an adjustment item for interest expenses. Previously the interest on interest rate and currency swaps for foreign currency items acquired with currency derivatives (previously interest rate and currency swaps taken out to hedge receivables) was treated as an adjustment item for interest income.

Furthermore, starting from the beginning of 2019, the interest on short-term interest rate and currency swaps taken out for liquidity management is treated as an adjustment item for interest income, whereas previously the interest of currency swaps was treated as an adjustment item for interest expenses.

In the income statement and the cash flow statement, information for the comparison year has been adjusted to reflect the new disclosure format. The change in the principles for drawing up the report has no impact on net interest income.

As of the beginning of 2019, the Finnvera Group classifies specifically certain financial assets hedged with interest rate and currency swaps as assets to be recognised at fair value through profit or loss to reduce asymmetry in accounting (the fair value option). Previously, the Finnvera Group has not had any financial assets to be recognised under the fair value option.

New and revised standards and interpretations applied

In 2019, Finnvera adopted the following new or revised IFRS standards or interpretations:

- The IFRS 16 Leases standard, which replaced the IAS 17 Leases standard. Finnvera applied the transition option, on the basis of which information for the comparison year was not adjusted to reflect the adoption of the IFRS 16 Leases standard. At the time of the adoption of the standard, right-of-use asset items and lease liabilities have been recorded as equal items.
- According to the IFRS 16 standard, lessees must record all leases on the balance sheet as an item under fixed assets and as a lease liability. Assets and liabilities resulting from leases are recognised at the current value of future lease expenses. The item under fixed assets is amortised over the lease period. Interest expenses related to lease liabilities are recorded in item *interest expenses* in the income statement using the effective interest rate method and, as a result, net interest income decreases. In the Group, low-value items and leases under one year in duration are left outside the scope of the IFRS 16 standard.
- In the statement of cash flows, the part of the lease liability that is related to the principal is presented in the cash flow from financing activities under the item *Payments from lease liabilities* and the part related to the interest is presented in the cash flow from operating activities under the item *Interest paid*. The lease payments that are not recorded on the balance sheet due to the IFRS 16 standard reliefs are recorded under *Administrative expenses* or *Other operating expenses* on a straight-line basis over the lease period. The weighted average additional credit interest of lease liabilities recorded on the balance sheet as of 1 January 2019 is 0.7 per cent. Finnvera does not have significant leases in which it would act as the lessor. The impacts of the transition and the reporting date on the balance sheet are described in the table below (Table 1). The transition increased the balance sheet amount by EUR 26 million due to right-of-use asset items and the corresponding lease liability. The impact of the IFRS 16 standard on the result for the entire year is a cost increase of EUR 0.2 million on the reporting period.

Table 1: The impacts of the transition date to the IFRS 16 standard on the opening balance sheet on 1 January 2019 and on the reporting date on 31 December 2019

Right-of-use asset (MEUR) (assets)	1 Jan 2019 (IFRS 16)	31 Dec 2019 (IFRS 16)
Tangible assets:		
Office properties	13.7	11.5
Cars	0.1	0.1
Machinery and equipment	0.01	0
Intangible assets:		
Applications	12.2	10.8
Total assets	**26.0**	**22.4**

Lease liabilities (MEUR) (liabilities)		
Office properties	13.7	11.7
Cars	0.1	0.1
Machinery and equipment	0.01	0
Applications	12.2	10.9
Total liabilities	**26.0**	**22.7**

Table 2: IFRS 16 standard's impact on the income statement 31 December 2019

Income statement item (MEUR):	1 Jan 2019–31 Dec 2019
Interest expenses	-0.17
Depreciation and amortisation	-3.7
Administrative expenses	
– Low-value leasing machinery and equipment	-0.4
Operating profit	-4.3
Change in deferred tax assets	-
Profit (+)/ loss (-) for the period	**-4.3**

Table 3: Reconciliation of lease liabilities and lease-related commitments on the transition date 1 January 2019

Item	MEUR
Lease-related commitments 31 December 2018	7.0
Leases that have not started yet but to which the company is committed	-
Leases that are based on variable lease payments and that are not included in lease liabilities	-
Reliefs applied with regard to the recording on the balance sheet	-
Impacts of discounting	0.015
Other changes	19
Lease liabilities 1 January 2019 total	**26.0**

Table 3 presents the reconciliation calculation between the lease liabilities in accordance with the IFRS 16 standard and the lease liabilities included in the 2018 financial statements. The item *Other changes*, with an impact of approximately EUR 19 million, presented in Table 3 includes the current value of lease liabilities compliant with the IFRS 16 standard and the estimated extension periods of leases in accordance with IFRS 16 standard.

Other IFRS standard amendments that entered into force on 1 January 2019 are not significant for the Group's financial statements during the reporting period. No significant amendments to IFRS standards are expected in 2020.

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, which, according to the Group's estimate, equals the fair value of the shares.

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.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital financing operations. Finnvera wholly owns the subsidiary ERDF-Seed Fund Ltd. In addition, Finnvera continues to hold a capital input of 19.7 per cent in Innovestor Kasvurahasto I Ky, a company outside of the Group. In 2019, the Ministry of Economic Affairs and Employment issued a decision stating that Finnvera can begin procedures for starting the ERDF-Seed Fund Ltd's sales process. According to the Group's estimate, giving up the venture capital financing operations will happen during 2020.

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 2019, Finnvera had no associated companies consolidated using the equity method of accounting.

Equity investments made by Finnvera through its subsidiary engaged in venture capital financing – ERDF-Seed Fund Ltd – are treated in the consolidated financial statements in the alternative manner allowed by IAS 28 Investments in Associates and Joint Ventures, as investments recognised at fair value through profit and loss. The resulting changes in fair value are recorded in the consolidated financial statements under the income statement item *Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses*.

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. At the end of 2019, the Group did not have any non-controlling interests.

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 through profit and loss and foreign exchange gains and losses*.

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 in accordance with IFRS 9. 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.

As of the beginning of 2019, the interest on all interest rate and currency swaps related to funding has been treated as an adjustment item for interest expenses. Previously the interest on interest rate and currency swaps for foreign currency items acquired with currency derivatives (previously interest rate and currency swaps taken out to hedge receivables) was treated as an adjustment item for interest income.

Furthermore, starting from the beginning of 2019, the interest on short-term interest rate and currency swaps taken out for liquidity management is treated as an adjustment item for interest income, whereas previously the interest of currency swaps was treated as an adjustment item for interest expenses.

In the income statement and the cash flow statement, information for the comparison year has been adjusted to reflect the new disclosure format. The change in the principles for drawing up the report has no impact on net interest income.

As of the second quarter of 2016, the income received by the Group on some euro-denominated assets on accounts and other investments (debt securities) has been negative. The negative interest on debt securities reduce the Group's interest income.

Net fee and commission income and expenses

Finnvera processes the handling fees of credits, guarantees and export credit guarantees and the related service fees and guarantee commissions in accordance with the IFRS 15 standard. The standard specifies when and how revenue is recognised. IFRS 15 includes a five-step model for recognising revenue: 1) identify the contract(s) with a client, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognise revenue when (or as) the entity satisfies a performance obligation. Operational fees collected during the financing process are recognised as revenue once the work is performed or the transaction is completed.

Commitment fees consist of fees collected from clients for undrawn credit. The commitment fee is collected for the undrawn credit amount in arrears on the basis of time elapsed and is recognised in the accounting on the same basis.

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. These include, for instance, change fees resulting from various debt restructuring arrangements, collection and invoicing expenses, and legal procedures. Fee and commission expenses consist of service charges collected by banks, reinsurance fees related to export credit guarantees and expenses related to funding.

Gains and losses from items recognised at fair value through profit or loss and other comprehensive income items

Realised and unrealised gains and losses from liabilities recognised at fair value through profit or loss, from debt securities, venture capital investments, shares and participations, derivatives, and liabilities under fair value hedging, as well as exchange rate differences are presented under the item *Gains/losses from items recognised at fair value through profit or loss and net income from foreign currency operations*.

The change in the own credit risk associated with liabilities recognised at fair value through profit or loss is presented under other comprehensive income. Changes in the fair value of investments that are carried at fair value through other comprehensive income is also recorded in other comprehensive income.

Items resulting from revaluation of the net liability of defined benefit pension plans are recognised in other comprehensive income for the financial period during which they are incurred.

Government grants and other income

For credits and guarantees in SME and midcap financing within the scope of the State's loss compensation, Finnvera receives compensation for 50 per cent of the losses incurred. For credits granted after 2013, Finnvera has no longer received the State's interest subsidy. At the end of 2019, Finnvera still had EUR 6.1 million (2018: EUR 14.2 million) in credits with the State's interest subsidies.

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 2019, Finnvera did not receive grants from the State. In previous years, the parent company has received grants to be used as capital for the venture capital investment company Seed Fund Vera Ltd (now called Innovestor Kasvurahasto I Ky) and to develop the operations of SME and midcap financing.

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

A6 INTANGIBLE AND TANGIBLE ASSETS

Intangible assets

Intangible assets 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. In 2019, Finnvera continued the digitalisation project that aims to improve productivity and efficiency through the possible digitalisation of business and support processes. Digitalisation will be developed in stages over several years. Futhermore, a new financing system development project was launched in 2019 with the aim of replacing the currently used application for export credit guarantees in export financing in the future. The expenses incurred by this project have been activated in the balance sheet as projects in progress in item *Intangible assets*.

A B C D E F G H

Intangible assets are recorded on the balance sheet at acquisition cost less amortisations and impairment losses accumulated after initial recognition. Intangible assets are amortised over their estimated economic life, which is five years.

Tangible assets

Tangible assets comprise machinery and equipment in the company's own use. Tangible assets are carried at acquisition cost less accumulated depreciation and impairment losses. Tangible assets are depreciated over their estimated economic life, which is five (5) years.

Right-of-use assets in accordance with the IFRS 16 standard

Since the beginning of 2019, fixed assets in the parent company's balance sheet have included leases that meet the requirements of the IFRS 16 standard. According to the IFRS 16 standard, lessees must record all leases on the balance sheet as an item under fixed assets and as a lease liability. In accordance with the IFRS 16 standard, a lease is an agreement that generates the right to use an asset item subject to the agreement for an agreed period of time and against a specific consideration.

Assets and liabilities resulting from leases are recognised at the current value of future lease expenses. The item under fixed assets is amortised over the lease period. Interest expenses related to lease liabilities are recorded in item *Interest expenses* in the income statement with the effective interest rate method and, as a result, net interest income decreases. In Finnvera, low-value items and leases under one year in duration and leases that do not meet the standard's requirements are left outside the scope of the IFRS 16 standard.

More detailed information on the impacts of the IFRS 16 standard on the parent company's result and balance sheet is provided in the accounting principles item *New and revised standards and interpretations applied* in Notes *E4 Intangible assets* and *E5 Property, plant and equipment*.

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 recognised through profit or loss 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 pension 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 recognised through profit or loss 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 comprehensive income statement 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

Determination of fair value

Financial assets at fair value through profit or loss (FVTPL) include derivatives, shares and participations and some bond investments. Items at fair value through comprehensive income generally include investments in bonds. Receivables from credit institutions and clients, short-term debt securities and the State's debt obligations are recognised at amortised cost plus any costs directly attributable to the acquisition. After initial recognition, receivables are measured at amortised cost using the effective interest rate method.

The Group has shares and participations that are not publicly quoted and that are recognised at fair value through profit or loss (FVTPL). In the consolidated financial statements, the measurement is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares. The unlisted shares and participations owned by the Group are strategic investments or involve special contractual terms that are dependent on the shares' acquisition cost so that in practice, the acquisition value of investments equals their fair value.

In addition, the Group has venture capital investments that are measured at fair value, and the change in the value is carried through profit or loss and presented in the income statement under the item *Gains and losses from financial instruments carried at fair value through profit and loss*. The Group's fund investments are carried at fair value through profit or loss. Classification of financial assets in accordance with the IFRS 9 standard is presented in the Note *E17 Financial instruments classification and fair values*.

Finnvera has no financial assets or liabilities held for trading.

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).

Classification of financial assets in accordance with the IFRS 9 standard

The financial asset classification model is based on the asset's cash flow characteristics and business model (Table 4).

Table 4: Classification of financial assets:

The financial asset items on the balance sheet:	IFRS 9 classification:
Cash deposits, investment accounts and short-term deposits	Amortised cost
Loan receivables from clients	Amortised cost
Certificates of deposit, local authority papers and commercial papers	Amortised cost
Investments in bonds	At fair value through other comprehensive income or at fair value through profit or loss
Shares and participations	At fair value through profit or loss

The business model with the objective of holding the financial assets to collect contractual cash flows encompasses loan receivables from clients, short-term debt securities and deposits.These financial assets are recognised at amortised cost and generally held until maturity but may be realised, for example, due to an unexpected need for financing, if necessary.

The objective is to collect the contractual cash flows and to sell the financial assets: According to Finnvera's asset management policy, it has been decided that investments in bonds under this business model may be sold, if necessary, to maintain daily liquidity or a certain interest profile, among other things. In line with this business model, sales transactions recur more frequently and are larger, these investments are carried at fair value through other comprehensive income. Investments in bonds under other business models are carried at fair value through profit or loss. Investments in bonds that do not meet the SPPI (Solely Payments of Principal and Interest) criteria of the IFRS 9 standard are recognised at fair value through profit or loss.

As of the beginning of 2019, the Finnvera Group specifically classifies certain financial assets hedged with interest rate derivatives as assets designated at fair value through profit or loss.

Classification of financial liabilities in accordance with the IFRS 9 standard

Financial liabilities carried at fair value through profit and loss include debt securities in issue that fall outside hedge accounting, and derivative contracts. Other financial liabilities, including debt securities in issue that are covered by hedge accounting, liabilities to credit institutions, liabilities to other institutions and intra-group liabilities, are recognised at amortised cost. The debt securities in issue that are covered by hedge accounting are recognised at amortised cost adjusted with the fair value of the risk being hedged.

In Finnvera's financial liabilities, bonds in issue were classified as of 1 January 2018 so that issued bonds that fall outside hedge accounting are measured using the fair value option in line with the FVTPL method. One of the features of the financial liability classification model is that gains and losses resulting from an increase or decrease in the entity's credit risk are recognised in other components of comprehensive income, instead of them being recognised through profit or loss. This applies to financial liabilities that the entity has chosen to carry at fair value.

State subsidies and grants received for the purpose of acquisition of subsidiaries are also classified as other financial liabilities because of their repayment obligation. 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 rate method.

In addition, the parent company has zero-interest subordinated loans granted by the State, which are recognised at amortised cost. The subordinated loans are loans granted by the owner and involve special terms. The subordinated loans are presented in Note *E16 Subordinated liabilities* to the balance sheet.

Recognition and derecognition of financial assets and liabilities

Loans and other receivables are recognised on the balance sheet when a client takes out a loan; financial assets and derivative contracts are entered on the balance sheet using trade date accounting, and financial liabilities 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.

Hedge accounting

Finnvera started adopting fair value hedge accounting in 2016 and applies it to some of the bonds issued. The purpose of hedge accounting is to balance the period-specific impact on the profit resulting from fair value changes caused by changes in market interest rates. After the IFRS 9 standard's entry into force on 1 January 2018, hedge accounting for bonds issued by Finnvera has still continued. Financial liabilities encompassed by hedge accounting and their result are presented in Note *E20 Financial assets and liabilities encompassed by hedge accounting and the net result of hedge accounting.* The upcoming LIBOR reform is not expected to have impact on hedge accounting.

Determination of the fair value of liabilities and derivative contracts

The fair value of derivative contracts 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 derivative contracts are equivalent to the average market price in situations where the Group would transfer or sell derivative contracts in normal business operations under market conditions on the end date of the financial period. The credit risk associated with derivative contracts is reduced by means of collateral arrangements.

The fair values of derivative receivables include the Credit Value Adjustment (CVA) of counterparty risk. The CVA has been calculated per counterparty.

The calculation takes into consideration the cash collaterals received from the counterparty. With regard to derivative liabilities, the company has estimated the Debit Valuation Adjustment (DVA) of its credit risk to be neutral, based on the State's guarantee.

Calculation of expected credit losses (ECL)
When calculating expected credit losses (ECL), the Group adheres to the same general principles as the banking sector in general. The ECL calculation formula is PD (probability of default) x EAD (exposure at default) x LGD (loss given default). Calculation is specific to each financing instrument and is carried out according to stage 1, 2 or 3 depending on whether the credit risk of the financial instrument on the reporting date is significantly higher than at the moment when it was originally granted. Factors that have an impact on a significant increase of the credit risk include the client's financial situation (e.g. bankruptcy), a change in the risk classification, payment behaviour or the financial instrument product used by the client. A significant change in credit risk is determined by estimating the difference in the life-time expected PD between the granting date and the reporting date. The change in stages in SME and midcap financing is also affected by the clients' payment behaviour: a payment delay exceeding 30 days (stage 2) or 90 days (stage 3) or a significant change in risk category. Guarantee receivables and receivables from export credit and special guarantee operations on the balance sheet are also handled according to stage 3 as they have already been compensated to a third party. The bases on which stages (1, 2 and 3) are determined are described in more detail in Tables 5 and 6.

Expected credit loss (ECL) calculation model in SME and midcap financing
When financing is being granted, Finnvera's risk classification model is used to determine a risk category and risk classification score for the client. A process has been defined for checking regularly that risk classification is up to date. Risk categories and ranges of risk scores are assigned PD values that are based on averages derived from Finnvera's own materials since 2000. In ECL calculation according to the IFRS 9 standard, long-term TTC (through-the-cycle) values are converted into future PIT-PD (point-in-time-probability of default) values by using the actual values of the last four quarters as the basis. These values are further refined with macroeconomic forecasts, which include the management's judgment. The basic scenario for the macroeconomic forecasts is the average of the forecasts that five different forecast institutions have given regarding the development of the key indicators of the Finnish economy in a 2–3-year period. A positive estimate and a negative estimate are derived from the basic forecast. Stressed values based on the European Central Bank's latest stress test are used as a basis for the negative estimate. The actual PIT-PD calculation with different scenarios is carried out with the vector autoregression model (VAR), the parameters of which make use of Finnvera's own annual PD history. After scenario-specific calculation, the PIT-PDs used in IFRS calculation are determined with the aid of the management's estimate. The management's estimate may be based on the weighting of the probabilities of different scenarios or other experience-based estimates. The life-time expected PD needed in ECL calculation is calculated from transition probabilities, which have been derived from risk category transition matrices, and estimated risk category-specific, long-term cumulative PDs. The short average maturity of credits and guarantees in SME and midcap financing means that, when calculating the life-time ECL, the significance of estimated cash flows after the second year remains low. The LGD estimate takes into account collaterals specific to each financing arrangement that decrease the expected credit loss amount. According to the risk model defined by Finnvera, LGD refers to the collateral risk, or collateral shortage. As the fair value of a collateral is based on the situation at the time of the estimate and may change later during the financing arrangement, a collateral value, which is a certain percentage of the fair value of the collateral, is determined separately for the collateral. The determination of the collateral value is a way to prepare for, for instance, the deterioration of the quality of the collateral object or a decrease in the realisation price of the collateral object due to an economic downturn.

In SME and midcap financing, expected credit loss is calculated using loan receivables from clients, financing offers given, guarantees, export credit guarantees and special guarantees, guarantee receivables and receivables from export credit and special guarantee operations, interest receivables and fee and commission receivables and SME and midcap financing investments in debt securities recognised at fair value through other components of comprehensive income.

In the expected credit loss calculation, the State's credit loss compensation reduces Finnvera's expected credit losses. The State's credit loss compensation applies to the loans (*loan principal and interest receivable*) and guarantees (*only the guaranteed amount*) granted by Finnvera's SME and midcap financing operations. On 15 February 2018, the Government made a decision concerning credit and guarantee loss compensation. The loss compensation level was lowered and harmonised to 50 per cent in SME and midcap financing starting from 1 January 2018. When the IFRS 9 standard was adopted, calculation became specific to each financial instrument.

Investments recognised at fair value through other comprehensive income and SME and midcap financing's investments in debt securities are included in the calculation of expected credit loss. Their ECL amount is presented in the fair value reserve. Contingent liability items, SME and midcap financing's binding credit commitments and guarantee offers are also included in the calculation of expected credit losses. Their expected credit losses are recognised as provisions. In addition, expected credit losses are calculated from the Group's assets on accounts and fixed-term deposits, but their impact is minor. There were no major changes in the ECL calculation methods during the reporting period.

In SME and midcap financing, Finnvera applies the harmonised definition on non-performing exposure defined on the EU level. The following are reported as non-performing exposure: 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.

Recognition principles of realised credit losses
In accordance with Finnvera's internal operating principles, the portion of a receivable in collection that is deemed possible to collect from the debtor through securities or other securing procedures will remain in bookkeeping. In 2019, a portfolio-based estimate was implemented for receivables with capital denominated in a specific euro amount. The threshold limit is calculated on a client-specific basis and includes only the receivable capital. Capital receivables that exceed the threshold limit are processed on a debtor-specific basis.

A credit loss of 70 per cent is recognised on the receivables capital and the interest accumulated on the full capital for the receivables that meet the conditions. On the portfolio level, the recording percentage corresponds to the estimate of the amount deducted by the value of securities.

In accordance with the definition, the relevant receivables are, almost without exception, in stage three in the ECL calculation. An impairment loss in accordance with the ECL calculation is recorded on the receivables, and this recognises the collateral shortage of the receivable as an expected credit loss (ECL). According to the management's estimate, the change will not have a material impact on the result, since the realised credit loss is recognised earlier, but correspondingly, the ECL amount in accordance with the IFRS 9 standard decreases. The principles of determining different stages for individual financial instruments are provided in table 5 (Table 5).

Table 5: Determination of ECL calculation stages, SME and midcap financing

Factor determining the stage	Stage 1	Stage 2	Stage 3
The credit risk has not significantly increased from the moment the financial instrument was granted to the moment the situation is reviewed	x		
Zero-interest loans and subordinated loans		x	
Payment behaviour: receivable that is more than 30 days overdue		x	
Payment behaviour: receivable that is more than 90 days overdue			x
Significant risk increase in the client's risk category		x	x
Guarantee receivables (included in stage 3 automatically)			x
Client's legal status; impecunious, restructuring application cancelled, debt restructuring started, bankruptcy expired or ended, debt restructuring arrangement expired, applying for debt restructuring, debt restructuring application cancelled or rejected, debt restructuring expired or ended, bankruptcy, applying for restructuring, restructuring application rejected, in a restructuring procedure, or restructuring procedure suspended			x
Other clients in the risk category D			x

Expected credit loss (ECL) calculation model in export financing
Export credits always include an export credit guarantee granted by the parent company. Due to this, the expected credit loss (ECL) on export credit guarantees in the parent company's separate financial statements is presented as provisions in its entirety, but in the consolidated reporting, the portion that concerns export credits in a subsidiary's balance sheet is deducted from the figure. The expected credit loss is recognised as a provision for export credit guarantees which do not include the subsidiary's export credit. In export financing, loss allowances concern receivables from clients in the consolidated balance sheet to the extent that the loss allowances concern export credit granted by the subsidiary. Expected credit loss also applies to receivables from export credit and special guarantee operations in export financing. The expected credit losses of both receivables from export credit and special guarantee operations in export financing and export credit guarantees are assessed per financial instrument, with the exception of export credit guarantees of less than EUR 2 million. The expected cash flow is estimated as receivables from export credit and special guarantee operations and the cash flow is discounted at the effective interest rate to the present value. To protect itself against credit risk, Finnvera uses reinsurance in its export credit guarantee financing.

Expected credit loss calculation is substantially influenced by the following factors: how large a change in the probability of default indicates a significant increase in credit risk and what kinds of future scenarios are used in calculations. In export financing, undrawn export credit guarantees are included in the calculation of expected credit loss. A special characteristic of export financing is that the schedules for drawing credits covered by guarantees can extend for years ahead. As a result, undrawn guarantees are not fully taken into account in export financing when calculating expected credit loss. The further in the future the drawing date of the loan covered by the guarantee is, the lower the multiplier used for the undrawn guarantee when taking it into account in expected credit loss. In export financing, group-specific ECL calculation only applies to export credit guarantees that do not exceed EUR 2 million. Their significance for Finnvera's overall export financing exposure is non-essential.

The LGD value and the probability of default are updated in export financing once a year. The LGD, the share of expected loss given default, has an essential impact on ECL calculation. A change of the client's risk category has an impact on the probability of default. Factors that influence insolvency include payment delays, the change of risk category into default or the fact that a separate decision has been made to declare the client to be insolvent. In export financing, the expected credit loss calculation model also includes forward-looking, i.e. macroeconomic, scenarios. These are taken into account in the PIT-PD model, in which one of the variables is the change of the world gross national product and its forecast. They increase or decrease expected losses depending on economic forecasts. The management's judgment especially covers macroeconomic scenarios and a significant credit risk increase, or a change in the probability of default. Finnvera still continues to develop ECL reporting tools. The principles of determining different stages for individual financial instruments are provided in table 6 (Table 6).

Table 6: Determination of ECL calculation stages, export financing

Factor determining the stage	Stage 1	Stage 2	Stage 3
The credit risk has not significantly increased from the moment the financial instrument was granted to the moment the situation is reviewed	x		
Significant risk increase in the client's risk category		x	x
Receivables from export credit and special guarantee operations (included in stage 3 automatically)			x
Client's legal status: e.g. the client is impecunious or restructuring procedure is pending, etc.			x
Other clients in the risk category D			x

A10 LEASES

With regard to the comparison year 2018, 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 2018, 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 through profit or loss on a straight-line basis over the lease term. Operating leases are mostly contracts relating to premises.

Leases that are classified in accordance with the IFRS 16 standard include lease agreements on office properties, vehicle leases, certain lease agreements on applications and certain leases concerning the leasing of machinery. Due to this, the balance sheet value of intangible assets and property, plant and equipment grew by approximately EUR 26 million in total on the standard adoption date. The balance sheet growth was primarily due to a few lease terms that were estimated to be long. The longest lease terms in accordance with the IFRS 16 standard are ten years. More detailed information on the adoption of the IFRS 16 standard and its impacts on the parent company's result and balance sheet is provided in the accounting principles section *New and revised standards and interpretations applied*. More detailed notes on the impacts of the IFRS 16 standard on the parent company's balance sheet and result are available in Notes *E4 Intangible assets* and *E5 Tangible assets*. The Group's subsidiaries do not have leases in accordance with the IFRS 16 standard.

A11 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 judgment and assumptions that affect the items reported in the consolidated financial statements and in the Notes to the accounts. The management's estimates and assumptions are based on experience, historical data, and 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.

Expected credit losses (ECL)

At Finnvera, the essential assumptions and judgments concern the assessment of expected credit losses for clients' loan and other receivables, exposure for export credit guarantees and other guarantees, and export credits. Recording expected losses requires the management's judgment of calculation components affecting ECL calculation, such as credit loss probabilities, macroeconomic scenarios and their weighting as well as the expected receivable-related cash flows, their timing and the effective interest rate. Management's assessments related to the IFRS 9 standard are covered in more detail in item *Calculation of expected credit losses (ECL)* in the accounting principles.

In connection with the preparation of these financial statements, the management's estimates related the Group's accounting principles and key uncertainties were similar to those applied in the previous financial statements, with the exception of macroeconomic scenarios and estimates required by the IFRS 16 standard.

Right-of-use assets in accordance with IFRS 16

In the calculation model of right-of-use -assets according to IFRS 16, discretionary assumptions and judgments are time period of lease contracts and weighted average additional credit interest.

Provisions according to IAS 37

Recording provisions for a known obligation requires the management's judgment of expenses resulting from the fulfilment of the obligation. Actual expenses and their realisation date may differ considerably from these. The financial statements include an expert fee provision related to the collection of receivables from export credit and special guarantee operations in export financing, which is presented in Note *E13 Provisions*.

Determination of the fair value of venture capital investments

The fair value of venture capital investments of the subsidiary involved in venture capital financing, ERDF-Seed Fund Ltd, is determined using a valuation technique approved by the Board of Directors that complies with the International Private 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 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.

Estimates and assumptions concern the determination of the fair value of venture capital investments made through Finnvera's subsidiaries engaged in venture capital financing. At the end of 2019, only the subsidiary ERDF-Seed Fund Ltd had investments related to venture capital financing operations.

The investments owned by subsidiary ERDF-Seed Fund Ltd are presented on level three of the fair value valuation hierarchy and in Note *E18 Hierarchy for carrying financial instruments at fair value*. The aforementioned investments are presented in the consolidated balance sheet item *Assets of disposal groups classified as held for sale*.

B Risk management

IFRS consolidated financial statements, notes to risk management

THE PRINCIPLES, ROLE AND RESPONSIBILITIES OF RISK MANAGEMENT

Finnvera's operational objectives in financing the growth, internationalisation and exports of enterprises and the strategies to achieve these objectives form the foundation of risk management. Finnvera supplements the financial market and takes greater credit risks than providers of financing that operate on commercial grounds. Credit risk is the principal risk segment for the Finnvera Group. Other key risks are liquidity and market risks as well as operational risks associated with activities.

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, among other things.

In internal control and risk management, Finnvera applies a "three lines of defence" model. According to the model, business areas and other operations at the first line of defence own risks and are primarily responsible for risk management. The second line of defence is Risk Control, working independently of Finnvera's business areas and responsible for the development of the methods and guidelines of risk management and for the monitoring of the Group's risk position. Risk Control supports the business operations in the development and maintenance of risk management systems and the monitoring of their functioning. Risk Control reports to the Board of Directors and the executive management. Finnvera has a compliance function that is independent of business operations and also belongs to the second line of defence and is responsible for ensuring that the company's operations are in compliance with regulations. The third line of defence is internal auditing which reports directly to the Board of Directors.

RISK APPETITE AND RISK POLICIES

Finnvera has defined the risk appetites for all risk types. Finnvera's risk appetite has been determined so that the company meets the ownership and industrial policy goals in the long 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. The company must be self-sustainable in the long term. 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 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 external requirements, taking into account the cost-benefit ratio.

The State compensates Finnvera for some of the losses incurred in SME financing. During the economic cycle, the company must cover its share of domestic credit and guarantee losses incurred with cash flow 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 takes controlled credit risks and hedges against other risks or minimises them in accordance with the internal limitations.

Finnvera's risk-taking is based on targets set by the owner for impact and profitability. Risk-taking pertaining to financing is steered by means of the credit and country policies ratified by the Board of Directors. Risk-taking pertaining to SME financing is influenced by factors including risk-taking targets derived from strategic focus areas, which take into account differences in the customer segments' needs and operating environments. Reinsurance is used to hedge some credit risks in export credit guarantee operations.

Finnvera's subsidiaries Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd are controlled by the parent company and fall within the scope of risk control and internal auditing practised in the Group. Finnish Export Credit's tasks are to finance Finnish exports by granting officially supported export and ship credits that are in line with the OECD Arrangement on Officially Supported Export Credits, as well as to manage the related interest equalisation system. Information on ERDF-Seed Fund Ltd and Veraventure Ltd is provided in the section on venture capital financing.

CREDIT AND GUARANTEE RISKS AND RISK CLASSIFICATION SYSTEMS

In Finnvera, credit risk arises from a contractual credit or guarantee counterparty. The reason for a credit loss may be the inability of the enterprise, bank or sovereigns counterparty to fulfil their commitments.

Risks are assessed per counterparty by issuing a credit risk rating which is based on realised insolvency history per risk category. Risk classifications are updated regularly based on the financial statements information or other information at least once per year. Risk classification also includes a loss given default (LGD) estimate.

The taking of risks is based on an analysis of the counterparty enterprise's management, business and finances. The scope of the analysis is proportional to the project's estimated risk level and scope. In SME financing, the Credit Decision Unit is responsible for assessing the credit risk classification, risk rating and financing proposal. With regard to export financing and in particularly large projects, a designated analyst is responsible for the risk rating.

In export financing, the export countries are also classified in accordance with the OECD principles into eight classes subject to individual country policies based on the projects to be financed. In export projects, both the country and risk classification and the country policy impact the exposure to be accepted.

Finnvera uses risk classifications for the following, for example:

- 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.

Correspondence between Finnvera's rating categories and the rating used by S&P

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

Financing decisions are made by the Board of Directors or by the company's decision-making bodies in accordance with the decision-making authority delegated by the Board.

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 special monitoring report on the most elevated client risks is drawn up every six months. Finnvera applies an impairment procedure in accordance with IFRS 9.

The concentration of risks in counterparties, sectors and countries is monitored regularly. Risk appetite defines, in principle, maximum exposures for corporate counterparties and for country-related concentration 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 liquidity management operations. Finnvera's goal is to keep the counterparty risks of asset management low by setting counterparty-specific limits, by concluding daily netting and security arrangements associated with derivative contracts, and by working with counterparties with high credit ratings.

Risk Control provides the Board of Directors and the management with quarterly reports on the risk-taking realised in relation to risk appetite and goals. In addition, the company's reporting system generates constant reporting based partly on daily data and month-specific data. 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, any risk concentrations 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 (anticipated loss), the total loss and the credit losses realised. These are reported quarterly. The confidence interval applied by Finnvera in the assessment of the total loss is VaR 99.5 per cent.

MARKET RISKS

Finnvera does not trade in instruments subject to the effect of market prices. However, a small amount of market risk arises on 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. Effort is also made to hedge risks so that the net effect of market changes on financial performance would be slight.

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 out. 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.

The entire loan portfolio of Finnvera's SME financing is denominated in euros, whereas export financing uses both euros and US 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 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 stressed for the next 12 months. The principles also determine how much funding gap the company can accept in the longer term. Liquidity is invested in assets that have a high credit rating. Finnvera's Treasury is responsible for practical tasks associated with borrowing and liquidity management. The company's accumulated equity is 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. Sudden changes in the financial markets may also impair the availability of financing. 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.

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. Loss resulting from an operational risk may materialise as higher costs, lower profits or lost reputation, for instance.

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 Security Manager who is also responsible for the administrative information security and physical safety. Potential risks have been charted and the severity of any consequences they might involve has been assessed for all core business areas and support units. 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. The management of operational risks is closely linked to the company's quality management. Finnvera has an ISO 9001 quality certificate and meets the requirements set by central government for the increased level of information security. Safeguards are taken against operational risks, for instance, by introducing internal control mechanisms, developing processes, information systems and the quality of operations as well as by taking out insurance against risks.

A compliance function that is independent of business operations is responsible for ensuring that the company's operations are in compliance with regulations.

Operational risks realised are registered into the management system of operational risks through a risk event portal that is 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 FINANCING

Within the Finnvera Group, venture capital financing is carried out by ERDF-Seed Fund Ltd. The investments made in the company fall within the scope of Finnvera's risk control monitoring. Veraventure Ltd no longer has any venture capital financing activities.

Risk management by the subsidiary engaged in venture capital financing 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 company engaged in venture capital financing complies 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 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 minimum capital adequacy target of 15 per cent for Finnvera's domestic operations. Finnvera will assess the adequacy of capital in the coming years through an internal CAAP process that includes, among other things, stress tests and scenario analyses, aimed at anticipating unfavourable circumstances.

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 99.5 per cent. In addition, capital is reserved for market and operational risks.

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 final credit losses. The compensation for credit and guarantee losses is 50 per cent of the outstanding credit and guarantee exposure. In export credit guarantee operations, the State of Finland is responsible, through bodies such as 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 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.

A B C D E F G H

B1 CREDIT RISK

(EUR 1,000)	Finnvera Group 31 Dec 2019		31 Dec 2018	
Receivables				
Loans to and receivables from credit institutions – payable on demand		210,725		1,028,060
Loans to and receivables from credit institutions – other		450,491		80,017
Loans to and receivables from customers		8,072,498		6,876,292
Loans to and receivables from customers[1]	7,920,345		6,730,888	
Guarantee receivables	16,612		19,984	
Fee and commission receivables, export financing	7,302		1,091	
Receivables from export credit guarantee and special guarantee operations	124,798		120,685	
Other receivables from export credit guarantees	3,442		3,643	
Debt securities		3,227,667		2,645,970
Derivatives[2]		-24,425		17,226
Credit and Guarantee loss receivables from the State		9,549		10,951
Interest receivables		122,430		99,087
Fee and commission receivables		3,531		3,806
Trade receivables of venture capital investments		7,619		11,710
Total		**12,080,085**		**10,773,118**
Contingent liabilities		**17,693,475**		**17,018,406**

1 The figure does not include loans to and receivables from customers which are stated as disposal groups classified as held for sale.
2 Derivative receivables presented are the sum of net receivables per derivative counterpaty. The net receivable is adjusted with cash collateral received. The presentation has been changed from previous years to include accrued interest on derivatives. Comparative figures have been updated to reflect the new presentation method. The net derivative receivable including accrued interest before the adjustment of cash collateral received was EUR 394.0 million (EUR 78.9 million) and cash collateral recceived was EUR 418.4 million (EUR 61.7 million).

Debt securities by credit rating grades and sector

(EUR 1,000)	Finnvera Group 31 Dec 2019 Credit institutions	Corporates	Governments/ Municipalities	Total[1]	Finnvera Group 31 Dec 2018 Credit institutions	Corporates	Governments/ Municipalities[2]	Total[1]
Risk class								
A1	191,903	-	-	**191,903**	777,520	7,999	-	**785,518**
A2	912,291	19,990	899,780	**1,832,061**	1,072,713	19,991	511,435	**1,604,138**
A3	1,007,352	-	-	**1,007,352**	3,003	11,000	-	**14,003**
B1	19,502	165,985	-	**185,487**	39,991	186,955	-	**226,946**
Total	**2,131,047**	**185,975**	**899,780**	**3,216,802**	**1,893,226**	**225,944**	**511,435**	**2,630,605**

1 SME and midcap financing debt securities EUR 10.9 million (EUR 15.4 million) are excluded from the figures presented as they are included in the "SME and midcap financing" section.
2 The rating of the comparative figure has been adjusted for.

SME AND MIDCAP FINANCING

B2 RECEIVABLES FROM CUSTOMERS AND GUARANTEES, GROSS

(EUR 1,000)	Finnvera plc 31 Dec 2019	%	31 Dec 2018	%
Risk class				
A1	369	0	369	0
A2	6,780	0	6,606	0
A3	73,943	4	58,190	3
B1	313,530	15	303,709	14
B2	1,110,953	53	1,213,649	57
B3	460,576	22	445,721	21
C	51,163	2	40,520	2
D	75,939	4	76,497	4
Total	**2,093,253**	**100**	**2,145,261**	**100**

B3 RECEIVABLES FROM CUSTOMERS AND GUARANTEES BY INDUSTRY, GROSS

(EUR 1,000)	Finnvera plc 31 Dec 2019	31 Dec 2018
Rural trades	40,683	41,299
Industry	1,064,588	1,101,240
Tourism	172,555	183,205
Services to business	475,002	469,458
Trade and consumer services	340,425	350,059
Total	**2,093,253**	**2,145,261**

B4 LOANS AND GUARANTEES BY AREA, GROSS

(EUR 1,000)	Finnvera plc 31 Dec 2019	31 Dec 2018
Finland	2,093,253	2,145,261
Total	**2,093,253**	**2,145,261**

B5 LOANS AND GUARANTEES, GROSS AND COLLATERAL SHORTAGE

	Finnvera plc 31 Dec 2019			
(EUR 1,000)	Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	2,093,253	350,859	1,742,393	83

	Finnvera plc 31 Dec 2018			
(EUR 1,000)	Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	2,145,261	393,543	1,751,718	82

B6 DOUBTFUL RECEIVABLES AND AGEING OF PAST DUE RECEIVABLES

B6.1 Doubtful receivables

	Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Receivables that are more than 90 days overdue	89,468	91,817
Classified as insolvent	27,488	27,174
Doubtful receivables, net	**116,956**	**118,991**
0-interest credits	13,777	20,055

Doubtful receivables are defined according to the definition of the European Banking Authority that entered into force in 2015. Doubtful receivables are processed when calculating expected credit losses according to the stage 3 of IFRS 9.

B6.2 Ageing of past due receivables

	Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
1 day–1 month	5,797	12,287
1–3 months	8,388	17,500
3–6 months	6,535	11,958
6–12 months	13,288	13,789
Over 12 months	40,427	35,503
Total	**74,435**	**91,037**

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

EXPORT FINANCING

B7 EXPOSURE, EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES, GROSS

	Finnvera plc	
Risk class (EUR 1,000)	31 Dec 2019	31 Dec 2018
A1	51,133	685,316
A2	1,145,523	507,374
A3	4,782,931	4,420,067
B1	10,628,957	10,496,270
B2	6,641,969	5,897,916
B3	1,279,348	823,721
C	166,285	139,941
D	83	6,065
No classification	647,407	495,975
Total	**25,343,635**	**23,472,645**

B8 ENTERPRISE, SOVEREIGN AND BANK COMMITMENTS BY COUNTRY CATEGORY, GROSS

	Finnvera plc	
Country category (EUR 1,000)	31 Dec 2019	31 Dec 2018
0 – Advanced economy	19,790,815	18,666,857
1 – Flexible country policy	1,957	45
2 – Low risks	1,130,758	973,752
3 – Relatively low risks	1,142,302	904,246
4 – Intermediate risks	1,350,145	1,159,009
5 – Relatively high risks	1,554,329	1,349,021
6 – High risks	202,313	405,712
7 – Very high risks	171,017	14,004
Total	**25,343,635**	**23,472,645**

B9 BANK, ENTERPRISE, SOVEREIGN AND POLITICAL COMMITMENTS BY SECTOR, GROSS

	Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Telecommunications	4,055,364	4,487,129
Cruise shipping	13,786,017	12,834,770
Pulp and paper	2,901,036	2,242,783
Mining and metals	331,544	478,283
Energy	684,143	492,296
Other industries	1,107,956	497,068
Others	2,477,575	2,440,317
Total[1]	**25,343,635**	**23,472,645**

1 The maximum indemnity amount of reinsurance arrangements valid at the end of the year was EUR 1 474 million (EUR 1 403 million).

B10 LIQUIDITY RISK, MATURITY OF ASSETS AND LIABILITIES

Finnvera Group							
(EUR 1,000)	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total	Carrying amount
31 Dec 2019							
Assets							
Loans to and receivables from credit institutions – Payable on demand	210,818	-	-	-	-	210,818	210,725
Loans to and receivables from credit institutions – Investment accounts and deposits	195,834	212,771	-	-	-	408,605	408,145
Loans to and receivables from credit institutions – Export credit loand	1,076	1,666	19,450	21,861	-	44,053	38,346
Receivables from customers - Loans	446,433	992,674	4,403,198	2,428,452	209,701	8,480,458	7,920,345
Debt securities	963,039	853,552	1,354,438	30,006	-	3,201,035	3,227,667
Total assets	**1,817,200**	**2,060,663**	**5,777,086**	**2,480,319**	**209,701**	**12,344,969**	**11,805,228**
Liabilities							
Liabilities	-	-	-	-	-	-	-
Liabilities to credit institutions	-8,750	-8,620	-64,798	-7,576	-	-89,744	-82,042
Liabilities to others	-525	-1,012,697	-3,889,199	-3,516,253	-2,083,750	-10,502,425	-10,138,250
Debt securities in issue	-	-	-	-	-	-	-
Subordinated liabilities	**-9,275**	**-1,021,317**	**-3,953,997**	**-3,523,829**	**-2,083,750**	**-10,592,168**	**-10,220,291**
Total liabilities							
Derivatives – receivables	0	63,320	205,840	159,703	108,872	537,736	392,739
Derivatives – liabilities	-10,351	-27,955	-132,599	-142,784	-44,826	-358,515	-41,274
Derivatives, net	**-10,351**	**35,365**	**73,242**	**16,919**	**64,045**	**179,221**	**351,465**
Assets, liabilities and derivatives, net:	**1,797,574**	**1,074,711**	**1,896,331**	**-1,026,590**	**-1,810,004**	**1,932,021**	**1,936,402**
Credit commitments[1]	-150,243	-996,775	-4,464,798	-1,243,332	-	-6,855,148	-
Assets, liabilities, derivatives and credit commitments, net:	**1,647,330**	**77,936**	**-2,568,467**	**-2,269,922**	**-1,810,004**	**-4,923,127**	**1,936,402**
Guarantees and export credit guarantees[2]							
Guarantees	-135,394	-412,036	-613,332	-653	-3,948	-1,165,364	-
Export credit guarantees	-69,647	-226,971	-2,067,974	-662,717	-2,010,012	-5,037,320	-
Total guarantees and export credit guarantees	**-205,041**	**-639,007**	**-2,681,306**	**-663,370**	**-2,013,960**	**-6,202,684**	**-**

Finnvera Group							
(EUR 1,000)	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total	Carrying amount
31 Dec 2018							
Assets							
Loans to and receivables from credit institutions – Payable on demand	1,028,060	-	-	-	-	1,028,060	1,028,060
Loans to and receivables from credit institutions – Investment accounts and deposits	43,730	-	-	-	-	43,730	43,668
Loans to and receivables from credit institutions – Export credit loand	1,097	1,541	14,518	17,883	3,286	38,326	32,349
Receivables from customers – Loans	338,752	960,065	3,967,011	1,846,398	111,578	7,223,804	6,730,888
Debt securities	895,434	680,068	1,033,081	-	-	2,608,582	2,645,970
Total assets	**2,307,073**	**1,641,674**	**5,014,610**	**1,864,282**	**114,864**	**10,942,502**	**10,480,937**
Liabilities							
Liabilities	-	-30,246	-112,584	-51,235	-	-194,065	-171,943
Liabilities to credit institutions	-8,985	-8,844	-66,667	-23,077	-	-107,573	-96,958
Liabilities to others	-	-1,051,203	-3,830,489	-2,478,636	-2,107,500	-9,467,828	-8,782,823
Debt securities in issue	-	-	-	-7,500	-	-7,500	-7,500
Subordinated liabilities	**-8,985**	**-1,090,293**	**-4,009,740**	**-2,560,448**	**-2,107,500**	**-9,776,965**	**-9,059,224**
Total liabilities							
Derivatives – receivables	-708	38,073	98,966	83,638	132,655	352,624	101,741
Derivatives – liabilities	-10,479	-63,051	-102,085	-125,000	-27,337	-327,952	-81,288
Derivatives, net	**-11,187**	**-24,978**	**-3,119**	**-41,362**	**105,318**	**24,672**	**20,454**
Assets, liabilities and derivatives, net:	**2,286,901**	**526,404**	**1,001,751**	**-737,528**	**-1,887,318**	**1,190,209**	**1,442,166**
Credit commitments[1]	-1,277,987	-1,314,127	-3,800,746	-1,205,947	-	-7,598,807	-
Assets, liabilities, derivatives and credit commitments, net:	**1,008,913**	**-787,724**	**-2,798,995**	**-1,943,475**	**-1,887,318**	**-6,408,598**	**1,442,166**
Guarantees and export credit guarantees[2]							
Guarantees	-115,538	-369,630	-612,478	-4,839	-417	-1,102,902	-
Export credit guarantees	-92,342	-180,335	-1,341,727	-2,276,940	-468,031	-4,359,375	-
Total guarantees and export credit guarantees	**-183,412**	**-487,731**	**-2,223,472**	**-2,704,262**	**-579,146**	**-6,178,023**	**-**

The table does not include the ERDF EUR 4.0 million (EUR 4.0 million) assets held on an escrow account. Their use is regulated separately.

1 Undrawn credit commitments are presented in the period when the loans are expected to be drawn.

2 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 realised during the life cycle of a guarantee. Export credit guarantees do not include export credit guarantees that correspond to the subsidiary's undrawn credit commitments (undrawn credit commitments are presented as a separate line in the table) or offer-stage guarantees (guarantee offers).

B11 TOTAL COMMITMENTS FROM FINANCING OPERATIONS

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Domestic operations				
Contingent liabilities	1,165,364	1,102,902	1,165,364	1,102,902
Loans included in the balance sheet, gross[1]	751,437	856,139	751,437	856,139
Investments in SME bonds included in the balance sheet	10,865	15,365	10,865	15,365
Total, domestic operations	**1,927,666**	**1,974,405**	**1,927,666**	**1,974,405**
Contingent liabilities, undrawn	115,889	115,340	115,889	115,340
Total, domestic operations	**2,043,555**	**2,089,745**	**2,043,555**	**2,089,745**
Export credit and special guarantees, financing				
Contingent liabilities, drawn[2]	3,437,285	3,794,624	11,443,234	10,275,405
Items included in the balance sheet, gross[1, 2]	7,298,845	5,980,625	-	-
Total drawn commitments	**10,736,130**	**9,775,249**	**11,443,234**	**10,275,405**
Contingent liabilities, undrawn	12,974,938	12,005,540	14,045,920	13,355,132
Total export credit and special guarantees, financing	**23,711,068**	**21,780,789**	**25,489,154**	**23,630,537**
Total commitments from financing operations	**25,754,623**	**23,870,534**	**27,532,709**	**25,720,282**

1 The figures presented do not take into account expected credit losses (ECL) according to IFRS 9.
2 The risk associated with the repayment of export credits granted by Finnish Export Credit Ltd, part of Finnvera Group, is covered by an export credit guarantee granted by the parent company. When the parent company finances export credits granted by Finnish Export Credit Ltd, the parent company's balance sheet also includes a receivable from Finnish Export Credit Ltd. The parent company's contingent liabilities include EUR 7,244.8 million (EUR 5,907.6 million) in export credit guarantees financed by the parent company.

B12 MARKET RISK SENSITIVITIES

	Finnvera Group	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Interest rate risk		
Market interest increase 1%		
- Change in net interest income during the next 12 months	14,881	16,613
- Changes in items carried at fair value	11,951	21,662
Market interest decrease 0.1%		
- Change in net interest income during the next 12 months	-1,488	-1,661
- Changes in items carried at fair value	1,195	-2,166
Currency risk		
The USD strengthens by 10% against the euro	1,190	-25
The USD weakens by 10% against the euro	-974	31

C Segment information

The segment division was changed at the end of 2019. The change applied to the export financing segment, which is divided into the export credit guarantees and export credit segments. Comparative figures have been adjusted to reflect the new disclosure format.

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 and SMEs seeking growth and internationalisation included in the SME and midcap financing, export credit guarantees and export credits are included in export financing, as well as venture capital financing as a separate segment.

The clients of the locally operating small companies segment are locally operating companies that have fewer than 10 employees. This segment offers financial services for the start-up and development of companies in cooperation with regional enterprise services and other providers of financing.

The clients of the SMEs focusing on the domestic markets are SMEs and, on special grounds, large corporates. The clientele includes companies engaged in production and in services. In cooperation with other providers of financing, 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 SMEs seeking growth and internationalisation segment are SMEs and midcap enterprises[1] 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 companies also use the services of other organisations providing services for growth enterprises (Business Finland and Centres for Economic Development, Transport and the Environment) and make use of the services offered by Finnvera for export financing.

The clients of the export credit guarantees are exporters operating in Finland, generally classified as large corporates, as well as domestic and foreign providers of financing for these.

The segment for export credits includes Finnvera's subsidiary Finnish Export Credit Ltd's operations including the parent company Finnvera plc's funding and asset management related to export credit financing on behalf of Finnish Export Credit Ltd. The subsidiary 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.

The segment for venture capital financing consists of the Group's venture capital investment activities. The companies engaged in venture capital financing are the subsidiaries Veraventure Ltd and ERDF-Seed Fund Ltd. Venture capital investments are disposal groups classified as assets held for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities. ERDF-Seed Fund Ltd is considered to be among disposal groups classified as held for sale. Veraventure Ltd no longer has any venture capital financing activities.

Income and expenses are allocated to each segment when they are deemed to fall within that segment, or allocation is carried out on the basis of internal accounting rules. 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. The Group's clientele consists of a wide spectrum of clients in various sectors.

1 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 most recent 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 SEGMENT INFORMATION

	SME and midcap financing			Export financing		Venture capital financing	Total
(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Export credit guarantees	Export credits		
Finnvera Group							
1–12/2019							
Net interest income	7,738	13,668	8,947	2,984	7,480	433	**41,250**
Net fee and commission income	6,323	18,089	15,749	87,535	12,849	-1	**140,545**
Gains and losses from financial instruments carried at fair value	-18	-58	6	66	10,465	-223	**10,238**
Net income from investments	-	-	54	-	66	-	**120**
Other operating income	63	175	86	92	0	-84	**332**
Administrative expenses	-7,125	-12,842	-9,405	-9,441	-2,935	-354	**-42,102**
Depreciation and amortisation on tangible and intangible assets	-1,762	-2,057	-1,747	-1,216	-241	-	**-7,022**
Other operating expenses	-123	-174	-104	600	-19	-	**181**
Total realised and expected credit losses, net	-7,038	-3,999	-7,420	-24,998	-23	93	**-43,385**
- Realised credit losses	-10,865	-15,838	-5,767	341	-	-	**-32,128**
- Credit loss compensation from the State	5,431	8,263	3,042	-	-	-	**16,737**
- Expected credit losses (increase - / decrease +)	-1,604	3,575	-4,695	-25,339	-23	93	**-27,993**
Operating profit	-1,942	12,803	6,166	55,622	27,642	-135	**100,156**
Income tax expense	-	-	-	-	-5,899	6	**-5,892**
Profit for the period	**-1,942**	**12,803**	**6,166**	**55,622**	**21,744**	**-129**	**94,264**
Finnvera Group							
1–12/2018							
Net interest income	6,519	18,511	9,159	2,579	5,008	181	**41,957**
Net fee and commission income	5,800	19,078	12,937	82,344	14,667	-1	**134,824**
Gains and losses from financial instruments carried at fair value	25	91	-1,592	-12	-7,566	508	**-8,546**
Net income from investments	-	0	89	-	324	5	**418**
Other operating income	1,155	1,511	1,467	96	-	-82	**4,147**
Administrative expenses	-8,616	-13,369	-10,396	-10,188	-2,875	-409	**-45,853**
Depreciation and amortisation on tangible and intangible assets	-228	-1,192	-581	-778	-	-	**-2,779**
Other operating expenses	-752	-928	-604	375	-131	-	**-2,040**
Total realised and expected credit losses, net	-12,280	-16,890	-13,231	20,779	57	-244	**-21,808**
- Realised credit losses	-10,099	-21,710	-16,861	-2,065	-	-307	**-51,041**
- Credit loss compensation from the State	5,948	9,960	7,715	-	-	-	**23,624**
- Expected credit losses (increase - / decrease +)	-8,129	-5,141	-4,086	22,844	57	63	**5,609**
Operating profit	-8,377	6,811	-2,752	95,195	9,485	-41	**100,321**
Income tax expense	-	-	-	-	-1,900	39	**-1,861**
Profit for the period	**-8,377**	**6,811**	**-2,752**	**95,195**	**7,584**	**-2**	**98,460**

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(EUR 1,000)	SME and midcap financing: Locally operating small companies	SME and midcap financing: SMEs focusing on the domestic markets	SME and midcap financing: SMEs seeking growth and internationalisation	Export financing: Export credit guarantees	Export financing: Export credits	Venture capital financing	Total
Finnvera plc							
1–12/2019							
Net interest income	7,738	13,668	8,947	2,984	-826	-	**32,511**
Net fee and commission income	6,323	18,089	15,749	87,535	12,369	-	**140,066**
Gains and losses from financial instruments carried at fair value	-18	-58	6	66	1,028	-	**1,024**
Net income from investments	-	-	54	-	66	-	**120**
Other operating income	63	175	86	92	2,400	-	**2,816**
Administrative expenses	-7,125	-12,842	-9,405	-9,441	-2,894	-	**-41,707**
Depreciation and amortisation on tangible and intangible assets	-1,762	-2,057	-1,747	-1,216	-241	-	**-7,022**
Other operating expenses	-123	-174	-104	600	-11,879	-	**-11,680**
Total realised and expected credit losses, net	-7,038	-3,999	-7,420	-24,998	-23	-	**-43,478**
- Realised credit losses	-10,865	-15,838	-5,767	341	-	-	**-32,128**
- Credit loss compensation from the State	5,431	8,263	3,042	-	-	-	**16,737**
- Expected credit losses (increase - / decrease +)	-1,604	3,575	-4,695	-25,339	-23	-	**-28,087**
Operating profit	-1,942	12,803	6,166	55,622	-	-	**72,649**
Income tax expense	-	-	-	-	-	-	**-**
Profit for the period	**-1,942**	**12,803**	**6,166**	**55,622**	**-**	**-**	72,649
Finnvera plc							
1–12/2018							
Net interest income	6,519	18,511	9,159	2,579	-2,188	-	**34,581**
Net fee and commission income	5,800	19,078	12,937	82,344	14,010	-	**134,168**
Gains and losses from financial instruments carried at fair value	25	91	-1,592	-12	394	-	**-1,095**
Net income from investments	-	0	89	-	324	-	**412**
Other operating income	1,155	1,511	1,467	96	2,400	-	**6,629**
Administrative expenses	-8,616	-13,369	-10,396	-10,188	-2,768	-	**-45,336**
Depreciation and amortisation on tangible and intangible assets	-228	-1,192	-581	-778	-	-	**-2,779**
Other operating expenses	-752	-928	-604	375	-12,229	-	**-14,138**
Total realised and expected credit losses, net	-12,280	-16,890	-13,231	20,779	56	-	**-21,565**
- Realised credit losses	-10,099	-21,710	-16,861	-2,065	-	-	**-50,734**
- Credit loss compensation from the State	5,948	9,960	7,715	-	-	-	**23,624**
- Expected credit losses (increase - / decrease +)	-8,129	-5,141	-4,086	22,844	56	-	**5,545**
Operating profit	-8,377	6,811	-2,752	95,195	-	-	**90,878**
Income tax expense	-	-	-	-	-	-	**-**
Profit for the period	**-8,377**	**6,811**	**-2,752**	**95,195**	**-**	**-**	90,878

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D Notes to the income statement

D1 INTEREST INCOME AND EXPENSES

(EUR 1,000)	Finnvera Group 31 Dec 2019	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2019	Finnvera plc 31 Dec 2018
Interest income				
Interests from loans passed on to the customers	**144,037**	**124,848**	**133,845**	**90,044**
- Domestic financing	27,369	30,249	27,369	30,249
- SME and midcap financing debt securities, FVOCI	1,011	1,284	1,011	1,284
- SME and midcap financing debt securities, FVTPL (mandatorily)	-	67	-	67
- Export financing	115,625	93,244	7	225
- Venture capital financing	31	3	-	-
- Group internal interest income	-	-	105,458	58,218
Subsidies passed on to customers	**162**	**356**	**162**	**356**
Other interest income	**22,186**	**19,561**	**20,747**	**18,793**
- Interest on export credit guarantee and special guarantee receivables	1,649	1,559	1,649	1,559
- Interest on guarantee receivables	1,676	1,179	1,676	1,179
- On receivables from credit institutions and derivative collateral	8,895	5,805	7,858	5,221
- On debt securities, amortised cost	-1,665	3,366	-1,665	3,366
- On debt securities, FVOCI	-2,059	692	-2,059	692
- On debt securities, FVTPL	52	-	52	-
- On derivatives related to liquidity management, FVTPL (mandatorily)[1]	13,236	6,775	13,236	6,775
- On other	402	184	-	-
Total	**166,385**	**144,765**	**154,754**	**109,193**
Interest expense				
On liabilities to credit institutions	**-3,764**	**-4,946**	**-3,764**	**-4,946**
On liabilities to other institutions	**-2,689**	**-28,320**	**-**	**-**
- On liabilities to other institutions, amortised cost	-2,689	-27,922	-	-
- On liabilities to other institutions, FVTPL (fair value option)	-	-144	-	-
- On derivatives hedging liabilities to other institutions, FVTPL (mandatorily)	-	-254	-	-
On debt securities in issue and hedges of funding	**-116,388**	**-66,538**	**-116,388**	**-66,538**
- On debt securities in issue, amortised cost (fair value hedging)	-82,281	-58,576	-82,281	-58,576
- On debt securities in issue, FVTPL (fair value option)	-41,613	-42,638	-41,613	-42,638
- On derivatives hedging debt securities in issue, FVTPL (mandatorily)[1]	44,275	49,065	44,275	49,065
- On other funding related derivatives, FVTPL (mandatorily)[1]	-36,769	-14,388	-36,769	-14,388
Group internal interest expenses	**-**	**-**	**186**	**-191**
On receivables from credit institutions and derivative collateral	**-2,294**	**-3,004**	**-2,277**	**-2,937**
Total	**-125,135**	**-102,808**	**-122,243**	**-74,612**
Net interest income	**41,250**	**41,958**	**32,511**	**34,581**
Interest accrued on impaired loans included in interest income	881	2,206	881	2,206

1 The comparative figures have been adjusted to reflect the updated accounting policy regarding derivative interest allocation between interest income and interest expense. The change does not impact net interest income.

(EUR 1,000)	Finnvera Group 31 Dec 2019	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2019	Finnvera plc 31 Dec 2018
Interest income and expense by class of financial assets and liabilities				
Interest expense on items carried at amortised cost	154,145	135,946	142,514	100,374
Interest expense on items carried at fair value through other comprehensive income	-1,048	1,977	-1,048	1,977
Interest expense on items carried at fair value through profit or loss	13,288	6,842	13,288	6,842
Total interest income	**166,385**	**144,765**	**154,754**	**109,193**
Interest expense on items carried at amortised cost[2]	-91,028	-94,448	-88,136	-66,650
Interest expense on items carried at fair value through profit or loss	-34,107	-8,360	-34,107	-7,962
Total interest expense	**-125,135**	**-102,808**	**-122,243**	**-74,612**

2 The Finnvera Group comparative figure has been adjusted for.

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. New interest-subsidised credits have not been granted after 2013.

	Finnvera Group 31 Dec 2019	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2019	Finnvera plc 31 Dec 2018
Interest-subsidised loans and guarantees in total	6,145	14,199	6,145	14,199

D2 FEE AND COMMISSION INCOME AND EXPENSES BY INCOME STATEMENT ITEM

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Fee and commission income				
From export credit guarantees and special guarantees	113,017	110,208	113,017	110,208
From other guarantees	29,236	27,897	29,236	27,897
From credit operations	19,348	20,854	6,030	5,913
Group internal fee and comission income	-	-	13,223	14,854
From other	398	572	12	2
Total	**161,998**	**159,530**	**161,518**	**158,873**
Fee and commission expenses				
From reinsurance	-20,549	-23,573	-20,549	-23,573
From borrowing	-643	-820	-643	-820
From payment transactions	-260	-313	-259	-312
Total	**-21,453**	**-24,706**	**-21,452**	**-24,705**
Net fee and commission income	**140,545**	**134,824**	**140,066**	**134,168**
Fee and commission income from financial assets not carried at fair value	161,998	159,530	161,518	158,873
Fee and commission expenses from financial assets which are not carried at fair value	-21,453	-24,706	-21,452	-24,705

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D3 GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS AND FOREIGN EXCHANGE GAINS AND LOSSES

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Dividends	Gains and losses from sales	Changes in fair value	Total	Dividends	Gains and losses from sales	Changes in fair value	Total
31 Dec 2019								
From financial instruments carried at fair value through profit or loss								
Derivatives	-	-	350,301	350,301	-	-	-1,968	-1,968
Debt securities in issue	-	-	-341,540	-341,540	-	-	1,898	1,898
Investments in debt securities	-	-	697	697	-	-	-	-
Shares and participations	7	1,248	-1,477	-222	-	-	-	-
Total for financial instruments carried at fair value through profit or loss	**7**	**1,248**	**7,982**	**9,236**	**-**	**-**	**-70**	**-70**
By categories of financial instruments, IFRS 9								
Items carried at amortised cost (fair value hedging)	-	-	-276,160	-276,160	-	-	-	-
Items carried at fair value through profit and loss (fair value option)	-	-	-64,683	-64,683	-	-	1,898	1,898
Items carried at fair value through profit and loss (mandatory)	7	1,248	348,825	350,079	-	-	-1,968	-1,968
Total	**7**	**1,248**	**7,982**	**9,236**	**-**	**-**	**-70**	**-70**
Foreign exchange gains (+) and losses (-)				**1,002**				**1,094**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses				**10,238**				**1,024**

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Dividends	Gains and losses from sales	Changes in fair value	Total	Dividends	Gains and losses from sales	Changes in fair value	Total
31 Dec 2018								
From financial instruments carried at fair value through profit or loss								
Derivatives	-	-	80,270	80,270	-	-	-5,816	-5,816
Debt securities in issue	-	-	-88,088	-88,088	-	-	5,920	5,920
Investments in debt securities (SME and midcap-financing)	-	-1,617	-	-1,617	-	-1,617	-	-1,617
Shares and participations	-	164	381	545	-	37	-	37
Total for financial instruments carried at fair value through profit or loss	**-**	**-1,453**	**-7,437**	**-8,890**	**-**	**-1,580**	**104**	**-1,477**
By categories of financial instruments, IFRS 9								
Items carried at amortised cost (fair value hedging)	-	-	-81,240	-81,240	-	-	-	-
Items carried at fair value through profit and loss (fair value option)	-	-	-6,847	-6,847	-	-	5,920	5,920
Items carried at fair value through profit and loss (mandatory)	-	-1,453	80,650	79,197	-	-1,580	-5,816	-7,397
Total	**-**	**-1,453**	**-7,437**	**-8,890**	**-**	**-1,580**	**104**	**-1,477**
Foreign exchange gains (+) and losses (-)				**344**				**382**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses				**-8,546**				**-1,095**

In the Group, Finnish Export Credit Ltd's business area is export credit financing operations. On the basis of a separate management agreement, the parent company takes care of funding and asset management related to export credit financing on behalf of Finnish Export Credit Ltd. 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, which means that this share of the change in the fair value of liabilities and derivatives comes to the consolidated financial statements from Finnish Export Credit Ltd's figures. The receivable from Finnish Export Credit Ltd is included in other assets (Note E6).

D4 NET INCOME FROM INVESTMENTS

(EUR 1,000)	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2019
Net gains and losses from investments in debt securities not carried at fair value through profit or loss		
- Debt securities carried at fair value through other comprehensive income (OCI)	121	121
- Debt securities carried at amortised cost	-1	-1
Total	**120**	**120**

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2018
Net gains and losses from investments in debt securities not carried at fair value through profit or loss	**413**	**413**
- Debt securities carried fair value through other comprehensive income (OCI)	413	413
Dividends	**5**	**-**
Total	**418**	**413**

D5 OTHER OPERATING INCOME

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Management fees	120	102	120	102
Management fees from subsidiaries (internal charging)	-	-	2,463	2,454
Rental income	19	28	19	28
Rental income fees from subsidiaries (internal charging)	-	-	21	28
Received grants from the State	-	3,108	-	3,108
Reversal of the ERDF interest subsidy provision	-	700	-	700
Other	193	208	193	208
Total	**332**	**4,147**	**2,816**	**6,630**

D6 PERSONNEL EXPENSES

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Wages and salaries	-23,205	-23,003	-22,891	-22,687
Pension costs				
- Defined contribution plans	-4,341	-4,395	-4,382	-4,371
- Defined benefit plans	-190	-108	-190	-108
Other social security costs	-838	-930	-832	-941
Total	**-28,573**	**-28,436**	**-28,295**	**-28,107**

D7 AUDITOR'S FEES

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Fees for statutory audit	-91	-99	-75	-84
Fees for expert services provided by auditors	-73	-86	-73	-86
Total	**-164**	**-185**	**-148**	**-170**

D8 DEPRECIATION AND AMORTISATION ON TANGIBLE AND INTANGIBLE ASSETS

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Depreciation and amortisation				
Intangible assets, total	**-4,248**	**-2,472**	**-4,248**	**-2,472**
- Digitalisation	-1,782	-1,398	-1,782	-1,398
- IT applications	-1,011	-1,016	-1,011	-1,016
- Other intangible assets	-42	-60	-42	-60
- Right-of-use assets (IFRS 16)	-1,384	-	-1,384	-
- Correction of calculation method in amortisations[1]	-29	1	-29	1
Tangible assets, total	**-2,774**	**-307**	**-2,774**	**-307**
- Machinery and equipment	-444	-453	-444	-453
- Right-of-use assets (IFRS 16)	-2,318	-	-2,318	-
- Correction of calculation method in depreciations[1]	-12	146	-12	146
Total	**-7,022**	**-2,779**	**-7,022**	**-2,779**

1 The calculation method in depreciations and amortisations has been corrected during the financial period. Comparative figures have been adjusted to reflect the new calculation method.

D9 OTHER OPERATING EXPENSES

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Rental expenses				
- Office rental expenses, gross	-2,331	-2,341	-2,331	-2,341
- Reversal entry of right-of-use assets (IFRS 16)	2,097	-	2,097	-
Expenses from property in own use	-256	-479	-256	-479
Return of the surplus in export credit financing to Finnish Export Credit Ltd	-	-	-11,860	-12,098
Change of the cost provision associated with the collection of export credit guarantee receivables[1]	670	780	670	780
Total	**181**	**-2,039**	**-11,680**	**-14,138**

1 The cost provision has been reduced due to the lower realised expenses incurred.

D10 REALISED AND EXPECTED CREDIT LOSSES (ECL)

D10.1 Realised and expected credit losses (ECL)

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total realised credit losses	**-32,128**	**-51,041**	**-32,128**	**-50,734**
- Loans	-12,384	-24,639	-12,384	-24,332
- Guarantees	-21,090	-21,601	-21,090	-21,601
- Export credit guarantees and special guarantees	1,345	-4,801	1,345	-4,801
Credit loss compensation from the State	**16,737**	**23,624**	**16,737**	**23,624**
Change in expected credit losses (ECL) decrease (+) / increase (-), net	**-27,993**	**5,609**	**-28,087**	**5,545**
- Expected credit losses at the beginning of the period, gross[1]	213,609	141,602	213,318	141,248
- Expected credit losses at the end of the period, gross[1]	241,602	135,993	241,405	135,703
Total, net	**-43,385**	**-21,808**	**-43,478**	**-21,565**

1 The parent company Finnvera plc has a considerable receivable from export credit and special guarantee operations from the Brazilian company Oi S.A. The method of recording expected credit losses (ECL) for the 2019 financial period has been changed, so that the ECL figures to be reported for 2019 include the ECL of Oi S.A.'s receivables from export credit and special guarantee operations. The change in the recording method has no impact on the result for the financial period. The comparison year figures have not been changed.

D10.2 Changes in expected credit losses (ECL)

	Finnvera Group 2019			Finnvera Group 2018		
Financial assets (EUR 1,000)	**ECL 31 Dec 2018**	**ECL 31 Dec 2019**	**Change in ECL**	**ECL 1 Jan 2018**	**ECL 1 Dec 2018**	**Change in ECL**
Loans and receivables from credit institutions	-176	-93	**83**	-168	-176	**-8**
Loans and receivables from customers[1]	-167,684	-187,837	**-20,153**	-101,394	-90,068	**11,326**
Other assets	-239	-155	**84**	-285	-239	**46**
Prepayments and accrued income	-1,418	-1,534	**-116**	-1,492	-1,418	**74**
Assets of disposal groups classified as held for sale	-43	-38	**5**	-62	-43	**19**
Change in expected credit losses: decrease (+) / increase (-)	**-169,559**	**-189,658**	**-20,099**	**-103,399**	**-91,944**	**11,455**
Fincancial liabilities (EUR 1,000)						
Provisions	-43,415	-51,205	**-7,790**	-37,395	-43,415	**-6,020**
Equity - Fair Value Reserve	-633	-738	**-105**	-807	-633	**174**
Change in expected credit losses: decrease (+) / increase (-)	**-44,049**	**-51,944**	**-7,895**	**-38,202**	**-44,048**	**-5,846**
Change in expected credit losses: decrease (+) / increase (-), net			**-27,993**			**5,609**

1 In the 2019 financial period, the method of recording ECL for receivables from clients was changed, so that the figures to be reported for 2019 include the ECL for the receivables from export credit and special guarantee operations. The change in the recording method has no impact on the result for the financial period. The comparison period figures have not been changed.

	Finnvera plc 2019			Finnvera plc 2018		
Financial assets (EUR 1,000)	**ECL 31 Dec 2018**	**ECL 31 Dec 2019**	**Change in ECL**	**ECL 1 Jan 2018**	**ECL 31 Dec 2018**	**Change in ECL**
Loans and receivables from credit institutions	-154	-90	**64**	-148	-154	**-6**
Loans and receivables from customers[1]	-137,941	-138,915	**-974**	-53,644	-60,325	**-6,681**
Prepayments and accrued income	-1,418	-1,534	**-116**	-1,492	-1,418	**74**
Change in expected credit losses: decrease (+) / increase (-)	**-139,513**	**-140,540**	**-1,027**	**-55,284**	**-61,897**	**-6,613**
Fincancial liabilities (EUR 1,000)						
Provisions	-73,172	-100,127	**-26,955**	-85,157	-73,172	**11,985**
Equity - Fair Value Reserve	-633	-738	**-105**	-807	-633	**174**
Change in expected credit losses: decrease (+) / increase (-)	**-73,805**	**-100,865**	**-27,060**	**-85,963**	**-73,805**	**12,158**
Change in expected credit losses: decrease (+) / increase (-), net			**-28,087**			**5,545**

1 In the 2019 financial period, the method of recording ECL for receivables from clients was changed, so that the figures to be reported for 2019 include the ECL for the receivables from export credit and special guarantee operations. The change in the recording method has no impact on the result for the financial period. The comparison period figures have not been changed.

D10.3 Transfers of expected credit losses between stages (ECL)

D10.3.1 Transfers of expected credit losses between stages – Loans and receivables from customers

	Finnvera Group 2019				Finnvera Group 2018			
SME, midcap and large corporate financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**10,309**	**34,216**	**125,241**	**169,766**	**14,824**	**47,018**	**41,329**	**103,171**
Changes in ECL during the reporting period	-938	25,250	-5,024	**19,288**	-312	968	1,050	**1,706**
Transfers to stage 1 from stages 2 and 3	-	-1,125	-2,187	**-3,312**	-	-1,035	-614	**-1,649**
Transfers to stage 2 from stages 1 and 3	-664	-	-499	**-1,163**	-306	-	-861	**-1,167**
Transfers to stage 3 from stages 1 and 2	-300	-960	-	**-1,260**	-259	-1,718	-	**-1,976**
Additions from stage 1	-	17,812	6,459	**24,271**	-	2,273	9,228	**11,501**
Additions from stage 2	124	-	5,370	**5,494**	378	-	5,619	**5,997**
Additions from stage 3	125	91	-	**216**	25	266	-	**291**
Expected credit losses from new finances	1,709	588	21,872	**24,169**	1,422	1,259	13,770	**16,451**
Repayments/Expirations of guarantees	-868	-24,951	-24,831	**-50,650**	-1,006	-1,287	-22,319	**-24,613**
Change in calculation parameters[1]	1,739	978	3	**2,720**	-4,457	-13,527	-2	**-17,986**
Correction	-	-	-12	**-12**	-	-	-	**-**
ECL at the end of the period	**11,234**	**51,900**	**126,393**	**189,527**	**10,309**	**34,216**	**47,200**	**91,725**
Net change in ECL during the period				19,760				-11,446

	Finnvera plc 2019				Finnvera plc 2018			
SME, midcap and large corporate financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**5,737**	**8,842**	**125,241**	**139,821**	**4,362**	**9,445**	**41,329**	**55,136**
Changes in ECL during the reporting period	-848	-1,262	-5,024	**-7,134**	558	80	1,014	**1,653**
Transfers to stage 1 from stages 2 and 3	-	-1,125	-2,187	**-3,312**	-	-1,490	-614	**-2,104**
Transfers to stage 2 from stages 1 and 3	-455	-	-499	**-954**	-306	-	-861	**-1,167**
Transfers to stage 3 from stages 1 and 2	-300	-960	-	**-1,260**	-259	-1,718	-	**-1,976**
Additions from stage 1	-	2,643	6,459	**9,102**	-	2,273	9,228	**11,501**
Additions from stage 2	124	-	5,370	**5,494**	242	-	5,619	**5,861**
Additions from stage 3	125	91	-	**216**	25	266	-	**291**
Expected credit losses from new finances	1,642	588	21,872	**24,102**	1,428	1,259	13,770	**16,456**
Repayments/Expirations of guarantees	-628	-1,376	-24,831	**-26,835**	-666	-1,287	-22,319	**-24,272**
Change in calculation parameters[1]	837	383	3	**1,223**	352	15	-2	**365**
Correction	-	-	-12	**-12**	-	-	-	**-**
ECL at the end of the period	**6,232**	**7,825**	**126,393**	**140,450**	**5,737**	**8,842**	**47,164**	**61,743**
Net change in ECL during the period				629				6,607

1 Change in calculation parameters item includes changes in PIT-PD and discounting parameters.

D10.3.2 Transfers of expected credit losses between stages – Provisions

	Finnvera Group 2019				Finnvera Group 2018			
SME, midcap and large corporate financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**23,643**	**12,801**	**6,986**	**43,430**	**24,591**	**12,850**	**4,232**	**41,673**
Changes in ECL during the reporting period	-1,405	-2,285	-422	**-4,112**	-1,967	1,202	-17	**-782**
Transfers to stage 1 from stages 2 and 3	-	-1,066	-13	**-1,079**	-	-522	-	**-522**
Transfers to stage 2 from stages 1 and 3	-632	-	-	**-632**	-367	-	-259	**-626**
Transfers to stage 3 from stages 1 and 2	-62	-68	-	**-130**	-129	-13	-	**-142**
Additions from stage 1	-	13,408	1,653	**15,061**	-	3,000	4,608	**7,609**
Additions from stage 2	242	-	317	**559**	93	-	67	**160**
Additions from stage 3	0	-	-	**0**	11	87	-	**98**
Expected credit losses from new finances	12,220	695	472	**13,387**	9,212	262	355	**9,828**
Repayments/Expirations of guarantees	-7,744	-7,635	-3,605	**-18,984**	-6,560	-1,113	-2,867	**-10,539**
Change in calculation parameters[1]	4,375	682	-1,350	**3,707**	-1,256	-2,952	866	**-3,342**
ECL at the end of the period	**30,637**	**16,532**	**4,037**	**51,205**	**23,628**	**12,801**	**6,986**	**43,415**
Net change in ECL during the period				7,776				1,742

	Finnvera plc 2019				Finnvera plc 2018			
SME, midcap and large corporate financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**27,976**	**38,174**	**6,986**	**73,136**	**34,780**	**50,423**	**4,232**	**89,435**
Changes in ECL during the reporting period	-1,412	31,562	-422	**29,729**	-2,904	2,089	19	**-796**
Transfers to stage 1 from stages 2 and 3	-	-1,066	-13	**-1,079**	-	-66	-	**-66**
Transfers to stage 2 from stages 1 and 3	-841	-	-	**-841**	-367	-	-259	**-626**
Transfers to stage 3 from stages 1 and 2	-62	-68	-	**-130**	-129	-13	-	**-142**
Additions from stage 1	-	21,242	1,653	**22,894**	-	3,000	4,608	**7,609**
Additions from stage 2	242	-	317	**559**	229	-	67	**296**
Additions from stage 3	0	-	-	**0**	11	87	-	**98**
Expected credit losses from new finances	12,287	695	472	**13,454**	9,206	262	355	**9,823**
Repayments/Expirations of guarantees	-7,984	-31,211	-3,605	**-42,800**	-6,900	-1,113	-2,867	**-10,880**
Change in calculation parameters[1]	5,277	1,277	-1,350	**5,204**	-5,949	-16,494	866	**-21,577**
ECL at the end of the period	**35,483**	**60,606**	**4,037**	**100,127**	**27,976**	**38,174**	**7,022**	**73,172**
Net change in ECL during the period				26,991				-16,263

1 Change in calculation parameters item includes changes in PIT-PD and discounting parameters.

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D10.3.3 Transfers of expected credit losses between stages – Investments including loans and receivables from credit institutions

	Finnvera Group 2019				Finnvera Group 2018			
SME, midcap and large corporate financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**809**	**-**	**-**	**809**	**860**	**112**	**-**	**972**
Changes in ECL during the reporting period	6	-	-	**6**	-12	-	-	**-12**
Transfers and additions between stages	-	-	-	**-**	-	-	-	**-**
Expected credit losses from new finances	436	-	-	**436**	522	-	-	**522**
Repayments/Expirations of guarantees	-445	-	-	**-445**	-571	-112	-	**-684**
Change in calculation parameters[1]	35	-	-	**35**	10	-	-	**10**
Correction	-10	-	-	**-10**	-	-	-	**-**
ECL at the end of the period	**832**	**-**	**-**	**832**	**809**	**-**	**-**	**809**
Net change in ECL during the period				23				-163

	Finnvera plc 2019				Finnvera plc 2018			
SME, midcap and large corporate financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**801**	**-**	**-**	**801**	**853**	**112**	**-**	**965**
Changes in ECL during the reporting period	11	-	-	**11**	-13	-	-	**-13**
Transfers and additions between stages	-	-	-	**-**	-	-	-	**-**
Expected credit losses from new finances	436	-	-	**436**	522	-	-	**522**
Repayments/Expirations of guarantees	-445	-	-	**-445**	-571	-112	-	**-684**
Change in calculation parameters[1]	35	-	-	**35**	10	-	-	**10**
Correction	-10	-	-	**-10**	-	-	-	**-**
ECL at the end of the period	**829**	**-**	**-**	**829**	**801**	**-**	**-**	**801**
Net change in ECL during the period				28				-164

1 Change in calculation parameters item includes changes in SME bonds' PIT-PD, total of EUR 35 thousand.

D10.4 Distribution of capital by credit ratings

D10.4.1 Loans and receivables form customers by credit ratings and realised and expected credit losses (ECL)

	Finnvera Group 31 Dec 2019				Finnvera Group 31 Dec 2018			
Credit rating (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	19	-	-	**19**	19	-	-	**19**
A2	2,834	-	-	**2,834**	2,543	-	-	**2,543**
A3	2,727,499	181	93	**2,727,774**	3,974,779	405	92	**3,975,276**
B1	7,420,917	2,781	3,355	**7,427,053**	5,399,663	2,823	162	**5,402,648**
B2	4,134,352	13,830	9,541	**4,157,723**	4,836,827	22,272	21,635	**4,880,734**
B3	247,406	61,337	19,884	**328,627**	141,470	76,141	18,727	**236,339**
C	564	143,601	9,959	**154,124**	530	115,829	7,939	**124,298**
D	30	54	275,110	**275,194**	26	695	71,861	**72,582**
No credit rating	38,065	-	-	**38,065**	45,631	-	-	**45,631**
Total	**14,571,686**	**221,785**	**317,942**	**15,111,413**	**14,401,488**	**218,165**	**120,417**	**14,740,070**
ECL	11,234	51,900	126,393	**189,527**	10,309	34,216	47,200	**91,725**
Realised credit losses				**12,384**				**24,639**

	Finnvera plc 31 Dec 2019				Finnvera plc 31 Dec 2018			
Credit rating (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	19	-	-	**19**	19	-	-	**19**
A2	2,834	-	-	**2,834**	2,543	-	-	**2,543**
A3	24,993	181	93	**25,268**	23,707	405	92	**24,204**
B1	97,703	2,781	3,355	**103,839**	133,196	2,823	162	**136,182**
B2	322,903	13,830	9,541	**346,274**	404,523	22,272	21,635	**448,430**
B3	94,690	61,337	19,884	**175,911**	96,480	76,141	18,727	**191,348**
C	564	17,730	9,959	**28,253**	530	14,934	7,939	**23,403**
D	30	54	275,110	**275,194**	26	695	71,861	**72,582**
No credit rating	-	-	-	**-**	-	-	-	**-**
Total	**543,736**	**95,914**	**317,942**	**957,593**	**661,024**	**117,270**	**120,417**	**898,711**
ECL	6,232	7,825	126,393	**140,450**	5,737	8,842	47,164	**61,743**
Realised credit losses				**12,384**				**24,332**

D10.4.2 Off-balance sheet items by credit ratings and realised and expected credit losses (ECL)

Credit rating (EUR 1,000)	Finnvera Group 31 Dec 2019				Finnvera Group 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A1	350	-	-	**350**	350	-	-	**350**
A2	36,809	-	-	**36,809**	33,980	-	-	**33,980**
A3	66,243	-	-	**66,243**	53,586	-	-	**53,586**
B1	1,218,490	-	-	**1,218,490**	1,642,725	-	-	**1,642,725**
B2	3,207,750	-	-	**3,207,750**	2,175,221	-	-	**2,175,221**
B3	1,166,686	52,983	-	**1,219,668**	796,858	54,208	-	**851,066**
C	232	61,208	-	**61,439**	751	49,455	-	**50,206**
D	388	-	9,705	**10,092**	14	-	12,823	**12,836**
No credit rating	-	-	-	**-**	187,137	-	-	**187,137**
Total	**5,696,947**	**114,190**	**9,705**	**5,820,842**	**4,890,621**	**103,663**	**12,823**	**15,095,742**
ECL	30,637	16,532	4,037	**51,205**	23,628	12,801	6,986	**43,415**
Realised credit losses				**19,745**				**26,402**

Credit rating (EUR 1,000)	Finnvera plc 31 Dec 2019				Finnvera plc 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A1	350	-	-	**350**	350	-	-	**350**
A2	36,809	-	-	**36,809**	33,980	-	-	**33,980**
A3	2,768,749	-	-	**2,768,749**	4,004,658	-	-	**4,004,658**
B1	8,656,109	-	-	**8,656,109**	6,909,191	-	-	**6,909,191**
B2	7,361,189	-	-	**7,361,189**	6,607,525	-	-	**6,607,525**
B3	1,413,250	52,983	-	**1,466,233**	841,849	54,208	-	**896,056**
C	778	187,078	-	**187,856**	751	150,350	-	**151,101**
D	388	-	9,705	**10,092**	14	-	12,823	**12,836**
No credit rating	304,788	-	-	**304,788**	220,820	-	-	**220,820**
Total	**20,542,409**	**240,061**	**9,705**	**20,792,175**	**18,619,137**	**204,558**	**12,823**	**18,836,518**
ECL	35,483	60,606	4,037	**100,127**	27,976	38,174	7,022	**73,172**
Realised credit losses				**19,745**				**26,402**

D10.4.3 Investments including loans and receivables from credit institutions by credit rating and realised and expected credit losses (ECL)

Credit rating (EUR 1,000)	Finnvera Group 31 Dec 2019				Finnvera Group 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A1	829,030	-	-	**829,030**	-	-	-	**-**
A2	1,125,127	-	-	**1,125,127**	1,822,990	-	-	**1,822,990**
A3	1,683,670	-	-	**1,683,670**	1,595,483	-	-	**1,595,483**
B1	202,686	-	-	**202,686**	236,000	-	-	**236,000**
B2	26,552	-	-	**26,552**	42,181	-	-	**42,181**
B3	5,000	-	-	**5,000**	5,000	-	-	**5,000**
C	-	-	-	**-**	-	-	-	**-**
D	-	-	-	**-**	-	-	-	**-**
Total	**3,872,065**	**-**	**-**	**3,872,065**	**3,701,655**	**-**	**-**	**3,701,655**
ECL	831	-	-	**831**	809	-	-	**809**
Realised credit losses				**-**				**-**

Credit rating (EUR 1,000)	Finnvera plc 31 Dec 2019				Finnvera plc 31 Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A1	829,030	-	-	**829,030**	-	-	-	**-**
A2	1,111,348	-	-	**1,111,348**	1,820,463	-	-	**1,820,463**
A3	1,673,570	-	-	**1,673,570**	1,583,074	-	-	**1,583,074**
B1	202,686	-	-	**202,686**	236,000	-	-	**236,000**
B2	26,552	-	-	**26,552**	42,181	-	-	**42,181**
B3	5,000	-	-	**5,000**	5,000	-	-	**5,000**
C	-	-	-	**-**	-	-	-	**-**
D	-	-	-	**-**	-	-	-	**-**
Total	**3,848,186**	**-**	**-**	**3,848,186**	**3,686,719**	**-**	**-**	**3,686,719**
ECL	828	-	-	**828**	801	-	-	**801**
Realised credit losses				**-**				**-**

D10.5 Expected credit losses by stages from disposal groups classified as held for sale[1]

	Finnvera Group 31 Dec 2019				Finnvera Group 31 Dec 2018			
Assets (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables from credit institutions	2,270	-	-	**2,270**	2,564	-	-	**2,564**
Loans and receivables from customers	1,085	-	-	**1,085**	495	-	-	**495**
Deferred tax receivables due to expected credit losses	-	-	-	**-**	9	-	-	**9**
Total	**3,355**	**-**	**-**	**3,355**	**3,067**	**-**	**-**	**3,067**
Expected credit losses from disposal groups classified as held for sale	-38	-	-	**-38**	-43	-	-	**-43**
Realised credit losses	-	-	-	**-**	-	-	-	**-307**

1 ERDF-Seed Fund Ltd's available-for-sale assets in Table D10.5 above only include those items that have an expected credit loss (ECL) recorded for them.

D10.6 Expected credit losses in balance sheet (ECL)

D10.6.1 Expected credit loss (ECL) by balance sheet item

	Finnvera Group 31 Dec 2019			Finnvera Group 31 Dec 2018		
Assets (EUR 1,000)	**Balance sheet, gross**	**ECL**	**Balance sheet, net**	**Balance sheet, gross**	**ECL**	**Balance sheet, net**
Loans and receivables from credit institutions	661,330	-93	661,237	1,108,254	-176	1,108,078
Loans and receivables from customers[1]	8,260,335	-187,837	8,072,498	6,966,360	-167,684	6,798,676
Other assets	17,644	-155	17,489	23,371	-239	23,132
Prepayments and accrued income	196,322	-1,534	194,788	201,003	-1,418	199,585
Assets of disposal groups classified as held for sale	49,977	-38	49,939	50,949	-43	50,905
Total	**9,185,608**	**-189,658**	**8,995,951**	**8,349,936**	**-169,559**	**8,180,377**
Liabilities (EUR 1,000)						
Provisions		-51,205			-43,415	
Equity – Fair Value Reserve		-738			-633	
Total		**-51,944**			**-44,048**	

1 In the 2019 financial period, the method of recording ECL for receivables from clients was changed, so that the figures to be reported for 2019 include the ECL for the receivables from export credit and special guarantee operations. The change in the recording method has no impact on the result for the financial period. The comparison period figures have not been changed.

	Finnvera plc 31 Dec 2019			Finnvera plc 31 Dec 2018		
Assets (EUR 1,000)	**Balance sheet, gross**	**ECL**	**Balance sheet, net**	**Balance sheet, gross**	**ECL**	**Balance sheet, net**
Loans and receivables from credit institutions	603,084	-90	602,994	1,023,083	-154	1,022,929
Loans and receivables from customers[1]	8,231,913	-138,915	8,092,998	6,927,142	-137,941	6,789,200
Prepayments and accrued income	150,549	-1,534	149,015	168,948	-1,418	167,530
Total	**8,985,546**	**-140,540**	**8,845,007**	**8,119,172**	**-139,512**	**7,979,660**
Liabilities (EUR 1,000)						
Provisions		-100,127			-73,172	
Equity – Fair Value Reserve		-738			-633	
Total		**-100,865**			**-73,806**	

1 In the 2019 financial period, the method of recording ECL for receivables from clients was changed, so that the figures to be reported for 2019 include the ECL for the receivables from export credit and special guarantee operations. The change in the recording method has no impact on the result for the financial period. The comparison period figures have not been changed.

D10.6.2 Expected credit loss from disposal groups classified as held for sale by balance sheet item

	Finnvera Group 31 Dec 2019			Finnvera Group 31 Dec 2018		
Assets (EUR 1,000)	**Balance sheet, gross**	**ECL**	**Balance sheet, net**	**Balance sheet, gross**	**ECL**	**Balance sheet, net**
Loans and receivables from credit institutions	2,270	0	2,270	2,564	0	2,563
Loans and receivables from customers	1,265	-38	1,228	495	-43	452
Investments in Group companies	-	-	-	-	-	-
Investments in assosiated companies	10,034	-	10,034	16,937	-	16,937
Other shares and participations	36,407	-	36,407	30,944	-	30,944
Prepayments and accrued income	-	-	-	-	-	-
Deferred tax receivables due to expected credit loss	-	-	-	9	-	9
Total	**49,977**	**-38**	**49,939**	**50,949**	**-43**	**50,905**

D11 INCOME TAX EXPENSE

	Finnvera Group	
(EUR 1,000)	**31 Dec 2019**	**31 Dec 2018**
Current period tax	-3,991	-3,490
Deferred taxes (Note E8)	-1,901	1,629
Total	**-5,892**	**-1,861**

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

A B C D E F G H

E Notes to the balance sheet

E1 LOANS TO AND RECEIVABLES FROM CREDIT INSTITUTIONS

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Payable on demand	212,995	1,030,624	190,849	975,261
Payable on demand, reclassified to assets of disposal groups held for sale (Note E23)	-2,270	-2,563	-	-
Investment accounts and deposits	408,145	43,668	408,145	43,668
Other, export credit loans	38,346	32,349	-	-
Other, escrow accounts	4,000	4,000	4,000	4,000
Total	**661,216**	**1,108,078**	**602,994**	**1,022,929**

E2 LOANS TO AND RECEIVABLES FROM CUSTOMERS

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Loans	**7,920,345**	**6,730,888**	**7,940,845**	**6,721,413**
- Subordinated loans	5,439	9,783	5,439	9,783
- Other loans	8,007,741	6,795,112	745,998	846,356
- Expected credit losses (ECL)	-91,569	-73,554	-42,648	-43,768
- Reclassified to assets of disposal groups held for sale (Note E23)	-1,265	-452	-	-
- Loans to Group companies	-	-	7,232,056	5,909,042
Guarantee receivables, net	**16,612**	**19,984**	**16,612**	**19,984**
- Guarantee receivables, gross 31 Dec	28,419	33,663	28,419	33,663
- Expected credit losses (ECL)	-11,807	-13,678	-11,807	-13,678
Total receivables from export credit guarantee and special guarantee operations	**135,542**	**125,419**	**135,542**	**125,419**
- Fee and commission receivables	7,302	1,091	7,302	1,091
- Receivables from export credit guarantee and special guarantee operations, net 31 Dec[1]	**124,798**	**120,685**	**124,798**	**120,685**
- Receivables from export credit guarantee and special guarantee operations, gross 31 Dec[2]	206,228	199,723	206,228	199,723
- Expected credit losses (ECL)[2]	-81,430	-79,038	-81,430	-79,038
- Other export and recovery receivables	**3,442**	**3,643**	**3,442**	**3,643**
- Other export and recovery receivables, gross 31 Dec	6,472	6,244	6,472	6,244
- Expected credit losses (ECL)	-3,031	-2,601	-3,031	-2,601
Total	**8,072,498**	**6,876,292**	**8,092,998**	**6,866,816**

1 The parent company Finnvera plc has a significant receivable from export credit and special guarantee operations related to the Brazilian company Oi S.A. Finnvera plc paid compensation in 2016.
2 The presentation method of receivables from export credit guarantees and special guarantee operations has been changed from the previous year and the comparison period figures have been updated to be equivalent to the representation. Expected credit losses (ECL) according to IFRS 9 are presented in the note D10.

E3 INVESTMENTS

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Debt securities				
Certificates of deposits and bank bonds	2,131,047	1,893,226	2,131,047	1,893,226
Commercial papers and corporate bonds	185,975	225,944	185,975	225,944
Local authority debt securities	899,780	511,436	899,780	511,436
SME and midcap financing debt securities	10,865	15,365	10,865	15,365
Total	**3,227,667**	**2,645,970**	**3,227,667**	**2,645,970**
Investments in Group companies				
Acquisition cost at 31 Dec	**-**	**-**	**90,269**	**129,006**
- Acquisition cost at 1 Jan	-	-	129,006	129,006
- Investments	-	-	-	-
- Sales and transfers between groups	-	-	-38,737	-
Accumulated impairment losses at 31 Dec	**-**	**-**	**-44,935**	**-44,935**
- Accumulated impairment losses at 1 Jan	-	-	-44,935	-44,935
- Impairment losses during the period	-	-	-	-
Reclassified to assets of disposal groups held for sale (Note E23)	**-**	**-**	**-15,256**	**-15,256**
Total	**-**	**-**	**30,078**	**68,815**
Investments in assosiated companies[1]				
Acquisition cost at 31 Dec	**4,734**	**7,247**	**-**	**-**
- Acquisition cost at 1 Jan	7,247	7,340	-	-
- Investments	486	1,273	-	-
- Sales and transfers between groups	-2,999	-1,366	-	-
Change in fair value at 31 Dec	**25,300**	**9,690**	**-**	**-**
Reclassified to assets of disposal groups held for sale (Note E23)	**-10,034**	**-16,937**	**-**	**-**
Total	**-**	**-**	**-**	**-**
Other shares and participations[2]				
Acquisition cost at 31 Dec	**41,853**	**45,692**	**26,912**	**27,088**
- Acquisition cost at 1 Jan	45,692	50,345	27,088	26,585
- Investments	2,923	2,761	997	1,370
- Sales and transfers between groups	-6,762	-7,413	-1,173	-866
Change in fair value at 31 Dec	**8,276**	**4,004**	**-**	**-**
Reclassified to assets of disposal groups held for sale (Note E23)	**-36,407**	**-30,944**	**-13,189**	**-13,365**
Total	**13,723**	**18,752**	**13,723**	**13,723**
Investments total	**3,241,390**	**2,664,722**	**3,271,468**	**2,728,508**

1 Investments in associated companies: investments by subsidiaries engaged in venture capital financing in the Group.
2 Other shares and participations that are publicly quoted are presented in the table below

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
- Other shares, publicly quoted	-	5,030	-	-

E4 INTANGIBLE ASSETS[1]

	Finnvera Group/Finnvera plc 2019					
(EUR 1,000)	Digitalisation	IT applications	Other intangible assets	Right-of-use assets (IFRS 16)	Projects in progress	Total
Carrying amount at 1 Jan	**4,891**	**3,866**	**83**	**-**	**-**	**8,841**
– Acquisition cost at 1 Jan	7,867	5,121	241	12,223	-	**25,452**
– Additions	2,456	21	4	-	523	**3,004**
– Disposals	-378	-104	-89	-	-	**-570**
Acquisition cost at 31 Dec	**9,945**	**5,038**	**156**	**12,223**	**523**	**27,886**
– Accumulated amortisation and impairment losses at 1 Jan	-3,006	-1,326	-157	-	-	**-4,489**
– Accumulated amortisation on disposals	378	104	89	-	-	**570**
– Amortisation for the period	-1,782	-1,011	-42	-1,384	-	**-4,219**
Accumulated amortisation and impairment losses at 31 Dec	**-4,410**	**-2,233**	**-111**	**-1,384**	**-**	**-8,138**
Carrying amount at 31 Dec	**5,535**	**2,805**	**45**	**10,839**	**523**	**19,748**

	Finnvera Group/Finnvera plc 2018					
(EUR 1,000)	Digitalisation	IT applications	Other intangible assets	Right-of-use assets (IFRS 16)	Projects in progress	Total
Carrying amount at 1 Jan	**4,499**	**3,881**	**126**	**-**	**-**	**8,506**
– Acquisition cost at 1 Jan	6,356	4,577	346	-	-	**11,279**
– Additions	1,768	970	18	-	-	**2,756**
– Disposals	-256	-426	-123	-	-	**-805**
Acquisition cost at 31 Dec	**7,867**	**5,121**	**241**	**-**	**-**	**13,229**
– Accumulated amortisation and impairment losses at 1 Jan	-1,865	-736	-221	-	-	**-2,821**
– Accumulated amortisation on disposals	256	426	123	-	-	**805**
– Amortisation for the period	-1,398	-1,016	-60	-	-	**-2,474**
– Corrections	30	71	-	-	-	**100**
Accumulated amortisation and impairment losses at 31 Dec	**-2,976**	**-1,255**	**-157**	**-**	**-**	**-4,389**
Carrying amount at 31 Dec	**4,891**	**3,866**	**83**	**-**	**-**	**8,841**

1 The format of the disclosure regarding intangible and tangible assets has been changed from the previous year and comparative figures have been adjusted to reflect the new disclosure format.

Notes to the intangible assets according to IFRS 16

	Finnvera Group/Finnvera plc	
(EUR 1,000)	31 Dec 2019	1 Jan 2019
Right-of-use asset		
Intangible assets		
– IT applications	10,839	12,223
Total	**10,839**	**12,223**

	Finnvera Group/Finnvera plc	
(EUR 1,000)	31 Dec 2019	1 Jan 2019
Other liabilities		
Lease liabilities		
– IT applications	10,877	12,223
Total	**10,877**	**12,223**

E5 TANGIBLE ASSETS[1]

	Finnvera Group/Finnvera plc 2019		
(EUR 1,000)	Machinery and equipment	Right-of-use assets (IFRS 16)	Total
Carrying amount at 1 Jan	**1,084**	**-**	**1,084**
– Acquisition cost at 1 Jan	2,265	13,800	**16,064**
– Additions	12	126	**139**
– Disposals	-90	-	**-90**
Acquisition cost at 31 Dec	**2,187**	**13,926**	**16,113**
– Accumulated depreciation and impairment losses at 1 Jan	-1,193	-	**-1,193**
– Accumulated depreciation on disposals	90	-	**90**
– Depreciation for the period	-444	-2,318	**-2,762**
Accumulated depreciations and impairment losses at 31 Dec	**-1,546**	**-2,318**	**-3,864**
Carrying amount at 31 Dec	**640**	**11,608**	**12,248**

1 The format of the disclosure regarding intangible and tangible assets has been changed from the previous year and comparative figures have been adjusted to reflect the new disclosure format.

(EUR 1,000)	Finnvera Group/Finnvera plc 2018 Machinery and equipment	Right-of-use assets (IFRS 16)	Total
Carrying amount at 1 Jan	**1,192**	**-**	**1,192**
– Acquisition cost at 1 Jan	2,570	-	**2,570**
– Additions	200	-	**200**
– Disposals	-505	-	**-505**
Acquisition cost at 31 Dec	**2,265**	**-**	**2,265**
– Accumulated depreciation and impairment losses at 1 Jan	-1,244	-	**-1,244**
– Accumulated depreciation on disposals	505	-	**505**
– Depreciation for the period	-453	-	**-453**
– Corrections	12	-	**12**
Accumulated depreciations and impairment losses at 31 Dec	**-1,181**	**-**	**-1,181**
Carrying amount at 31 Dec	**1,084**	**-**	**1,084**

Notes to the tangible assets according to IFRS 16

The impacts of the transition to IFRS 16 on the reporting date (31 December 2019) and on the opening balance sheet on 1 January 2019

(EUR 1,000)	Finnvera Group/Finnvera plc 31 Dec 2019	1 Jan 2019
Right-of-use-asset		
Tangible assets		
– Office properties	11,504	13,688
– Lease cars	104	102
– Machinery and equipment	-	10
Total	**11,608**	**13,800**

(EUR 1,000)	Finnvera Group/Finnvera plc 31 Dec 2019	1 Jan 2019
Other liabilities		
Lease liabilities		
– Office properties	11,679	13,688
– Lease cars	133	102
– Machinery and equipment	-	10
Total	**11,811**	**13,800**

IFRS 16 standard's impact on the income statement 31 December 2019 relating to intangible and tangible assets

(EUR 1,000)	Finnvera Group/Finnvera plc 31 Dec 2019
Income statement item	
Interest expenses	-169
Depreciation and amortisation	-3,701
Administrative expenses	
- Expenses relating to leases of low-value assets	-423
Operating profit	-4,294
Change in deferred taxes	-
Profit for the period (+) / loss (-)	**-4,294**
Cash outflow for leases	**-3,379**

Reconciliation of lease liabilities and lease-related commitments on the transition date 1 January 2019

Item related to right-of-use asset according to IFRS 16 (EUR 1,000)	Finnvera Group/Finnvera plc 1 Jan 2019
Lease-related commitments 31 December 2018	
– Office properties	6,986
– Lease cars	47
Leases that have not started yet but to which the company is committed	-
Reliefs applied with regard to the recording on the balance sheet	-
Impacts of discounting	15
Other changes	18,975
Lease liabilities according to IFRS 16 on 1 Jan 2019	**26,023**

Lease liabilities of tangible and intangible assets on 1 Jan 2019 (EUR 1,000)	1 Jan 2019
Lease liability	
– Office properties	13,688
– Lease cars	102
– Machinery and equipment	10
– IT applications	12,223
Total	**26,023**

E6 OTHER ASSETS

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Credit loss receivables from the State[1]	9,549	10,951	9,549	10,951
Other internal receivables from subsidiaries[2]	-	-	3,788	21,200
Trade receivables	7,619	11,710	-	-
Other	322	471	322	471
Total	**17,489**	**23,132**	**13,658**	**32,622**

1 The state 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.
2 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. At the end of the financial period 2019, the accumulated fair value receivable from Finnish Export Credit Ltd amounted to EUR 3.7 million (EUR 21.2 million).

E7 PREPAYMENTS AND ACCRUED INCOME

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Interest and interest subsidy receivables	122,430	99,087	48,773	43,147
Group internal interest receivables	-	-	27,960	23,964
Fee and commission receivables	3,531	3,806	3,531	3,806
Group internal fee and commission receivables	-	-	2,398	3,340
Reinsurance premiums paid in advance	24,815	27,335	24,815	27,335
Cash collateral given for derivatives	38,030	62,260	38,030	62,260
Prepayments and other accrued income	5,982	7,097	3,507	3,678
Total	**194,788**	**199,585**	**149,015**	**167,530**

E8 TAX ASSETS AND LIABILITIES

	Finnvera Group	
(EUR 1,000)	2019	2018
Deferred tax assets at 1 Jan	**4,878**	**3,235**
Increase/decrease to income statement during the period	-1,932	1,571
Increase/decrease to other items in comprehensive income during the period	-	72
Deferred tax assets at 31 Dec	**2,946**	**4,878**
Deferred tax assets, reclassified to assets of disposal groups held for sale (Note E23)	-	-9
Total deferred tax assets	**2,946**	**4,869**
Current income tax assets	**-**	**-**
Total tax assets	**2,946**	**4,869**

	Finnvera Group	
(EUR 1,000)	2019	2018
Deferred tax liabilities at 1 Jan	**2,739**	**2,797**
Increase/decrease to income statement during the period	-31	-58
Deferred tax liabilities at 31 Dec	**2,708**	**2,739**
Deferred tax liabilities, reclassified to liabilities of disposal groups held for sale (Note E23)	-2,708	-2,692
Total deferred tax liabilities	**-**	**48**
Current income tax liabilities	**514**	**329**
Total tax liabilities	**514**	**376**
Deferred tax, net at 31 Dec	**238**	**2,139**

Deferred tax liability that has arisen when the venture capital investments of subsidiaries engaged in venture capital investment are carried at fair value and fund investments are carried at fair value and the fair value of the derivative contracts of the subsidiary engaged in credit operations is measured according to IFRS regulations. By virtue of §20 of the Income Tax Act, Finnvera plc is exempt from income tax.

E9 LIABILITIES TO CREDIT AND OTHER INSTITUTIONS

	Finnvera Group 2019		Finnvera plc 2019	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities to credit and other institutions				
1 Jan 2019	**268,902**	**268,902**	**236,943**	**236,943**
Loans withdrawn	-	-	174,483	174,483
Repayment at maturity	-190,902	-190,902	-340,454	-340,454
Foreign exchange differences	4,042	4,042	4,028	4,028
31 Dec 2019	**82,042**	**82,042**	**75,000**	**75,000**

	Finnvera Group 2018		Finnvera plc 2018	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities to credit and other institutions				
1 Jan 2018	**1,961,097**	**1,961,290**	**270,128**	**270,128**
Loans withdrawn	-	-	229,073	229,073
Repayment at maturity	-276,925	-276,925	-271,839	-271,839
Early repayments to the Finnish State[1]	-1,461,474	-1,461,474	-	-
Fair value changes	-	-193	-	-
Foreign exchange differences	46,204	46,204	9,581	9,581
31 Dec 2018	**268,902**	**268,902**	**236,943**	**236,943**

1 Finnish Export Credit Ltd repaid early EUR 1 461 million refinancing loans to the Finnish State during 2018.

E10 DEBT SECURITIES IN ISSUE

Issuer and ISIN						Finnvera plc/Finnvera Group Carrying amount	
(EUR 1,000)	Interest	Nominal	Currency	Issue date	Maturity date	31 Dec 2019	31 Dec 2018
Finnvera plc - XS1951364915	2.800%	30,000	AUD	14/02/2019	14/08/2029	20,111	-
Finnvera plc - XS1951364915	2.800%	30,000	AUD	13/11/2019	14/08/2029	20,111	-
Finnvera plc - XS1062104978	0.875%	500,000	EUR	29/04/2014	29/04/2019	-	502,203
Finnvera plc - XS1140297000	0.625%	750,000	EUR	19/11/2014	19/11/2021	764,906	769,991
Finnvera plc - XS1294518318	0.625%	1,000,000	EUR	22/09/2015	22/09/2022	1,027,770	1,029,615
Finnvera plc - XS1392927072	0.500%	1,000,000	EUR	13/04/2016	13/04/2026	1,027,215	993,000
Finnvera plc - XS1613374559	1.125%	750,000	EUR	17/05/2017	17/05/2032	820,922	755,400
Finnvera plc - XS1613374559	1.125%	100,000	EUR	03/07/2017	17/05/2032	109,456	100,720
Finnvera plc - XS1613374559	1.125%	150,000	EUR	06/09/2017	17/05/2032	164,184	151,080
Finnvera plc - XS1791423178	1.250%	1,000,000	EUR	14/03/2018	14/07/2033	1,122,684	1,025,300
Finnvera plc - XS1904312318	0.750%	500,000	EUR	07/11/2018	07/08/2028	530,363	502,075
Finnvera plc - XS1979447064	0.375%	1,000,000	EUR	09/04/2019	09/04/2029	1,021,464	-
Finnvera plc - XS1538285807	1.910%	1,500,000	SEK	20/12/2016	20/12/2028	153,798	151,400
Finnvera plc - XS1538285807	1.910%	1,500,000	SEK	23/01/2017	20/12/2028	153,798	151,400
Finnvera plc - XS1538285807	1.910%	500,000	SEK	23/01/2017	20/12/2028	51,266	50,467
Finnvera plc - XS1110448138	1.875%	500,000	USD	16/09/2014	16/09/2019	-	433,880
Finnvera plc - XS1241947768	2.375%	500,000	USD	04/06/2015	04/06/2025	454,635	421,664
Finnvera plc - XS1692488262	1.875%	1,000,000	USD	05/10/2017	05/10/2020	890,335	860,568
Finnvera plc - XS1845379152	3.000%	1,000,000	USD	27/06/2018	27/06/2023	925,834	884,061
Finnvera plc - XS2068940753	1.625%	1,000,000	USD	23/10/2019	23/10/2024	879,397	-
Total						**10,138,250**	**8,782,823**

	Finnvera Group 2019		Finnvera plc 2019	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Debt securities in issue				
1 Jan 2019	**8,711,391**	**8,782,823**	**8,711,391**	**8,782,823**
Debt securities issued	1,936,570	1,923,801	1,936,570	1,923,801
Repayments at maturity	-953,268	-953,268	-953,268	-953,268
Fair value changes	-	333,212	-	333,212
Foreign exchange differences	43,392	45,037	43,392	45,037
Other changes	-	6,646	-	6,646
31 Dec 2019	**9,738,085**	**10,138,250**	**9,738,085**	**10,138,250**
Average interest rate[1]		0.6600%		0.6300%

	Finnvera Group 2018		Finnvera plc 2018	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Debt securities in issue				
1 Jan 2018	**6,476,367**	**6,483,055**	**6,476,367**	**6,483,055**
Debt securities issued	2,360,882	2,339,406	2,360,882	2,339,406
Repayments at maturity	-190,594	-190,594	-190,594	-190,594
Fair value changes	-	83,563	-	83,563
Foreign exchange differences	64,737	62,099	64,737	62,099
Other changes	-	5,293	-	5,293
31 Dec 2018	**8,711,391**	**8,782,823**	**8,711,391**	**8,782,823**
Average interest rate[1]		1.1000%		1.0100%

1 Average interest rate for the parent company and the Group is calculated as average interest rate for all interest-bearing liabilities.

Liabilities have been measured at fair value through profit and loss (FVTPL) when they have been hedged with derivatives (fair value option). Liabilities under hedge accounting are carried at amortised cost and adjusted for the change in rinterest rate risk. An amount equaling the nominal value of a liability is repaid at the maturity date. The credit risk portion of the change in fair value of the FVTPL liabilities is based on market data. The liabilities have been guaranteed by the state of Finland, whose credit risk has not changed.

E11 DERIVATIVES

	Finnvera Group/Finnvera plc		
	Fair value		Nominal value
(EUR 1,000)	Positive	Negative	Total
31 Dec 2019			
Fair value hedges[1]			
- Interest rate swaps	304,622	11,627	6,670,465
Hedging derivatives not designated in hedge accounting relationships[2]			
- Interest rate swaps	45,415	1,165	3,414,077
- Cross-currency interest rate swaps	41,793	23,874	2,003,277
- Forward foreign exchange contracts	909	4,607	864,620
Total	**392,739**	**41,274**	**12,952,440**
31 Dec 2018			
Fair value hedges[1]			
- Interest rate swaps	42,845	19,790	4,746,725
Hedging derivatives not designated in hedge accounting relationships[2]			
- Interest rate swaps	37,977	15,997	4,123,362
- Cross-currency interest rate swaps	16,587	44,456	1,892,561
- Forward foreign exchange contracts	4,332	1,045	996,267
Total	**101,741**	**81,288**	**11,758,915**

1 Fair value hedging is used to hedge liabilities. The derivative contracts and the liabilities hedged with them have been measured at fair value (hedged liabilities are measured at fair value with regard to the hedged risk) and the changes in their fair values have been recognised in the income statement. Financial assets and liabilities encompassed by hedge accounting are presented in Note E20.
2 Derivatives hedge liabilities, foreign currency exchange risks and interest risk. Liabilities hedged with derivatives have been measured at fair value and the changes in their fair values have been recognised in the income statement (fair value option). The credit risk portion of the fair value change has been recognised in the tair value reserve within equity.

A B C D E F G H

E12 OTHER LIABILITIES

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Grants under repayment obligation	4,252	24,252	4,252	24,252
Grant from the Ministry of Employment and the Economy to Seed Fund Vera Ltd for venture capital investments	14,653	14,653	14,653	14,653
Prepayments received for ERDF financing	4,000	4,000	4,000	4,000
Accounts payable for investments in debt securities	28,013	48,501	28,013	48,501
Lease liabilities (IFRS 16)	22,688	-	22,688	-
Other	1,748	1,986	1,740	1,899
Group internal other liabilities	-	-	11,860	12,099
Total	**75,354**	**93,392**	**87,206**	**105,404**

E13 PROVISIONS

Other than IFRS 9 provisions

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Provisions for legal advising at 1 Jan	720	1,500	720	1,500
Provisions made during the period	-	-	-	-
Provisions used during the period	-	-	-	-
Reversal of provisions	-670	-780	-670	-780
Provisions for legal advising at 31 Dec	**50**	**720**	**50**	**720**
Provisions for negative interest rates at 1 Jan	-	3,100	-	3,100
Provisions made during the period	-	-	-	-
Provisions used during the period	-	-	-	-
Reversal of provisions	-	-3,100	-	-3,100
Provisions for negative interest rates at 31 Dec	**-**	**-**	**-**	**-**

Provisions according to IFRS 9

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Provisions for export credit guarantee and special guarantee operations at 1 Jan	24,309	25,838	54,067	73,600
Provisions made during the period	3,887	-	23,073	-
Reversal of provisions	-	-1,528	-	-19,533
Provisions for export credit guarantee and special guarantee operations at 31 Dec	**28,196**	**24,309**	**77,139**	**54,067**
Provisions for SME and midcap financing at 1 Jan	19,106	11,557	19,106	11,557
Provisions made during the period	3,904	7,549	3,904	7,549
Reversal of provisions	-	-	-	-
Provisions for SME and midcap financing at 31 Dec	**23,009**	**19,106**	**23,009**	**19,106**
Total provisions for IFRS 9 at 1 Jan	43,415	37,395	73,172	85,157
Provisions made during the period	7,790	6,020	26,976	-
Reversal of provisions	-	-	-	-11,984
Total provisions for IFRS 9 at 31 Dec	**51,205**	**43,415**	**100,148**	**73,172**
Provisions total at 31 Dec	**51,255**	**44,135**	**100,198**	**73,892**

The recognition principles of the IFRS 9 standard are presented under the accounting principles of the financial statements. In the provisions according to the IFRS 9 standard, the portion of export credit guarantee provisions that concerns Finnish Export Credit Ltd's export credits has been deducted from the Group's figure. In the Group, the expected credit loss (ECL) on export credits has been recorded as an export credit deduction in balance sheet items *Loans to and receivables from customers* and *Loans to and receivables from credit institutions*.

E14 LEASE COMMITMENTS OF OFFICE PREMISES

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Finnvera as the lessee				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	2,060	2,009	2,060	2,009
Between one and five years	3,455	5,024	3,455	5,024
Later than five years	-	-	-	-
Total	**5,515**	**7,033**	**5,515**	**7,033**
Finnvera as the lessor				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	7	4	9	9
Between one and five years	-	-	-	-
Later than five years	-	-	-	-
Total	**7**	**4**	**9**	**9**

E15 ACCRUALS AND DEFERRED INCOME

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Interest	99,068	81,033	55,379	50,943
Interest liabilities to subsidiaries	-	-	-24	-24
Advance interest payments received	40	550	40	550
Guarantee premiums paid in advance[1]	270,032	236,135	270,032	236,135
Cash collateral received for derivatives	418,400	61,700	418,400	61,700
Other accruals and deferred income	7,360	4,906	5,481	4,849
Total	**794,900**	**384,324**	**749,308**	**354,153**

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

E16 SUBORDINATED LIABILITIES, FINNVERA PLC

				Finnvera plc Balance (EUR 1,000)	
Loan (EUR 1,000)	Purpose of use	Interest rate %	Loan period	31 Dec 2019	31 Dec 2018
Subordinated loan 2009-2	Increase in the share capital of Veraventure Ltd[1]	0	15 years	-	7,500
Subordinated loan 2018	Innovestor Kasvurahasto I Ky[2]	0	15 years	15,867	15,867

1 The loan have been granted to Finnvera for raising the share capital of Veraventure Ltd. The loan has been repaid during the year 2019.
2 The loan has been granted to Finnvera for converting the subordinated loans granted for raising the share capital of Seed Fund Vera Ltd into a new subordinated loan as well as for executing Finnvera's investment commitments that were agreed in connection with Seed Fund Vera Ltd's merger with Innovestor Kasvurahasto I Ky. The loan will be repaid in one instalment in connection with Innovestor Kasvurahasto I Ky's dissolution or Finnvera plc's withdrawal from the ownership of the fund, provided that the sum of Finnvera plc's non-tied capital 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 repayment amount is dependent on the value of the Innovestor Kasvurahasto I Ky investment at the time of the withdrawal. The Innovestor Kasvurahasto I Ky investment and the related subordinated loan are associated with items *Disposal groups classified as held for sale* (Note E23).

E17 FINANCIAL INSTRUMENTS CLASSIFICATION AND FAIR VALUES

Finnvera Group, IFRS 9

		Fair value through profit and loss (FVTPL)				
Financial assets (EUR 1,000)	Amortised cost	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	Fair value[3]
31 Dec 2019						
Loans to and receivables from credit institutions	661,216	-	-	-	**661,216**	662,381
Loans to and receivables from customers	8,072,498	-	-	-	**8,072,498**	8,204,736
Investments in debt securities – Short term debt securities	1,240,489	-	-	-	**1,240,489**	1,240,489
Investments in debt securities – Bonds	-	83,966	136,542	1,766,670	**1,987,178**	1,987,178
Derivatives	-	392,739	-	-	**392,739**	392,739
Shares and participants[1]	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale[2]	3,498	46,441	-	-	**49,939**	49,939
Other financial assets	175,279	-	-	-	**175,279**	175,279
Total	**10,152,980**	**536,869**	**136,542**	**1,766,670**	**12,593,061**	**12,726,463**

		Fair value through profit and loss (FVTPL)				
Financial assets (EUR 1,000)	Amortised cost	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	Fair value[3]
31 Dec 2018						
Loans to and receivables from credit institutions	1,108,078	-	-	-	**1,108,078**	1,108,332
Loans to and receivables from customers	6,876,292	-	-	-	**6,876,292**	6,969,621
Investments in debt securities – Short term debt securities	1,077,708	-	-	-	**1,077,708**	1,077,708
Investments in debt securities – Bonds	-	-	-	1,568,262	**1,568,262**	1,568,262
Derivatives	-	101,741	-	-	**101,741**	101,741
Shares and participants[1]	-	18,752	-	-	**18,752**	18,752
Assets of disposal groups classified as held for sale[2]	3,015	47,881	-	-	**50,896**	50,896
Other financial assets[4]	181,543	-	-	-	**181,543**	181,543
Total	**9,246,635**	**168,375**	**-**	**1,568,262**	**10,983,272**	**11,076,856**

1 The Group's and the parent company's shares and participations include EUR 13.7 million (EUR 13.7 million) in investments in unlisted companies outside the Group. The measurement of the shares is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.
2 The Group's assets held for sale include EUR 13.2 million in venture capital investments, carried at fair value, in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.
3 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).
4 The comparative figures have been adjusted to reflect the year 2019 disclosure format.

Finnvera Group, IFRS 9

Financial liabilities (EUR 1,000)	Amortised cost	Fair value through profit and loss (FVTPL) Mandatorily	Fair value through profit and loss (FVTPL) Fair value option	Total	Fair value[3]
31 Dec 2019					
Liabilities to credit institutions	-	-	-	**-**	-
Liabilities to other institutions	82,042	-	-	**82,042**	88,964
Debt securities in issue	6,961,492	-	3,176,757	**10,138,250**	10,162,188
Derivatives	-	41,274	-	**41,274**	41,274
Other financial liabilities	532,477	-	-	**532,477**	532,477
Subordinated liabilities	-	-	-	**-**	-
Liabilities of disposal groups held for sale	15,867	-	-	**15,867**	15,867
Total	**7,591,878**	**41,274**	**3,176,757**	**10,809,909**	**10,840,770**

Financial liabilities (EUR 1,000)	Amortised cost	Fair value through profit and loss (FVTPL) Mandatorily	Fair value through profit and loss (FVTPL) Fair value option	Total	Fair value[3]
31 Dec 2018					
Liabilities to credit institutions	171,943	-	-	**171,943**	174,985
Liabilities to other institutions	96,958	-	-	**96,958**	105,840
Debt securities in issue	4,770,129	-	4,012,694	**8,782,823**	8,803,176
Derivatives	-	81,288	-	**81,288**	81,288
Other financial liabilities[4]	200,997	-	-	**200,997**	200,997
Subordinated liabilities	7,500	-	-	**7,500**	7,500
Liabilities of disposal groups held for sale	15,867	-	-	**15,867**	15,867
Total	**5,263,394**	**81,288**	**4,012,694**	**9,357,376**	**9,389,653**

3 The fair values for liability items that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term liabilities has been set at their carrying amount due to their short maturity. The fair value of long-term liabilities is based on discounted cash flows (Level 2). The fair values of bonds in issue that are covered by hedge accounting are based on the prices at the closing of the financial period, determined by a third party.
4 The comparative figures have been adjusted to reflect the year 2019 disclosure format.

Finnvera plc, IFRS 9

Financial assets (EUR 1,000)	Amortised cost	Fair value through profit and loss (FVTPL) Mandatorily	Fair value through profit and loss (FVTPL) Designated at fair value through profit or loss (fair value option)	Fair value through OCI	Total	Fair value[3]
31 Dec 2019						
Loans to and receivables from credit institutions	603,084	-	-	-	**603,084**	603,084
Loans to and receivables from customers	8,092,998	-	-	-	**8,092,998**	8,093,506
Investments in debt securities – Short term debt securities	1,240,489	-	-	-	**1,240,489**	1,240,489
Investments in debt securities – Bonds	-	83,966	136,542	1,766,670	**1,987,178**	1,987,178
Derivatives	-	392,739	-	-	**392,739**	392,739
Investments in group companies[1]	-	30,078	-	-	**30,078**	30,078
Shares and participants[1]	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale[2]	-	28,445	-	-	**28,445**	28,445
Other financial assets	119,489	-	-	-	**119,489**	119,489
Total	**10,056,060**	**548,951**	**136,542**	**1,766,670**	**12,508,222**	**12,508,730**

Financial assets (EUR 1,000)	Amortised cost	Fair value through profit and loss (FVTPL) Mandatorily	Fair value through profit and loss (FVTPL) Designated at fair value through profit or loss (fair value option)	Fair value through OCI	Total	Fair value[3]
31 Dec 2018						
Loans to and receivables from credit institutions	1,022,929	-	-	-	**1,022,929**	1,022,929
Loans to and receivables from customers	6,866,816	-	-	-	**6,866,816**	6,866,664
Investments in debt securities – Short term debt securities	1,077,708	-	-	-	**1,077,708**	1,077,708
Investments in debt securities – Bonds	-	-	-	1,568,262	**1,568,262**	1,568,262
Derivatives	-	101,741	-	-	**101,741**	101,741
Investments in group companies[1]	-	68,815	-	-	**68,815**	68,815
Shares and participants[1]	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale[2]	-	28,621	-	-	**28,621**	28,621
Other financial assets[4]	134,439	-	-	-	**134,439**	134,439
Total	**9,101,892**	**212,900**	**-**	**1,568,262**	**10,883,053**	**10,882,901**

1 The parent company's shares and participations include EUR 13.7 million (EUR 13.7 million) in investments in unlisted companies outside the Group and EUR 30.0 million (EUR 68.8 million) in subsidiaries. The measurement of the shares is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.
2 The items carried at fair value that are included in the parent company's assets held for sale consist of ERDF-Seed Fund Ltd's shares and a venture capital investment in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.
3 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).
4 The comparative figures have been adjusted to reflect the year 2019 disclosure format.

Finnvera plc, IFRS 9

Financial liabilities (EUR 1,000)	Amortised cost	Fair value through profit and loss (FVTPL) Mandatorily	Fair value option	Total	Fair value[3]
31 Dec 2019					
Liabilities to credit institutions	-	-	-	**-**	-
Liabilities to other institutions	75,000	-	-	**75,000**	75,000
Debt securities in issue	6,961,492	-	3,176,757	**10,138,250**	10,162,188
Derivatives	-	41,274	-	**41,274**	41,274
Other financial liabilities	488,744	-	-	**488,744**	488,744
Subordinated liabilities	-	-	-	**-**	-
Liabilities of disposal groups held for sale	15,867	-	-	**15,867**	15,867
Total	**7,541,103**	**41,274**	**3,176,757**	**10,759,134**	**10,783,072**

Financial liabilities (EUR 1,000)	Amortised cost	Fair value through profit and loss (FVTPL) Mandatorily	Fair value option	Total	Fair value[3]
31 Dec 2018					
Liabilities to credit institutions	171,943	-	-	**171,943**	174,985
Liabilities to other institutions	65,000	-	-	**65,000**	65,000
Debt securities in issue	4,770,129	-	4,012,694	**8,782,823**	8,803,176
Derivatives	-	81,288	-	**81,288**	81,288
Other financial liabilities[4]	170,763	-	-	**170,763**	170,763
Subordinated liabilities	7,500	-	-	**7,500**	7,500
Liabilities of disposal groups held for sale	15,867	-	-	**15,867**	15,867
Total	**5,201,202**	**81,288**	**4,012,694**	**9,295,184**	**9,318,580**

3 The fair values for liability items that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term liabilities has been set at their carrying amount due to their short maturity. The fair value of long-term liabilities is based on discounted cash flows (Level 2). The fair values of bonds in issue that are covered by hedge accounting are based on the prices at the closing of the financial period, determined by a third party.
4 The comparative figures have been adjusted to reflect the year 2019 disclosure format.

Fair value measurement principles

1. Debt securities
The fair values of debt securities are based on the prices at the closing of the financial period, determined by a third party pricing source, or on the value discounted using the market interest rate at the closing of the financial period.

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.

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.

4. Shares and participations
IFRS 9: The shares are recognised at fair value at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares. Reserve shares are measured at the exchange rate on the date of the financial statements. The most significant investment in shares outside the Group is the Finnish Fund for Industrial Cooperation Ltd, with shares amounting to EUR 13.7 million (EUR 13.7 million).

5. Financial liabilities at fair value through profit or loss
The fair values of bonds in issue that fall outside hedge accounting are based on the prices at the closing of the financial period, determined by a third party pricing source.

E18 HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets 31 Dec 2019								
Financial instruments carried at fair value through profit and loss								
- Investments in debt securities – Bonds	-	220,509	-	**220,509**	-	220,509	-	**220,509**
- Derivatives	-	392,739	-	**392,739**	-	392,739	-	**392,739**
- Shares and participations	-	-	13,723	**13,723**	-	-	13,723	**13,723**
- Assets of disposal groups held for sale	-	-	46,441	**46,441**	-	-	28,445	**28,445**
Financial instruments carried at fair value through other comperehensive income (OCI)								
- Investments in debt securities – Bonds	-	1,766,670	-	**1,766,670**	-	1,766,670	-	**1,766,670**
Total	**-**	**2,379,917**	**60,164**	**2,219,572**	**-**	**2,379,917**	**42,167**	**2,422,085**
Financial liabilities 31 Dec 2019								
Financial instruments carried at fair value through profit and loss								
- Debt securities in issue	-	3,176,757	-	**3,176,757**	-	3,176,757	-	**3,176,757**
- Derivatives	-	41,274	-	**41,274**	-	41,274	-	**41,274**
Total	**-**	**3,218,031**	**-**	**3,218,031**	**-**	**3,218,031**	**-**	**3,218,031**
Financial assets 31 Dec 2018								
Financial instruments carried at fair value through profit and loss								
- Derivatives	-	101,741	-	**101,741**	-	101,741	-	**101,741**
- Shares and participations	5,030	-	13,723	**18,752**	-	-	13,723	**13,723**
- Assets of disposal groups held for sale	-	-	47,881	**47,881**	-	-	28,621	**28,621**
Financial instruments carried at fair value through other comperehensive income (OCI)								
- Investments in debt securities – Bonds	-	1,568,262	-	**1,568,262**	-	1,568,262	-	**1,568,262**
Total	**5,030**	**1,670,003**	**61,604**	**1,736,637**	**-**	**1,670,003**	**42,343**	**1,712,347**
Financial liabilities 31 Dec 2018								
Financial instruments carried at fair value through profit and loss								
- Debt securities in issue	-	4,012,694	-	**4,012,694**	-	4,012,694	-	**4,012,694**
- Derivatives	-	81,288	-	**81,288**	-	81,288	-	**81,288**
Total	**-**	**4,093,981**	**-**	**4,093,981**	**-**	**4,093,981**	**-**	**4,093,981**

The table shows financial instruments that are measured at fair value on a recurring basis. The fair values of financial assets and liabilities measured at amortised cost and their fair value hierarchy levels are presented in Note E17.

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 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 period and other market information serve as the accounting principle. The fair values of bonds in issue that fall outside hedge accounting are based on the prices at the closing of the financial period, determined by a third party. The fair values of investments in bonds are based on the prices at the closing of the financial period, determined by a third party, 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 involved in venture capital investment is determined on the basis of the International Equity and Venture Capital Valuation (IPEV) Guidelines and recommendations for early stage ventures. In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments to a significant extent.

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.

E19 SPECIFICATION OF EVENTS AT HIERARCHY LEVEL 3

LEVEL 3, Financial assets	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Financial assets carried at fair value				
Balance at 1 Jan	**61,604**	**33,259**	**42,343**	**-**
Profits and losses entered in the income statement, total	-6,002	590	-	37
Acquisitions	2,005	3,512	997	849
Sales	-3,453	-2,342	-1,173	-382
Other	-	26,585	-	41,840
Balance at 31 Dec	**54,154**	**61,604**	**42,167**	**42,343**
Profits and losses entered in the income statement for the instruments held by the Group/Finnvera plc	-7,486	383	-	-

E20 FINANCIAL ASSETS AND LIABILITIES ENCOMPASSED BY HEDGE ACCOUNTING AND THE NET RESULT OF HEDGE ACCOUNTING

	Finnvera Group/Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Financial assets		
Derivatives		
- Encompassed by hedge accounting	304,622	42,845
- Other	88,117	58,896
Total	**392,739**	**101,741**
Financial liabilities		
Debt securities in issue		
- Encompassed by hedge accounting	6,961,492	4,770,129
- Other	3,176,757	4,012,694
Total	**10,138,250**	**8,782,823**
Derivatives		
- Encompassed by hedge accounting	11,627	19,790
- Other	29,647	61,498
Total	**41,274**	**81,288**
Net result of hedge accounting[1]		
Gains (+) / losses (-) from items carried at fair value		
- Derivatives encompassed by hedge accounting	276,160	81,830
- Debts encompassed by hedge accounting	-278,194	-81,240
Total	**-2,034**	**589**

1 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.

Debts encompassed by hedge accounting (fair value hedging)	Finnvera Group/Finnvera plc	
	Nominal value	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Debt securities in issue	6,670,465	4,746,725

Accumulated fair value adjustments on the hedged items	Finnvera Group	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Debt securities in issue, carried at amortised cost	6,627,338	4,713,466
Accumulated fair value adjustments	334,155	56,663
Total	**6,961,492**	**4,770,129**

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[1]	Financial instruments received/given as collateral[1]	Cash received/given as collateral[1]	Net amount[1]
Financial assets 31 Dec 2019							
Derivatives	392,739	-	392,739	-18,017	-	-418,400	-43,678
Total	**392,739**	**-**	**392,739**	**-18,017**	**-**	**-418,400**	**-43,678**
Financial liabilities 31 Dec 2019							
Derivatives	41,274	-	41,274	-18,017	-	-38,030	14,773
Total	**41,274**	**-**	**41,274**	**-18,017**	**-**	**-38,030**	**14,773**
Financial assets 31 Dec 2018							
Derivatives	101,741	-	101,741	-29,927	-	-61,700	10,115
Total	**101,741**	**-**	**101,741**	**-29,927**	**-**	**-61,700**	**10,115**
Financial liabilities 31 Dec 2018							
Derivatives	81,288	-	81,288	-29,927	-	-62,260	10,899
Total	**81,288**	**-**	**81,288**	**-29,927**	**-**	**-62,260**	**10,899**

1 Amounts not subject to netting but included in the main netting agreements and similar arrangements. The derivative figures in the table do not include accrued interest. With accrued interest included the net amount for derivative assets was EUR -24.4 million (EUR 17.2 million) and EUR 8.2 million (EUR 16.8 million) for derivative liabilities.

E22 EQUITY

	Finnvera Group				Finnvera plc			
(EUR 1,000)		31 Dec 2019		31 Dec 2018		31 Dec 2019		31 Dec 2018
Parent company's equity		**196,605**		**196,605**		**196,605**		**196,605**
Share premium reserve		**51,036**		**51,036**		**51,036**		**51,036**
Fair value reserve		**-5,403**		**-15,886**		**1,662**		**-937**
- Changes in investment values	945		-1,125		945		-1,125	
- Expected credit losses of investments (fair value through OCI)	717		633		717		633	
- Change in the credit risk associated with liabilities carried at fair value	-7,065		-15,394		-		-445	
Restricted equity, total		**242,238**		**231,755**		**249,303**		**246,704**
Non-restricted reserves		**1,053,616**		**1,015,078**		**1,053,616**		**1,015,078**
- Reserve for domestic operations	265,822		244,152		265,822		244,152	
- Reserve for export credit guarantees and special guarantees	772,541		755,674		772,541		755,674	
- Reserve for venture capital financing	15,252		15,252		15,252		15,252	
Retained earnings		**166,985**		**111,119**		**73,292**		**39,041**
- Profit/loss for previous periods	72,582		12,602		504		-51,894	
- Profit/loss for the period	94,264		98,460		72,649		90,878	
- Direct entries to retained earnings	140		57		140		57	
Non-restricted equity, total		**1,220,601**		**1,126,197**		**1,126,907**		**1,054,119**
Total equity, equity attributable to the parent company's shareholders		**1,462,839**		**1,357,952**		**1,376,211**		**1,300,823**

Share capital and ownership	31 Dec 2019			31 Dec 2018		
Owner	Share capital (EUR 1,000)	Shares nb	Ownership	Share capital (EUR 1,000)	Shares nb	Ownership
The Finnish state	196,605	11,565	100%	196,605	11,565	100%

Reserves:

Share premium reserve
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.

Reserve for domestic operations and reserve for export credit guarantee and special guarantee operations
In 2006 the laws regulating the operations of Finnvera plc were amended so that separate reserves 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 reserve is insufficient. The retained earnings from the domestic operations were transferred to the reserve for domestic operations and the retained earnings from the export credit guarantee and special guarantee operations were transferred to the reserve for export credit guarantee and special guarantee operations.

Reserve for venture capital financing
In 2011, a reserve for venture capital financing was established in the unrestricted equity on the balance sheet. The purpose was to monitor the assets allocated for venture capital financing 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
(IFRS 9): In accordance with the IFRS 9 standard, the change in the credit risk associated with liabilities carried at fair value through profit or loss, the change in the fair value of investments that are recognised at fair value through comprehensive income, as well as expected credit losses (ECL) associated with these investments are recorded in the fair value reserve.
Change in the fair value of investments: The reserve includes the changes in the fair value of investment items that have been classified as recognised at fair value through comprehensive income. These items include investments in bonds as well as certain SME and midcap financing bonds. The items recognised in the reserve are taken to the income statement when a financial asset is disposed of or an impairment loss on such an asset is recognised.
Expected credit losses (ECL): The expected credit losses from bond investments in SME and midcap financing and other bond investments that have been classified as recognised at fair value through comprehensive income are recorded in the reserve.

Change in the credit risk associated with liabilities: The reserve includes the change in the credit risk associated with liabilities carried at fair value through profit or loss. These items are not reclassified as items carried through profit or loss.

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

E23 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

As a whole, venture capital financing belongs to disposal groups classified as held for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities. The Group's figures include ERDF-Seed Fund Ltd's assets and liabilities as disposal groups classified as held for sale, as well as the capital input invested in Innovestor Kasvurahasto I Ky and the related subordinated loans. The shares of subsidiary ERDF-Seed Fund Ltd and the capital input of Innovestor Kasvurahasto I Ky, in which the parent company continues to have a 19.7 per cent holding, are presented as the parent company's assets of disposal groups classified as held for sale. Subordinated loans associated with investments outside the Group are presented as liabilities of disposal groups classified as held for sale in the parent company. The subsidiary Veraventure Ltd's venture capital investments of disposal groups classified as held for sale were already sold in previous years, and the company no longer has any actual business operations.

Each year Finnvera conducts an impairment test on the investments of its subsidiaries, as laid down by IAS 36. The valuation principles of assets held for sale are presented in Note A11 to the financial statements.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets				
Loans to and receivables from credit institutions – payable on demand	2,270	2,563	-	-
Loans to and receivables from customers – credits	1,228	452	-	-
Investments in Group companies	-	-	15,256	15,256
Investments in associated companies	10,034	16,937	-	-
Investments in other shares and participations	36,407	30,944	13,189	13,365
Prepayments and accrued income	-	-	-	-
Deferred tax assets	-	9	-	-
Total	**49,939**	**50,905**	**28,445**	**28,621**
Liabilities				
Subordinated liabilities	15,867	15,867	15,867	15,867
Deferred tax liabilities	2,708	2,692	-	-
Total	**18,575**	**18,558**	**15,867**	**15,867**

A B C D E F G H

F Notes on personnel and management

F1 AVERAGE NUMBER OF EMPLOYEES

	Finnvera Group		Finnvera plc	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Average number of employees				
- Permanent	333	345	330	342
- Temporary	31	27	31	27
Total	**364**	**372**	**361**	**369**
Personnel as person-years	322	339	320	335

F2 KEY MANAGEMENT PERSONNEL IN THE GROUP

In the Group, key management personnel are members of the parent company's Board of Directors, members of the Supervisory Board, CEO Pauli Heikkilä, Deputy CEO Topi Vesteri (until 31 August 2019) as well as the Management Group, which is comprised of the CEO and Deputy CEO, along with Executive Vice President Jussi Haarasilta, CFO Ulla Hagman, Executive Vice President Juuso Heinilä, Senior Vice President, Legal Affairs and Administration Risto Huopaniemi, Group Chief Credit Officer Tapio Jordan (as of 16 April 2019), Chief Digitalisation Officer Minna Kaarto (as of 1 June 2019), Chief Risk Officer Tina Schumacher (as of 20 November 2019), Communications Director Tarja Svartström and Chief Risk Officer Merja Välimäki (until 20 November 2019).

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. Employment benefits include the performance bonus paid to the Chief Executive Officer and the other members of the Management Group in 2019. Voluntary pension plans, which include both defined contribution and defined benefit pension plans, are dealt with as post-employment benefits.

	Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Salaries and other short-term employee benefits	1,734	1,691
Supplementary pension commitments	190	194
Remuneration of the Board of Directors and Supervisory Board members	204	199
Total	**2,128**	**2,084**

The CEO and one member of the Management Group are included in a defined contribution pension plan, in which the withdrawing of supplementary pension can begin at the age of 63 years at the earliest. In addition, three other executives in Finnvera are included in a defined contribution pension plan (voluntary pension costs in Note *F4 Salaries, remuneration and pension commitments for the key personnel*). The Deputy CEO had a defined benefit pension plan for the period 1 January–31 August 2019, until his retirement.

The group supplementary pension plan was changed from defined benefit to defined contribution as of 1 January 2013. The target pension for the CEO is 66 per cent, starting at the retirement age of 63 years, and the fixed supplementary pension percentage is 11.47% of TyEL (earnings-related pension insurance) earnings less bonuses and other performance-based salary items.

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 company terminates their employment. The period of notice for the Deputy CEO is six months, in addition to which the Deputy CEO 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 EUR 500/meeting for members.

F4 SALARIES, REMUNERATIONS AND PENSION COMMITMENTS FOR THE KEY PERSONNEL

Finnvera plc	31 Dec 2019			31 Dec 2018		
		Pension commitments			Pension commitments	
(EUR 1,000)	Salaries	Voluntary	Statutory	Salaries	Voluntary	Statutory
Management salaries (incl. social security costs) as well as applicable pension commitments						
CEO Pauli Heikkilä	410	46	79	399	46	73
Deputy CEO Topi Vesteri until 31 August 2019	229	54	44	266	54	48
Deputy CEO Executive Vice President Jussi Haarasilta as of 20 June 2019	118	-	43			
Other members of the Management Group	977	22	233	1,026	22	188
Management salaries, total	**1,734**	**122**	**399**	**1,691**	**122**	**309**
Members of the Board of Directors:						
Pentti Hakkarainen, chairman	30	-	-	28	-	-
Tomi Lounema, I deputy chairman until 29 March 2019	7	-	-	9	-	-
Antti Neimala, I deputy chairman as of 29 March 2019	14	-	-	-	-	-
Terhi Järvikare, II deputy chairman	20	-	-	19	-	-
Kirsi Komi, member until 29 March 2019	7	-	-	20	-	-
Ritva Laukkanen, member	20	-	-	18	-	-
Juha-Pekka Nuuttila, member as of 29 March 2019	12	-	-	-	-	-
Pirkko Rantanen-Kervinen, member	18	-	-	18	-	-
Antti Zitting, member	18	-	-	17	-	-
Board of Directors, total	**146**			**129**		
Members of the Supervisory Board, total	**59**	-	-	**61**	-	-

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. At the end of 2019, there were 74 people covered by the plans.

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 insurees 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. As pensions rise with the credit issued by the insurance provider, the company has no risk with regard to these. A hypothetical 0.25% increase in salary would increase the obligation 0.8% (0.9%) and, correspondingly, an equivalent decrease would have the opposite effect.

Balance sheet items arising from the defined benefit:

	Finnvera Group/Finnvera plc			
(EUR 1,000)	31 Dec 2019		31 Dec 2018	
Pension obligation				
Present value of funded obligations 1 Jan		**3,055**		**3,983**
Total change		**-197**		**-928**
Unrecognised actuarial gains or losses	40		54	
Interest on obligation	53		60	
Effect of fulfilling the plan and reducing the obligation	-359		-738	
Revaluation of defined benefit pension plans				
- Caused by changes in financial assumptions	75		576	
- Caused by changes in demographic assumptions	-		-	
- Based on experience	-7		-880	
Present value of funded obligations 31 Dec		**2,858**		**3,055**
Fair value of assets				
Fair value of plan assets 1 Jan		**3,196**		**4,086**
Total change		**-178**		**-890**
Interest income on assets	56		63	
Effect of fulfilling the obligation	-359		-738	
Return on plan assets, excluding items contained in interest expenses or income	208		-247	
Contributions paid to the plan	-84		32	
Fair value of plan assets 31 Dec		**3,017**		**3,196**
Net liabilities+/Net receivables- (difference between obligations and assets)		**-159**		**-141**
Consolidated comprehensive income statement – pension costs				
Unrecognised actuarial gains or losses		40		54
Effect of fulfilling the obligation		-		-
Net interest expenses		-3		-3
Consolidated income statement defined benefit pension costs		**37**		**51**
Items resulting from revaluation		**-140**		**-57**

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

	Finnvera Group/Finnvera plc	
(EUR 1,000)	31 Dec 2019	31 Dec 2018
Defined benefit net liabilities		
Pension debt (+) / Pension receivable (-) 1 Jan	-141	-103
Expenses recognised in the income statement	37	51
Paid pension contributions	84	-32
Other items recognised in the consolidated statement of comprehensive income	-140	-57
Pension debt (+) / Pension receivable (-) 31 Dec	**-160**	**-141**

The plan assets include 100% qualifying insurance policies.

	Finnvera Group/Finnvera plc	
Actuarial assumptions	31 Dec 2019	31 Dec 2018
Discount rate	0.95%	1.75%
Future salary increases	1.85%	2.05%
Future pension increases	0.90%	1.65%

The duration based on the weighted obligation average is 17.6 years. It is forecast that in 2020, making net payments will not be needed to defined benefit arrangements, taking into consideration payment refunds and reimbursements.

G Shares and holdings

G1 SHARES AND HOLDINGS IN GROUP COMPANIES

		Finnvera plc					
		31 Dec 2019			31 Dec 2018		
Name and domicile of the company	Sector	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%)							
ERDF-Seed Fund Ltd, Kuopio	Development and investment company	100.00%	100.00%	15,256	100.00%	100.00%	15,256
Finnish Export Credit Ltd, 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%	9,897	100.00%	100.00%	48,634

G2 SUBSIDIARIES' SHARES AND HOLDINGS (HOLDING OVER 20%)

ERDF-Seed Fund Ltd			31 Dec 2019		31 Dec 2018	
Name and domicile of the company		Sector	Holding of all shares, %	Share of votes, %	Holding of all shares, %	Share of votes, %
Airmodus Oy	Helsinki	Research and development on other natural sciences	20.13%	20.13%	20.13%	20.13%
Aranda Pharma Oy	Kuopio	Research and development on medical sciences	36.09%	36.09%	36.09%	36.09%
Bone Index Finland Oy	Kuopio	Research and development on medical sciences	37.65%	37.65%	37.65%	37.65%
GlowWay Oy Ltd	Pieksämäki	Manufacture of electric lighting equipment	26.44%	26.44%	26.44%	26.44%
Injeq Oy	Tampere	Manufacture of irradiation, electromedical and electrotherapeutic equipment	20.08%	20.08%	21.22%	21.22%
Netled Oy	Honkajoki	Electrical engineering design	22.53%	22.53%	23.44%	23.44%
Savroc Oy	Kuopio	Manufacture of products not listed elsewhere	20.11%	20.11%	20.11%	20.11%

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 Executive Vice Precident and other members of the Management Group. The employment benefits received by key management personnel are presented in the Note F3.

	Finnvera Group		Finnvera Group	
	Internal item	Other	Internal item	Other
(EUR 1,000)	31 Dec 2019		31 Dec 2018	
Related party transactions, loans and receivables				
Services purchased	3,369	-	3,358	-
Interest subsidies, compensation for losses and other items from the State	-	17,128	-	27,337
Interest income	105,530	-43,556	58,027	-26,316
Fee and commission income	13,223	-	14,854	-
Interest expenses	105,530	2,689	58,027	27,922
Fee and commission expenses	13,223	268	14,854	-
Loans	7,232,056	-	5,909,042	-
Receivables	121,122	27,179	125,579	-
Long-term liabilities	7,232,056	67,125	5,909,042	82,042
Short-term liabilities	121,122	58,606	125,627	21,606
Guarantees	14,072,432	-	13,540,754	-

A B C D E F G H

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 31 Dec 2019		Activities referred to in the Fund Act and their share of the profit 31 Dec 2019		Finnvera plc's profit 31 Dec 2018		Activities referred to in the Fund Act and their share of the profit 31 Dec 2018	
Net interest income		**32,511**		**3,060**		**34,581**		**2,414**
- Interest income	154,754		1,664		109,193		1,567	
- Interest expences	-122,243		1,396		-74,612		848	
Net fee and commission income		**140,066**		**92,472**		**134,168**		**86,530**
- Fee and commission income	161,518		113,037		158,873		110,229	
- Fee and commission expenses	-21,452		-20,565		-24,705		-23,700	
Gains and losses from financial instruments carried at fair value through profit or loss		**1,024**		**66**		**-1,095**		**-12**
Net income from investments		**120**		**-**		**413**		**-**
Other operating income		**2,816**		**96**		**6,630**		**273**
Total administrative expenses		**-41,707**		**-12,099**		**-45,336**		**-14,309**
- Personnel expenses	-28,295		-8,365		-28,107		-8,177	
- Other administrative expenses	-13,411		-3,733		-17,229		-6,132	
Depreciation and amortisation on tangible and intangible assets		**-7,022**		**-2,301**		**-2,779**		**-973**
Other operating expenses		**-11,680**		**-101**		**-14,138**		**169**
Total realised and expected credit losses		**-43,478**		**-24,825**		**-21,565**		**14,027**
- Realised credit losses	-32,128		2,015		-50,734		-5,078	
- Credit loss compensation from the state	16,737		-		23,624		-	
- Expected credit losses	-28,087		-26,840		5,545		19,105	
Operating profit		**72,649**		**56,369**		**90,878**		**88,120**

A B C D E F G H

H Key financial performance indicators

H1 KEY FIGURES

	Finnvera Group		Finnvera plc	
	2019	2018	2019	2018
Key P&L figures				
Net interest income, MEUR	41	42	33	35
Net fee and commission income, MEUR	141	135	140	134
Administrative expenses, MEUR	-42	-46	-42	-45
- of which salaries including social security costs, MEUR	-29	-28	-28	-28
Realised and expected credit losses, MEUR	-60	-45	-60	-45
Credit loss compensation from the State, MEUR	17	24	17	24
Operating profit, MEUR	100	100	73	91
Profit for the period, MEUR	94	98	73	91
Key balance sheet figures				
Loans to and receivables from customers, MEUR	8,072	6,876	8,093	6,867
Investments, MEUR	3,241	2,665	3,271	2,729
Liabilities, MEUR	11,202	9,681	11,207	9,658
- of which debt securities in issue, MEUR	10,138	8,783	10,138	8,783
Shareholders' equity, MEUR	1,463	1,358	1,376	1,301
- of which non-restricted equity, MEUR	1,221	1,126	1,127	1,054
Balance sheet total, MEUR	12,665	11,039	12,583	10,959
Key ratios				
Return on equity, ROE, %	6.7	7.4	5.4	7.1
Return on assets, ROA, %	0.8	0.9	0.6	0.9
Equity ratio, %	11.6	12.3	10.9	11.9
Expense-income ratio, %	25.4	29.3	34.2	35.6
Average number of employees	364	372	361	369

H2 FORMULAS FOR THE KEY INDICATORS

Return on equity % (ROE)

$$\frac{\text{profit/loss for the period}}{\text{equity (as the average of the value at the beginning and the end of the period)}} \times 100$$

Return on assets % (ROA)

$$\frac{\text{operating profit/loss} - \text{income taxes}}{\text{balance sheet total on average (as the average of the value at the beginning and at the end of the period)}} \times 100$$

Equity ratio, %

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

Expense-income ratio, %

$$\frac{\text{administrative expenses + depreciation, amortisation and impairment on tangible and intangible assets + other operating expenses}}{\text{net interest income + net fee and commission income + gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses + net income from investments + other operating income}} \times 100$$

Average number of employees

based on monthly average for the whole period

Signatures

In Helsinki on 25 February 2020

Pentti Hakkarainen
Chairman of the Board of Directors

Antti Neimala
First Vice Chairman

Terhi Järvikare
Second Vice Chairman

Ritva Laukkanen

Pekka Nuuttila

Pirkko Rantanen-Kervinen

Antti Zitting

Pauli Heikkilä
CEO

Our audit report was submitted on 25 February 2020

KPMG Oy Ab

Marcus Tötterman
Authorised Public Accountant, APA

Auditor's report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

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 2019. The financial statements comprise both the consolidated and the parent company's balance sheet, comprehensive income statement, statement of changes in equity, statement of cash flow 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 with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note D7 to the consolidated financial statements.

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 and/or possible 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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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 (A Accounting principles, note D2 to the income statement and note E15 to the balance sheet)	
- Guarantee fees are recognised over the maturity of a contract. These fees are charged using various methods and in different currencies based on the guarantee contracts. - Income from guarantee premiums charged in advance is recognised over the guarantee period based on the recognition criteria entered into the system. - Guarantee contracts entered into are client-specific and may be amended during the contract period. - 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.	- 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. - We tested on a sample basis unrecognised guarantee-specific premiums paid in advance. - We assessed and tested the control environment of the IT system, emphasizing change management. - Furthermore, we considered the appropriateness of the disclosures in respect of fee and commission income and guarantee premiums paid in advance.
Expected credit losses on receivables from customers and on contingent liabilities (A Accounting principles, B Risk management, Contingent liabilities, note D10 to the income statement and notes E2 and E13 to the balance sheet)	
- The company has applied IFRS 9 Financial Instruments as from 1 January 2018. - Calculation of expected credit losses involves assumptions, estimates and management judgment, for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. - 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. - The risk rating of clients plays an essential role in the accounting for ECL. - Due to the significance of the carrying amounts involved, complexity of the accounting methods used for measurement purposes and management judgement involved, the ECL accounting is addressed as a key audit matter.	- We assessed risk management, monitoring systems and ECL accounting in respect of doubtful receivables and guarantees, and tested related internal controls. - Concerning significant individual loss provisions and recovery receivables 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. - We assessed the models and the key assumptions for calculating expected credit losses, as well as tested the controls over the calculation process and credit risk models. - Our IFRS and financial instruments specialists were involved in the audit. - Finally, we considered the appropriateness of the disclosures provided in respect of expected credit losses.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Debt securities, debt securities in issue and derivatives (A Accounting principles and notes E3, E10, E11, E18 and E20 to the balance sheet)	
- At the financial year-end the Group had debt securities carried at fair value amounting to EUR 2.0 billion. - At the financial year-end the Group had debt securities in issue amounting to EUR 10.1 billion. Debt securities in issue carried at fair value through profit or loss totaled EUR 3.2 billion and debt securities in issue carried at amortised cost totaled EUR 7.0 billion in the balance sheet as at 31 December 2019. - 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 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.	- 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 financial liabilities. - In respect of the hedge accounting we evaluated the appropriateness of the procedures and documentation by reference to the applicable international financial reporting standards - We assessed the classification principles for financial instruments. - As part of our year-end audit procedures we compared the fair values used in measurement of debt securities, debt securities in issue and derivatives to market quotations and other external price references. - In addition we considered the appropriateness of the disclosures provided in respect of debt securities, debt securities in issue and derivatives.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation of consolidated 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 CEO 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 CEO 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 about 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 the 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 CEO'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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 1999, and our appointment represents a total period of uninterrupted engagement of 21 years.

Other Information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 CEO of the parent company should be discharged from liability for the financial period audited by us.

In Helsinki on 25 February 2020

KPMG Oy Ab

Marcus Tötterman
Authorised Public Accountant, APA

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 2019, as well as the auditors' report issued on 25 February 2020.

We propose to the Annual General Meeting that the financial statements, in which the consolidated income statement shows a profit of EUR 94 263 861,21 and the parent company's income statement shows a profit of EUR 72 648 630,33, be adopted and that the parent company's profit be used in accordance with the proposal made by the Board of Directors.

In Helsinki on 25 February 2020

Sofia Vikman	Johannes Koskinen
Pia Björkbacka	Eeva-Johanna Eloranta
Mari Holopainen	Anne Kalmari
Juho Kautto	Leila Kurki
Kari Luoto	Veli-Matti Mattila
Jaana Möntti	Carita Orlando
Juha Pylväs	Lulu Ranne
Wille Rydman	Joakim Strand
Tommi Toivola	Anette Vaini-Antila

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

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