

# Finnvera Group Half-Year Report H1/2020

1 January-30 June 2020

 **FINNVERA**





## Finnvera Group's Half-Year Report 1 January–30 June 2020

**The coronavirus pandemic significantly increased demand for Finnvera's SME financing, export financing decreased from last year – Finnvera's result showed a loss of EUR 423 million due to credit loss provisions**

### CEO Pauli Heikkilä:

"The extent of the coronavirus pandemic and its impacts on economy have affected many enterprises in our country, too. In Finland, the first and most concrete effects of the pandemic could be seen in the service sector and tourism and, in international business, in cruise shipping, a sector that is closely linked with Finland's export trade. Thanks to the extremely positive development in the cruise shipping sector, more than half of the increase in the technology industry order book in the past few years consisted of cruise shipping orders. Even if the sector has always identified a pandemic as one of its risks, the coronavirus crisis has affected the sector in a completely exceptional manner as cruise operations all over the world were suspended with official decisions. The public credit ratings of many shipping companies have declined. Due to these facts and the generally declining outlook in the world economy, it has been necessary for us to make significant provisions for potential future credit losses. Consequently, the Finnvera Group's result for January–June showed a loss of EUR 423 million.

During the first half of the year, we granted approximately EUR 1.7 billion in export credit guarantees, export guarantees and special guarantees. This was a little over one fifth less than in the corresponding period last year. The coronavirus pandemic has not affected all sectors equally and earlier, planned investment decisions have also been implemented during the first half of the year. The annual volume of export financing is always influenced by the timing of individual major export transactions. Our

estimate is that as industrial orders decrease, Finland's export trade may be facing a long-term slowing down in the autumn, which will also be seen in demand for export financing.

Starting from mid-March, SMEs' financing needs increased rapidly along with the outbreak of the coronavirus pandemic. Finnvera focused its financing activities on guarantees, which enable the bank to grant a working capital loan to the enterprise. With this, we sought to ensure that enterprises get financing as quickly as possible. We adjusted our products and services quickly according to the situation, reduced our prices and recruited temporary agency workers to process the high influx of applications. Demand for financing exceeded our preliminary estimate: in January–June, we granted more than EUR 0.9 billion in domestic loans and guarantees, which is more than during the entire year 2019. At first, financing was applied for by small SMEs but then demand shifted to larger enterprises. Thanks to the authorisation-related legislative amendment, decided by the Finnish parliament, Finnvera has an excellent capability of responding to demand also in the future. It is estimated that the raising of our domestic loan and guarantee financing authorisation to EUR 12 billion will cover demand for financing until 2025.

The total impact of the pandemic remains to be seen. For a provider of financing, it is still essential to assess impacts in the long term.

Profits from previous years have strengthened Finnvera's financial reserves against potential losses. In line with the goal of self-sustainability set for Finnvera, the income received from the company's operations must, in the long run, cover the company's operating expenses and losses. Although the result for 2020 is predicted to show a loss, it is estimated that Finnvera's cumulative self-sustainability will still be achieved. However, in the future, self-sustainability may be significantly influenced by how the coronavirus crisis develops during the autumn and how long-term its effects are."

### Finnvera Group, H1/2020 and 30 June 2020

<p>Result H1/2020</p> <p><b>-423 MEUR</b></p> <p>H1/2019: 72 MEUR change -685%</p>	<p>Balance sheet total 30 June 2020</p> <p><b>EUR 13.0 bn</b></p> <p>31 Dec 2019: EUR 12.7 bn change 2%</p>
<p>Average number of employees H1/2020</p> <p><b>360</b></p> <p>H1/2019: 363 change -1%</p>	<p>Non-restricted equity and The State Guarantee Fund 30 June 2020</p> <p><b>EUR 1.5 bn</b></p> <p>31 Dec 2019: EUR 1.9 bn change -22%</p>
<p>Expense-income ratio H1/2020</p> <p><b>29.1%</b></p> <p>H1/2019: 25.4% change 3.7 pp</p>	<p>Expected credit losses 30 June 2020</p> <p><b>719 MEUR</b></p> <p>31 Dec 2019: 242 MEUR change 197%</p>
<p>Net promoter score index H1/2020</p> <p><b>50</b></p> <p>H1/2019: 64 change -22%</p>	<p>Equity ratio 30 June 2020</p> <p><b>8.1%</b></p> <p>31 Dec 2019: 11.6% change -3.5 pp</p>

## Finnvera Group, business operations and the financial performance

### H1/2020 (H1/2019)

- Domestic loans and guarantees granted: EUR 926 million (EUR 430 million), change 115%
- Export credit guarantees and special guarantees granted: EUR 1,747 million (EUR 2,259 million), change -23%
- Export credits granted: EUR 402 million (EUR 132 million), change 205%
  - The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee
  - The fluctuation in the amount of export credit guarantees and export credits is influenced by the timing of individual major export transactions

### 30 June 2020 (31 December 2019)

- Exposure, drawn domestic loans and guarantees: EUR 2,373 million (EUR 1,928 million), change 23%
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export credit guarantees and export guarantees: EUR 24,633 million (EUR 25,489 million), change -3%
  - Of this, Large Corporates' cruise shipping exposure EUR 12,792 million (EUR 13,786 million)
  - Drawn exposure: EUR 11,431 million (EUR 11,443 million), change 0%, of which Large Corporates' cruise shipping exposure EUR 3,487 million (EUR 3,669 million)
  - Undrawn exposure EUR 9,162 million (EUR 9,486 million) and binding offers EUR 4,041 million (EUR 4,560 million), total change -6%, of which Large Corporates' cruise shipping exposure in total EUR 9,304 million (EUR 10,117 million)
- Exposure, export credits drawn: EUR 7,290 million (EUR 7,229 million), change 0%

Due to the impact of the coronavirus pandemic the Group's result for January–June showed a loss of EUR 423 million, whereas the result for

Finnvera Group	H1/2020	H1/2019	Change	Change	2019
Financial performance	MEUR	MEUR	MEUR	%	MEUR
Net interest income	24	19	4	22%	41
Net fee and commission income	68	68	0	0%	141
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	-2	17	-19	-113%	10
Administrative expenses	-22	-23	0	-2%	-42
Other operating expenses and depreciations	-4	-3	-1	28%	-7
Realised and expected credit losses	-494	-9	-485	-	-60
Credit loss compensation from the State	12	7	5	68%	17
Operating profit/loss	-418	77	-495	-644%	100
Profit/loss for the period	-423	72	-496	-685%	94

the corresponding period last year showed a profit of EUR 72 million. The loss was caused by the significant credit loss provisions in export credit guarantee and special guarantee operations, made as a result of the pandemic. Expected credit losses increased by EUR 477 million (a decrease of EUR 5 million). Realised credit losses totalled EUR 17 million (EUR 14 million), showing a year-on-year increase of 19 per cent.

At the end of June, the reserves accumulated from the Group's operations, intended for covering credit losses, amounted to EUR 1.5 billion after loss provisions. The Group's non-restricted equity and the State Guarantee Fund's assets are included in the reserves. The State Guarantee Fund covers losses from export credit guarantee and special guarantee operations if the assets of the corresponding reserve on Finnvera's balance sheet are not sufficient to cover an unprofitable results.

In January–June, the Group's net interest income grew by 22 per cent year on year and net fee and commission income was on a par with last year. Changes in the value of items recognised at fair value through profit or loss were EUR -2 million in January–June, whereas in the corresponding period last year, these items were EUR 17 million. Operating expenses and depreciation increased by 2 per cent year on year. The underlying reasons for this increase included the temporary agency workers recruited to process SME and midcap financing applications, the number of which grew due to the coronavirus pandemic, as well as the increase in depreciation due to IT investments made.

## Outlook for financing

According to the Bank of Finland's forecast, Finland's GDP will decline by approximately 7 per cent this year. The Ministry of Finance estimates that the GDP will decrease by 6 per cent this year and increase by 2.5 per cent next year. According to the IMF's forecast, the GDP will decrease globally by 4.9 per cent and in developed countries by 8.0 per cent.

Finnvera is prepared to secure the availability of lending to viable enterprises in all stages of the crisis. During the remainder of the year, we will continue the bank financing guarantee programme and supplement the financial market also with Finnvera's own senior and junior loans. We are also prepared for an increase in the number of enterprises in difficulties. We estimate that financing arrangements will become more difficult especially for those enterprises that would need arrangements for the second time during the crisis. Finnvera takes a flexible approach towards all arrangement and re-arrangement needs and hopes that the entire financing system follows suit.

Our estimate is that during the autumn, the effects of the crisis will spread more intensively to export companies and their subcontracting chains in Finland. We expect that also in July–December, demand for domestic financing, when measured in euros, will remain on a par with the first half of the year. The reconstruction of economy proceeds at a different pace in different sectors. We are prepared to secure diverse forms of financing for new growth, too. This refers to the strengthening of enterprises' eligibility for financing with Finnvera's junior loans, for instance.

## Finnvera Group, Stock Exchange Release 21 August 2020

Demand for export credit guarantees and export credits is influenced by order book development in export companies and the development of the availability of financing to the companies' clients during the second half of the year. Planned investments have been postponed and it is estimated that the number of new orders will decline significantly, which would affect even large companies. On the other hand, the weaker availability of financing typically increases demand for financing guaranteed by export credit agencies. As in previous years, the overall demand is affected by the realisation of individual major projects.

The pandemic has had a negative impact on the tourism sector, including cruise shipping and shipyards. The outlook for the sector is strongly affected by two factors: when shipping companies will have the chance to re-launch their operations and what kind of experiences the new beginning of cruises will bring along. In other major export industry sectors, we expect more buyers to be interested in financing their export transactions with export credit as the terms and conditions of commercial sources of financing become poorer. Demand is not expected to concentrate to certain geographical areas.

Until the end of 2020, Finnvera has the opportunity to offer credit insurance also to so-called commercial risk countries, such as the EU Member States. Credit insurance helps exporters continue trade relations during times of uncertainty, which is important for the continuity of exports and for the Finnish economy.

We are also preparing ourselves for responding to the working capital financing needs of major Finnish enterprises. The need to change our guidelines will be assessed as the situation evolves.

In normal circumstances, our strategic goal is to allocate the majority of our financing to enterprises seeking growth and internationalisation as well as to investments, transfers of ownership and exports. During the coronavirus pandemic, we have expanded the allocation of financing to help all viable enterprises to overcome the crisis.

On 1 July 2020, Finnvera gave a profit warning, reducing its outlook for 2020. The coronavirus pandemic still causes exceptional uncertainty in the outlook. On the basis of current financial forecasts, we estimate that, owing to credit loss provisions, Finnvera Group's result for 2020 will show a loss due to the calculated impact of macroeconomic indicators and the decline of risk ratings of individual risk subjects.

**Further information:**

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Half-year report 1 January–30 June 2020 (PDF)

**Distribution:**

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[www.finnvera.fi/eng](http://www.finnvera.fi/eng)

The half-year report is available in Finnish and English at

[www.finnvera.fi/eng/financial\\_reports](http://www.finnvera.fi/eng/financial_reports)



## How Finnvera creates value

Finnvera improves and diversifies financing opportunities available for Finnish enterprises and supplements the financial markets, and with its operations, promotes the development of enterprises and exports.

**Our vision is:**  
Our clients' success strengthens the Finnish economy



### Number of clients: 26 100

- Micro-enterprises: 87%
- SMEs and midcap enterprises: 12%
- Large corporates: 1%



### Products and services 1-6/2020

#### Domestic loans and guarantees granted

EUR 0.9 billion in total

#### Export credit guarantees and special guarantees granted

EUR 1.7 billion in total

#### Export credits granted

EUR 0.4 billion in total



### Authorisations and exposures 30 June 2020

#### Domestic loans and guarantees

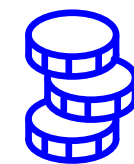
For SMEs and midcap enterprises

- authorisation EUR 12.0 billion
- exposure EUR 2.4 billion



#### Export credit guarantees

- authorisation EUR 38.0 billion
- exposure EUR 24.4 billion



#### Export credits

- authorisation EUR 33.0 billion
- exposure EUR 7.3 billion



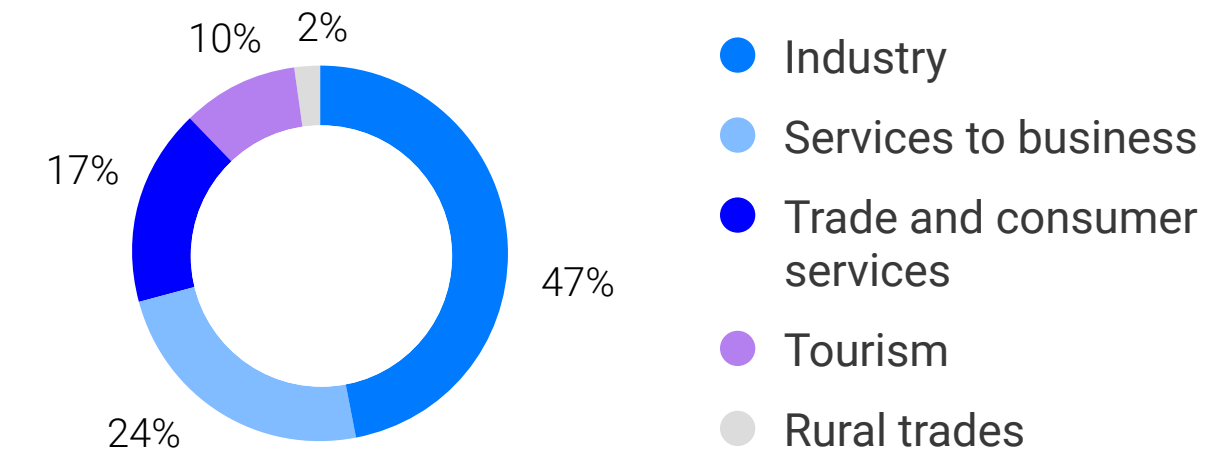
#### Special guarantees

(shipping and environmental guarantees and raw material guarantees)

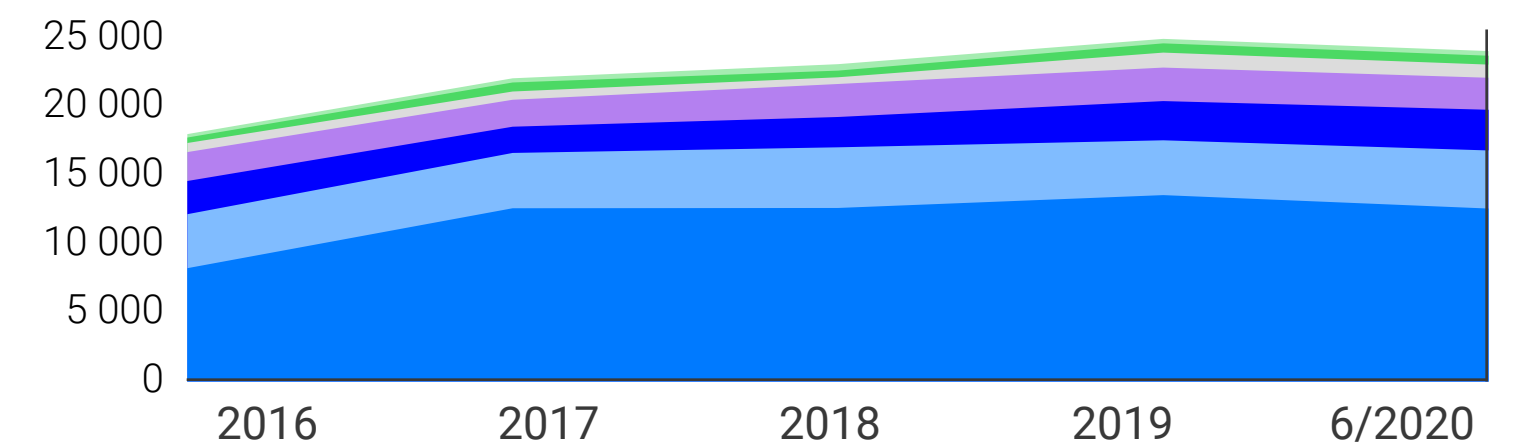
- authorisation EUR 3.2 billion
- exposure EUR 0.2 billion

The exposure defined in the Act on the State's Export Credit Guarantees covers export credit guarantee commitments and half of offers given at the closing date's exchange rate. The total exposure arising from export credit guarantees and special guarantees covers export credit guarantee and special guarantee commitments and offers given, including export guarantees. The credit risk for export credits is covered by the parent company's export credit guarantee.

### EXPOSURE BY SECTOR 30 JUN 2020 LOANS, GUARANTEES AND EXPORT GUARANTEES



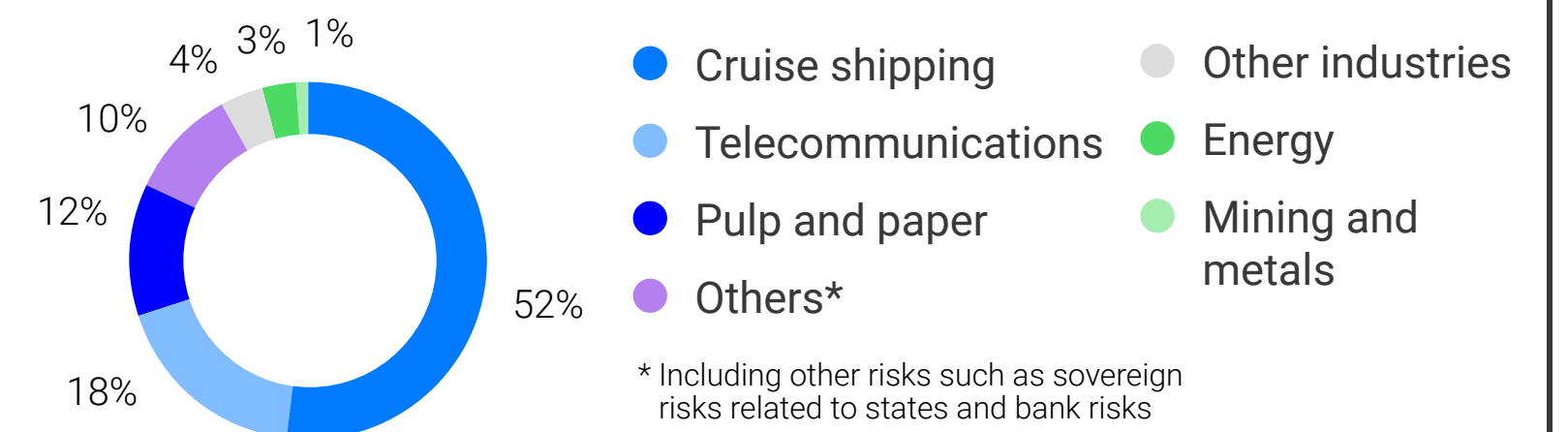
### TREND OF EXPOSURE BY SECTOR, EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES, MEUR



- Cruise shipping
- Telecommunications
- Pulp and paper
- Others\*
- Other industries
- Energy
- Mining and metals

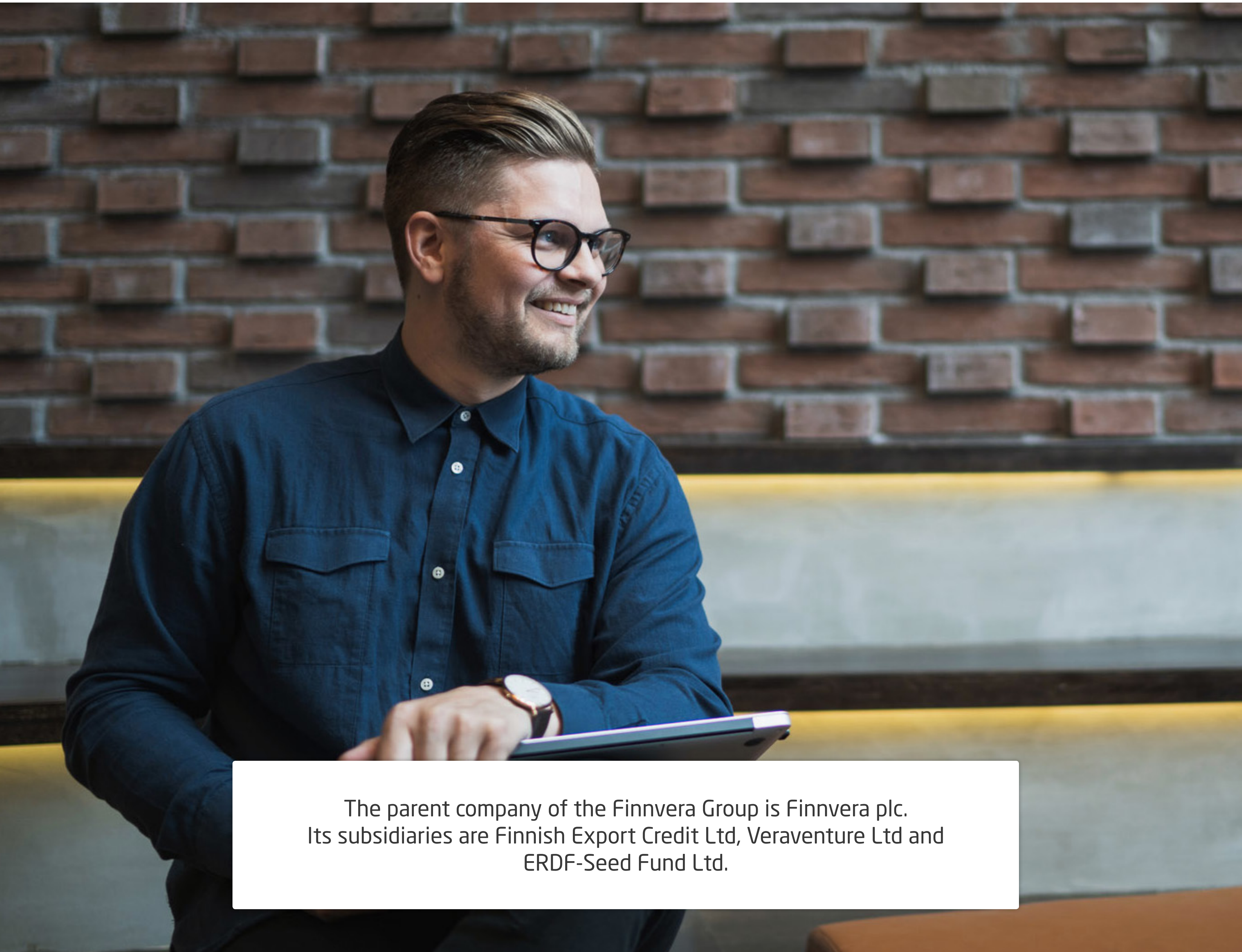
\* Including other risks such as sovereign risks related to states and bank risks

### EXPOSURE BY SECTOR 30 JUN 2020 EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES, %



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





The parent company of the Finnvera Group is Finnvera plc. Its subsidiaries are Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd.

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**Finnvera Group's financial performance H1/2020**

**Finnvera Group**

Result  
**-423 MEUR**  
 (H1/2019: 72 MEUR)

Balance sheet total  
**EUR 13.0 bn**  
 (31 Dec 2019: EUR 12.7 bn)

Expense-income ratio  
**29.1%**  
 (2019: 25.4%)

Equity ratio  
**8.1%**  
 (31 Dec 2019: 11.6%)

Average number of employees  
**360**  
 (H1/2019: 363)

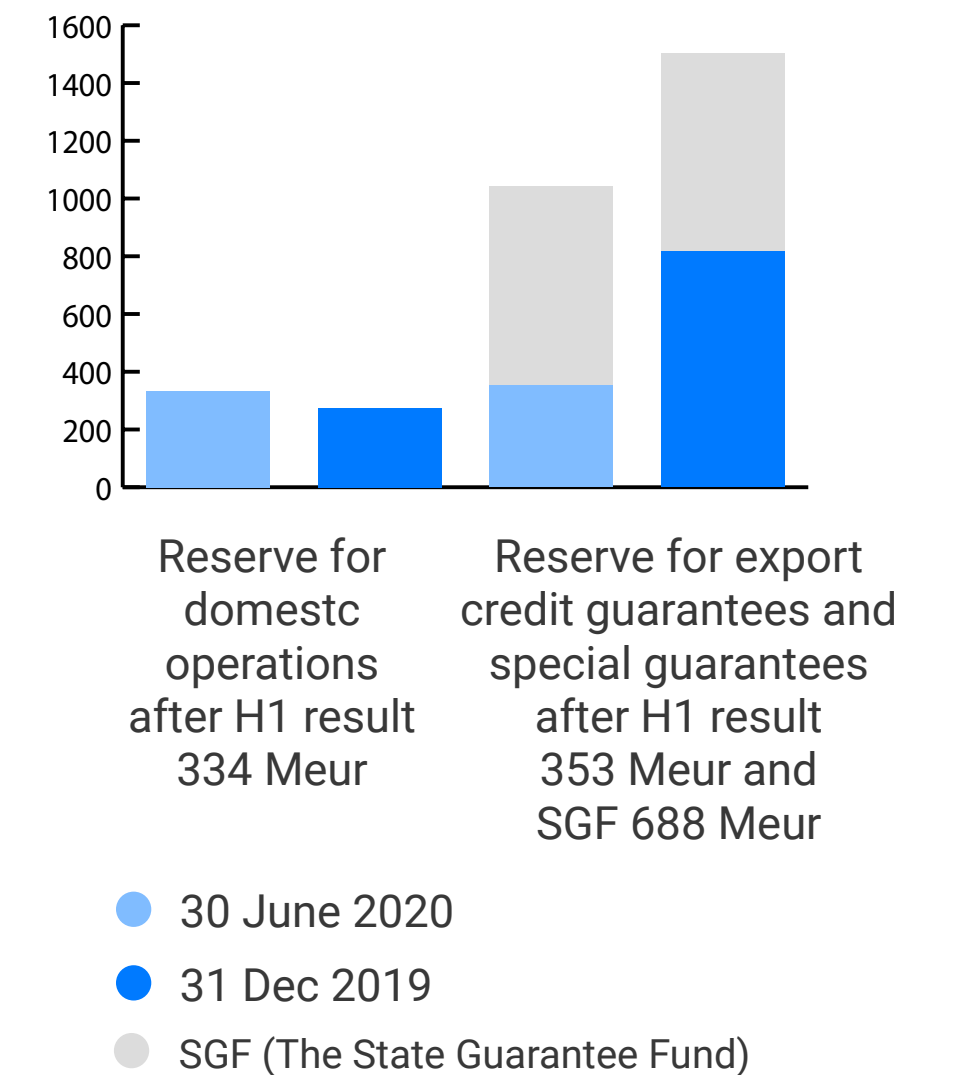
**Domestic financing authorisation was raised**

As a result of the coronavirus pandemic, the Finnish Government raised Finnvera's domestic financing authorisation from the maximum of EUR 4.2 billion to EUR 12 billion on 20 March 2020 - In January-June, the domestic financing increased 115% year on year.

**Significant credit loss provisions due to the coronavirus pandemic**

As a result of the coronavirus pandemic cruise operations all over the world were suspended with official decisions. Due to the decline of the public credit ratings of many shipping companies and the generally declining outlook in the world economy, it has been necessary for us to make significant provisions for potential future credit losses. Consequently, the Finnvera Group's result for January-June showed a loss of EUR 423 million.

Reserve for domestic operations and reserve for export credit guarantees and special guarantees and the SGF



**Net promoter score index**

**50**

(H1/2019: 64)

Clients are willing to recommend Finnvera.

## Financial performance

### The Finnvera Group in January–June 2020

The coronavirus pandemic has caused a very exceptional situation globally and financial forecasts have been significantly adjusted downwards all over the world. The economic and political consequences of the pandemic are extremely extensive and the key characteristic in these circumstances is uncertainty.

Due to the effects of the coronavirus pandemic, the Group's result for January–June showed a loss of EUR 423 million, whereas the result for the corresponding period last year showed a profit of EUR 72 million. The loss was caused by the significant credit loss provisions in export credit guarantee and special guarantee operations, made due to the pandemic. Credit loss provisions were increased by changes in the IMF's economic development forecast and the decline of risk ratings of individual risk subjects. According to the IMF's June forecast, the GDP is expected to decrease globally by 4.9 per cent and in developed countries by 8.0 per cent. Expected losses increased by EUR 477 million (a decrease of EUR 5 million). Realised losses totalled EUR 17 million (EUR 14 million), showing a year-on-year increase of 19 per cent.

The Group's net interest income in January–June was EUR 24 million (EUR 19 million), growing by 22 per cent year on year. Interest income was 25 per cent lower than in the comparison period, mainly resulting from a decrease in the interest income from the subsidiary Finnish Export Credit Ltd's export credits and debt securities due to lower market interest rates. Interest expenses were 38 per cent lower than in the comparison period. The decrease resulted from the smaller amount of funding interest expenses, which was in particular due to lower market interest rates. The carrying amount of debt securities in issue at the end of June was EUR 10,440 million (EUR 10,138 million), 3 per cent higher than at the same time last year. No new long-term funding was carried out in January–June.

The net value of fee and commission income and expenses was EUR 68 million, on a par with the corresponding period last year (EUR 68 million). Fee and commission income decreased by 9 per cent year on year, as a result of a decrease in fee and commission income from export credit

guarantee and special guarantee operations. Similarly, fee and commission expenses decreased by 47 per cent from the comparison period, which was due to lower fee and commission expenses in reinsurance operations.

Changes in the value of items recognised at fair value through profit or loss were EUR -2 million in January–June, whereas in the corresponding period last year, these items were EUR 17 million. The change resulted mainly from the recognition of derivatives and liabilities at fair value. 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. Since the beginning of 2020, cash flow hedge accounting has been applied to this item. In the corresponding period last year, financial performance was subject to volatility caused by the increase in the costs of USD-denominated funding on the cross currency swap market.

Operating expenses and depreciation increased by 2 per cent year on year. The underlying reasons for this increase included the temporary agency workers recruited to process SME and midcap financing applications, the number of which grew due to the coronavirus pandemic, as well as the increase in depreciation due to IT investments made. The Group's operating expenses were EUR 22 million (EUR 23 million) and depreciation amounted to EUR 4 million (EUR 3 million).

The quality of the SME and midcap financing credit portfolio remained at the targeted level during the first half of the year and the deteriorating economic situation did not yet have a mentionable impact on enterprises' credit performance. Risks pertaining to individual clients and the amounts of non-performing credits and arrears have remained at a reasonable level. Expected loss (EL) for exposure remained nearly unchanged during the first six months of the year and was 3.14 per cent (3.25 per cent) of total exposure at the end of the period under review.

Approximately 71 per cent of the outstanding guarantees and binding offers in the Large Corporates business were associated with euro-area countries 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, 29 per cent of the

exposure was in risk category BBB-, which reflects investment grade, or in better risk categories.

At the end of June, the most significant market risks associated with asset management were within the risk limits of the asset management policy. The most significant of these risks was the EUR 89 million investment portfolio price risk. The funding-related cost risk due to structural underfunding was EUR 69 million, the balance sheet's interest rate sensitivity was EUR -19 million for a 200-bps change, and the open foreign exchange position was EUR 6 million.

### Financial performance of Finnvera plc and the Group companies

The profit of the parent company, Finnvera plc, for January–June stood at EUR -425 million (EUR 53 million), of which the Large Corporates business accounted for EUR -461 million (EUR 44 million) and the SMEs and Midcap business for EUR 36 million (EUR 9 million).

The subsidiaries had an impact of EUR 2 million (EUR 19 million) on the Group's profit. Finnish Export Credit Ltd accounted for EUR 2 million (EUR 21 million) of this impact. The result of venture capital investment activities showed a loss, EUR -1 million (EUR -2 million).

### Separate result for export credit guarantee and special guarantee operations

In January–June, the separate result for export credit guarantee and special guarantee operations came to EUR -476 million (EUR 44 million).

### Analysis of financial performance in January–June 2020

#### Interest income and expenses and interest subsidies

The Group's net interest income during the first half of the year was EUR 24 million (EUR 19 million), showing a year-on-year increase of 22 per cent as interest expenses decreased more than interest income did.

Interest income for January–June decreased by 25 per cent year on year, totalling EUR 67 million (EUR 89 million). This decrease was driven by interest from loans passed on to the clients, which decreased by 20 per cent. At the end of June, outstanding export credits granted by the subsidiary Finnish Export Credit Ltd were at a 4 per cent higher level than



at the same time last year, but interest income from receivables from interest from loans during the first half of the year was 24 per cent lower as a result of lower market interest rates. On the other hand, outstanding loans in domestic financing provided by the parent company decreased by 12 per cent year on year and interest income by 3 per cent. In addition to the decrease in interest income from export credits, the total interest income was also decreased by the year-on-year decrease in interest income from investments.

In January–June, interest expenses were EUR 43 million (EUR 70 million), showing a year-on-year decrease of 38 per cent. The decrease resulted from the smaller amount of funding interest expenses, which was in particular due to lower market interest rates. The carrying amount of debt securities in issue at the end of June was EUR 10,440 million (EUR 10,138 million), 3 per cent higher than at the same time last year. No new long-term funding was carried out in January–June.

#### **Fee and commission income and expenses**

The net value of fee and commission income and expenses was EUR 68 million, on a par with the corresponding period last year (EUR 68 million).

Fee and commission income decreased by 9 per cent, to EUR 76 million (EUR 84 million). This was caused by the 18 per cent decrease in fee and commission income from export credit guarantee and special guarantee operations, which was due to the decrease in the number of export credit guarantees and special guarantees granted and the instalment postponements made because of the coronavirus pandemic. On the other hand, fee and commission income from domestic financing guarantees increased by 13 per cent, as a result of the increase in guarantee demand and exposure due to the coronavirus pandemic. Export credit commitment fees increased by 5 per cent from the corresponding period last year as undrawn exposure increased by 6 per cent.

Fee and commission expenses were EUR 9 million (EUR 16 million), showing a year-on-year decrease of 47 per cent, due to lower fee and commission expenses in reinsurance operations. Fee and commission expenses consisted nearly entirely of the expenses of reinsurance taken out by the parent company.

#### **Gains and losses from items recognised at fair value through profit or loss and net income from foreign currency operations**

During the first half of the year, the Group's changes in the value of items recognised at fair value through profit or loss and net income from foreign currency operations totalled EUR -2 million (EUR 17 million), of which the change in the fair value of liabilities, debt securities and interest rate and currency swaps accounted for EUR -3 million (EUR 19 million). The change in the fair value of venture capital investments and gains and losses from sales from venture capital investments and SME bonds amounted to EUR -1 million (EUR -3 million). Net income from foreign currency operations was EUR 2 million (EUR 1 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 June, the carrying amount of these liabilities was EUR 7,221 million (EUR 6,068 million). The liabilities are hedged from changes caused by market interest rates. Credit risk changes are not part of the hedging relationship. During the first half of the year, the 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 -5 million (EUR 3 million) on profit.

The fair value option is applied to the valuation of liabilities that fall outside hedge accounting when they are hedged with derivative contracts. 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. At the end of June, the carrying amount of these liabilities was EUR 3,219 million (EUR 3,607 million). During the first half of the year, the liabilities subject to the fair value option and the derivatives that are used for hedging them had an impact of EUR 1 million (EUR 4 million) on profit.

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. These derivatives were included in the scope of cash flow hedge accounting starting from 1 January 2020. The derivative contracts' impact on profit was EUR -0.1 million (EUR 13 million).

As of 1 January 2020, Finnvera has applied fair value hedge accounting to certain investments in debt securities that are hedged with interest rate swaps. These and specifically debt securities recognised at fair value through profit and loss (the fair value option) and interest rate swaps hedging them as well as other interest rate swaps taken out for liquidity management purposes had an impact of EUR -0.2 million (EUR 0.4 million) on profit.

#### **Other income**

Other operating income was less than EUR 1 million. Income increased by 11 per cent year on year.

#### **Operating expenses and depreciation**

In January–June, the Group's operating expenses, or administrative expenses and other operating expenses, were EUR 22 million (EUR 23 million). Depreciation amounted to EUR 4 million (EUR 3 million). The total amount of operating expenses and depreciation increased by 2 per cent year on year. The underlying reasons for this increase included the temporary agency workers recruited to process SME and midcap financing applications, the number of which grew due to the coronavirus pandemic, as well as the increase in depreciation due to IT investments made.

In January–June, administrative expenses were EUR 22 million (EUR 23 million). Of administrative expenses, personnel expenses accounted for EUR 15 million (EUR 15 million) and other administrative expenses for EUR 7 million (EUR 8 million). Both personnel expenses and other administrative expenses decreased by 2 per cent when compared to the corresponding period last year. A significant part of the decrease of other administrative expenses resulted from the postponement of measures and their expense impact due to the coronavirus pandemic.

#### **Realised and expected credit losses**

When calculating expected credit losses (ECL), Finnvera adheres to the general principles of the IFRS 9 Financial Instruments standard that are used in the banking sector in general. In ECL models the 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 based on an essential increase in the credit risk of the financial

instrument when compared to the moment when it was originally granted. Significant individual exposures are always estimated separately. Recording expected losses requires the management's judgment of uncertainties affecting ECL calculation, such as credit loss probabilities, macroeconomic scenarios and their weighting on the end date of the reporting period.

The coronavirus pandemic has created a very exceptional situation and financial forecasts have been significantly adjusted downwards all over the world. The economic and political consequences of the pandemic are extremely extensive and the key characteristic in these circumstances is uncertainty. Especially International restrictions on movement and the state of emergency in Finland and other countries during the spring brought economy drastically to a sudden stop. Consequently, the changes of macroeconomic forecasts for 2020 have had a negative impact on the macroeconomic scenarios used in ECL calculation. According to the International Monetary Fund's (IMF) June forecast, the GDP is expected to decrease globally by 4.9 per cent and in developed countries by 8.0 per cent. This year, Finland's GDP will decline by approximately 7 per cent according to the Bank of Finland's forecast and by 6 per cent according to the Ministry of Finance's forecast. On the basis of the exceptional decline of the GDP outlook, the PIT-PD (point-in-time probability of default) tables of macroeconomic indicators used in Finnvera's half-year report have been updated to correspond with the prevailing economic circumstances.

The update of the macroeconomic scenarios increased the ECL amount for the parent company's export credit guarantee and special guarantee operations significantly. The amount of loss provisions was also increased by the decline of risk ratings of individual risk subjects.

In January–June, the Group's realised and expected credit losses amounted to EUR 494 million (EUR 9 million). Expected losses increased by EUR 477 million (a decrease of EUR 5 million). Realised losses totalled EUR 17 million (EUR 14 million), showing a year-on-year increase of 19 per cent. The credit loss compensation covering these losses amounted to EUR 12 million (EUR 7 million). As a consequence of the coronavirus pandemic, the State's credit loss compensation for domestic loans and guarantees granted by the parent company Finnvera plc was raised from 50 per cent to 80 per cent starting from 1 June 2020. After the

compensation for credit losses by the State, the Group's liability for losses during the first half of the year amounted to EUR 481 million (EUR 2 million).

When reviewed by business area, expected losses in domestic financing decreased by EUR 35 million in January–June. Loss provisions stood at EUR 51 million at the end of June and at EUR 86 million at the end of last year. The amount of loss provisions was decreased by the raising of the State's credit loss compensation to 80 per cent due to the coronavirus pandemic but, on the other hand, it was increased by the deterioration of macroeconomic indicators used in calculation. The macroeconomic forecast used was the decline of Finland's GDP by 6.8 per cent during 2020.

Expected losses associated with export credit guarantees and special guarantees grew by EUR 475 million, resulting in a negative result for January–June. Loss provisions on the balance sheet stood at EUR 548 million at the end of June and at EUR 73 million at the end of last year. Loss provisions were increased, as stated above, by the deterioration of macroeconomic indicators and the decline of risk ratings of individual risk subjects. The macroeconomic forecast used was the GDP forecast for developed countries for 2020 published by the IMF in June 2020, weighted with three different scenario realisation likelihoods: very strong recession (50 per cent), development that is weaker than the normal forecast (30 per cent) and normal development (20 per cent).

At the end of June, the carrying amount of receivables from export credit and special guarantee operations was EUR 106 million (EUR 136 million), which included the parent company Finnvera plc's 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 has been paid.

#### **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 111 million at the end of June (EUR 117 million). When the loss provisions made are considered, non-performing exposure accounted for

4.3 per cent (5.6 per cent) of total exposure. The ratio of non-performing exposure to total exposure was 0.9 per cent (2.8 per cent) when the compensation for credit losses received from the State is taken into account.

The amount of non-performing exposure in export financing stood at EUR 77 million at the end of June (EUR 107 million). The ratio of non-performing exposure to total exposure was 0.3 per cent (0.4 per cent).

#### **Long-term economic self-sustainability**

In its operations, Finnvera is expected to attain economic self-sustainability, which 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 June. 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. In examining the financial performance, it is important to note that, at the end of June, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 24,633 million (EUR 25,489 million) and the exposure for the credits and guarantees of SMEs and midcap enterprises stood at EUR 2,373 million (EUR 1,928 million). Seen against these exposures, non-restricted equity was about 3 per cent (4 per cent) and equity about 4 per cent (5 per cent).

#### **Balance sheet and contingent liabilities 30 June 2020**

At the end of June, the consolidated balance sheet total was EUR 12,962 million (EUR 12,665 million). The balance sheet total increased by 2 per cent, or EUR 297 million, during the first half of the year. At the end of June, the Group's outstanding credits came to EUR 7,544 million (EUR 7,931 million), or 5 per cent less than at the start of the year. The carrying



amount of debt securities in issue was EUR 10,440 million (EUR 10,138 million).

As a consequence of the coronavirus pandemic and the significantly increasing demand for SME and midcap financing, the parent company's outstanding guarantees in SME and midcap financing increased by 42 per cent during the first six months of the year and was EUR 1,660 million at the end of June (EUR 1,165 million).

The exposure for export credit guarantees 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 20,477 million at the end of June (EUR 20,774 million), slightly lower than at the end of last year. The parent company's total exposure arising from export credit guarantees and special guarantees (commitments and offers given, including export guarantees) totalled EUR 24,633 million (EUR 25,489 million). Drawn exposure amounted to EUR 11,431 million, at the same level as at the end of last year (EUR 11,443 million). The Group's off-balance sheet exposure for export credit guarantees and special guarantees amounted to EUR 15,750 million (EUR 16,412 million). At the end of June, the maximum indemnity amount of reinsurance arrangements for export credit guarantee and special guarantee operations was approximately EUR 1.4 billion, or 12 per cent of drawn exposure.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments, and consequently, the assets and liabilities of venture capital investment activities are presented under assets and liabilities held for sale. At the end of June, the Group's assets held for sale totalled EUR 49 million (EUR 50 million) and liabilities held for sale EUR 19 million (EUR 19 million).

The Group's long-term liabilities as per 30 June totalled EUR 10,530 million (EUR 10,236 million), nearly all of this sum consisting of bonds.

At the end of June, the Group's non-restricted equity was EUR 797 million (EUR 1,221 million), of which the reserve for domestic operations accounted for EUR 282 million (EUR 266 million), the reserve for export credit guarantee and special guarantee operations for EUR 829 million

(EUR 773 million), the reserve for venture capital investments for EUR 15 million (EUR 15 million) and retained earnings for EUR -329 million (EUR 167 million).

At the end of June, after the negative result for January–June, the accumulated loss reserve amount in export credit guarantee and special guarantee operations was EUR 1,041 million (EUR 1,503 million), when the State Guarantee Fund's assets, EUR 688 million (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. After the loss provisions made, the Group's loss reserves amounted to EUR 1,485 million in total (EUR 1,906 million), or 6 per cent of exposures (6 per cent).

<b>Finnvera Group</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>Change</b>	<b>Change</b>
<b>Balance sheet</b>	<b>Meur</b>	<b>Meur</b>	<b>Meur</b>	<b>%</b>
Share capital	197	197	0	0%
Share premium and fair value reserve	57	46	11	25%
Non-restricted equity, in total	797	1 221	-423	-35%
Reserve for domestic operations	282	266	16	6%
Reserve for export credit guarantees and special guarantees	829	773	56	7%
Other	15	15	0	0%
Retained earnings	-329	167	-496	-297%
Equity attributable to the parent company's shareholders	1 051	1 463	-412	-28%
Balance sheet total	12 962	12 665	297	2%

### Funding

No long-term funding was carried out in January–June. In the corresponding period last year, funding totalled EUR 1,019 million. In January–June, EUR 7 million in long-term loans was paid back (EUR 709 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.

### Capital adequacy in domestic operations

According to the goal set by the State of Finland, the owner of Finnvera, the Group's capital adequacy ratio for domestic operations should be at least 15 per cent. Finnvera's capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of June, the Group's capital adequacy ratio for domestic operations, Tier 1, stood at 23.7 per cent (29.4 per cent) and the leverage ratio was 21.0 per cent (24.7 per cent).

The risk-weighted receivables in the Group's domestic operations totalled EUR 2,272 million at the end of June (EUR 1,827 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,994 million (EUR 1,566 million), or 88 per cent (86 per cent) of risk-weighted receivables.

<b>Finnvera Group</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>Change</b>	<b>Change</b>
<b>Domestic operations</b>	<b>Meur</b>	<b>Meur</b>	<b>Meur</b>	<b>%</b>
<b>Capital for calculating capital adequacy</b>				
Equity excluding profit for the period	1 387	1 314	73	6%
Intangible assets	-19	-20	-1	-6%
Reserve for export credit guarantees and special guarantees	-829	-773	56	7%
Profit for the period	0	73	-73	-100%
Profit for the period attributable to export credit guarantees	0	-56	56	-100%
<b>Total</b>	<b>539</b>	<b>538</b>	<b>2</b>	<b>0%</b>

<b>Finnvera Group Domestic operations</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>Change</b>	<b>Change</b>
<b>Risk-weighted items</b>	<b>Meur</b>	<b>Meur</b>	<b>Meur</b>	<b>%</b>
Receivables from credit institutions	4	5	-1	-12%
Receivables from clients	1 994	1 566	428	27%
Investments and derivatives	73	83	-10	-12%
Interest receivables, other receivables, prepayments, other assets	18	25	-8	-30%
Binding promises for loans	14	58	-44	-76%
Operational risk	169	90	79	88%
<b>Total</b>	<b>2 272</b>	<b>1 827</b>	<b>445</b>	<b>24%</b>

#### Capital adequacy in export financing

No specific requirement has been set for the capital adequacy of Finnvera's export financing. 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. Calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for export financing, considering its special industrial policy task in promoting exports. However, if capital adequacy is calculated taking into account the assets in the State Guarantee Fund, in addition to the assets in the reserve for export credit guarantee and special guarantee operations, the estimated capital adequacy of export financing in accordance with Tier 1 would be 4.5 per cent (6.9 per cent).

#### Risk position

In June 2020, SME and midcap financing exposure was EUR 2,799 million (EUR 2,288 million), or EUR 511 million less than at the turn of the year. The exposure increase was mainly due to enterprises' working capital needs caused by the coronavirus pandemic.

The quality of the SME and midcap financing credit portfolio remained at the targeted level during the first half of the year and the deteriorating economic situation did not yet have a mentionable impact on enterprises' credit performance. Together with banks, Finnvera has granted a considerable amount of instalment postponements, which has also

facilitated enterprises' liquidity. Risks pertaining to individual clients and the amounts of non-performing credits and arrears have remained at a reasonable level. Expected loss (EL) for exposure remained nearly unchanged during the first six months of the year and was 3.14 per cent (3.25 per cent) of total exposure at the end of the period under review. The distribution of exposure by risk category also remained virtually unchanged. Altogether 76 per cent of Finnvera's exposure fell into the intermediate credit rating category B2 or a better category. Credit and guarantee losses and impairment losses totalled EUR -3.2 million (EUR 14.7 million). The exceptional amount of credit losses was due to the change in the State's credit and guarantee loss compensation, which reduced the IFRS loss allowance amount in financing subject to the Act on Credits and Guarantees Provided by the State-Owned Specialist Financing Company.

In June 2020, the total exposure of the Large Corporates business was EUR 24,240 million (EUR 25,160 million), or EUR 920 million less than at the turn of the year. Approximately 71 per cent of the outstanding guarantees (totaling EUR 20,236 million) and binding offers (totaling EUR 4,004 million) were associated with the EU Member States 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, 29 per cent of the exposure was in risk category BBB-, which reflects investment grade, or in better risk categories.

During the first half of 2020, there were no significant realised export credit guarantee losses, but the calculated expected loss (ECL) increased by EUR 475 million from the end of 2020. The increase was mainly due to the strong deterioration of the economic outlook, caused by the coronavirus pandemic, and the decline of shipping companies' risk ratings.

Among the subsidiaries, the exposure arisen for Finnish Export Credit Ltd from the financing of export credits totalled EUR 14,082 million at the end of June (EUR 14,173 million), which was EUR 91 million less than at the end of last year. The exposure includes outstanding credits and binding credit commitments. The credit risk for export credits is covered by the

parent company Finnvera plc's export credit guarantees. These export credit guarantees are included in the above-mentioned exposure for export financing.

In June, asset management's liquidity portfolio consisting of deposits in banks and investments in liquid assets stood at EUR 4,234 million, excluding cash collateral received (EUR 3,799 million). All investments were at least in risk category BBB (Finnvera's risk category), which reflects investment grade, or in better risk categories, and all long-term (exceeding 12 months) investments are made in assets with a minimum credit rating of A- (S&P and Fitch) or A3 (Moody's). A total of 92 per cent of assets were in investments or account banks with a minimum rating of A- (Finnvera's risk category). Expected loss (EL) for deposits and investments was EUR 1.8 million, or 0.04 per cent.

The company hedges interest rate and currency risks using derivatives, the nominal value of which was EUR 12,341 million (EUR 12,952 million) at the end of June. The minimum credit rating was A3 (Moody's) for all derivative contract counterparties and for most, it was A- (S&P and Fitch). The derivative-related counterparty risk is mitigated with collateral agreements, the collateral premiums of which are agreed on a daily basis.

At the end of June, the most significant market risks associated with asset management were within the risk limits of the asset management policy. The most significant of these risks was the EUR 89 million investment portfolio price risk. The funding-related cost risk due to structural underfunding was EUR 69 million, the balance sheet's interest rate sensitivity was EUR -19 million for a 200-bps change, and the open foreign exchange position was EUR 6 million.

#### Corporate governance

##### Personnel

At the end of June, the Group had 372 employees (30 June 2019: 383), of whom 328 (335) held a permanent post and 44 (48) a fixed-term post. Of the fixed-term personnel, 20 (25) were summer workers. The Group's average number of employees during the period under review was 360 (363) and personnel expenses totalled EUR 15 million (EUR 15 million).



With the aid of an external partner, temporary agency workers were recruited to process financing applications, the number of which grew due to the coronavirus pandemic. To clear the application backlog, 48 workers were hired in the Helsinki and Kuopio offices, most of them for approximately 4–6 months starting from the beginning of April.

### **Supervisory Board, Board of Directors and auditor**

On 23 March 2020, Finnvera's Annual General Meeting elected new members to the company's Supervisory Board. No changes were made in the composition of the Board of Directors.

Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, continues as Chairman of Finnvera's Board of Directors, Antti Neimala, Director General, continues as First Vice Chairman and Terhi Järvikare, Director General, continues as Second Vice Chairman. Ritva Laukkanen, M.Sc. (Econ.); Pekka Nuuttila, Forester; Pirkko Rantanen-Kervinen, B.Sc. (Econ.); and Antti Zitting, Enterprise Counsellor, Chairman of the Board, continue as members of the Board of Directors.

The new members of the Supervisory Board were Lauri Muranen, Head of Industrial Affairs in the Central Organisation of Finnish Trade Unions SAK, and Anne Niemi, Member of the Board's work committee in the Federation of Finnish Enterprises.

Sofia Vikman, Member of Parliament, continues as Chairman of the Supervisory Board and Johannes Koskinen, Member of Parliament, continues as Vice Chairman. The members continuing on the Supervisory Board are Members of Parliament Eeva-Johanna Eloranta, Mari Holopainen, Anne Kalmari, Juho Kautto, Juha Pylväs, Lulu Ranne, Wille Rydman and Joakim Strand; Leila Kurki, Senior Adviser (Finnish Confederation of Professionals STTK); Kari Luoto, Managing Director (Finnish Grocery Trade Association); Veli-Matti Mattila, Director, Chief Economist (Finance Finland FFI); Jaana Möntti, Finance Manager (Finnvera); Tommi Toivola, Director (Confederation of Finnish Industries); and Anette Vaini-Antila, Second Vice Chairman (The Finnish Business School Graduates).

The Annual General Meeting adopted the consolidated financial statements and the parent company's financial statements for the period

1 January–31 December 2019, discharged the company's Supervisory Board, Board of Directors and CEO from liability and approved the proposal made by the Board of Directors for the use of the parent company's profits.

KPMG Oy Ab was elected to serve as Finnvera's regular auditor, with Marcus Tötterman, Authorised Public Accountant, as the principal auditor.

### **Other events during the period under review**

#### **As a result of the coronavirus pandemic, Finnvera's authorisation to grant SME financing was raised to EUR 12 billion, products and services were adjusted according to the situation**

As a result of the crisis caused by the coronavirus pandemic, the Finnish Government raised Finnvera's domestic financing authorisation from the maximum of EUR 4.2 billion to EUR 12 billion on 20 March 2020. This constituted a significant boost to Finnvera's opportunities to grant financing. Finnvera focused its financing activities on guarantees that enterprises apply for via banks: they were the fastest way of making financing available to enterprises. To secure the granting of guarantees, the handling of direct loan applications was suspended.

Finnvera reacted to enterprises' growing demand for financing by quickly taking measures related to products, service process and pricing and by recruiting temporary agency workers to clear the application backlog. To help enterprises with financing, Finnvera granted a 12-month instalment-free period to Finnvera's loans, available to clients with an electronic application. In addition, Finnvera granted the banks the permission to automatically grant a 6-month instalment-free period to the loans Finnvera has guaranteed.

The terms and conditions of the SME Guarantee, targeted at enterprises seeking growth, were changed to make it possible to apply for the SME Guarantee for working capital needs caused by the coronavirus crisis. With regard to the Finnvera Guarantee, a so-called fast track procedure was created for a EUR 150,000–1,000,000 corporate debt bond granted by a bank. Finnvera's guarantee coverage was increased to 80 per cent and the collateral requirement was abandoned. Finnvera Guarantees that fulfil the

fast track criteria are dealt with in an accelerated procedure once the client has agreed on the guarantee with its bank.

#### **Finnvera's guarantee coverage can be up to 90 per cent**

The Temporary Framework for State aid set by the European Commission offers Finnvera the alternative of using the so-called COVID-19 aid as the form of State aid included in financing. Finnvera's guarantee coverage can be up to 90 per cent if the arrangement of financing for the SME absolutely requires. Finnvera must submit information to the European Commission about all enterprises that have been granted a 90 per cent guarantee. The Commission will publish this information on its website.

#### **Finnvera reduced and simplified the guarantee pricing**

On 2 April 2020, Finnvera made the decision to reduce and simplify the pricing of the guarantees used in financing working capital for the corona situation retroactively from the beginning of March 2020. The annual guarantee commission for the Start Guarantee, the SME Guarantee and the Finnvera Guarantee's fast track was reduced to 1.75 per cent. The service fee for the Start Guarantee and the SME Guarantee was reduced to 0.1 per cent of the guarantee amount. Finnvera retroactively reimburses the difference in fees if clients have paid a higher guarantee commission or service fee. For the fast track, the service fee remains unchanged at approximately EUR 400.

#### **The State's credit and guarantee loss compensation was raised to 80 per cent**

The reduction of pricing became possible when the State temporarily raised the credit and guarantee loss compensation paid to Finnvera from 50 per cent to 80 per cent. As a consequence of the coronavirus pandemic, the Finnish Government decided to take exceptional measures. One of the measures was to secure the financing of SMEs and also larger enterprises by raising Finnvera's loan and guarantee authorisation and by increasing the company's loss compensation percentage to 80 per cent. A precondition for granting financing is that the enterprise's operations have been profitable before the coronavirus pandemic.

### **A The maximum amounts of the Start Guarantee and the SME Guarantee were increased**

The maximum amounts of the Start Guarantee and the SME Guarantee were increased. The maximum amount for the Start Guarantee granted to an enterprise for a single financing need at a time is still EUR 80,000, but a new Start Guarantee can be granted when at least two months have elapsed since the previous decision. The total amount of the Start Guarantees granted to one enterprise can be no more than EUR 160,000. Similarly, the maximum amount of a single SME Guarantee granted to an enterprise at a time is EUR 120,000, but a new SME Guarantee can be granted when two months have elapsed since the previous decision. The total amount of the SME Guarantees granted to an enterprise can be no more than EUR 240,000.

### **Finnvera made preparations for the working capital needs of larger corporates**

Finnvera is also prepared for the working capital needs of larger corporates in the circumstances caused by the coronavirus pandemic. Finnvera's guarantee may be 80 per cent at a maximum, provided in a manner that ensures that Finnvera does not become the main provider of financing. Large projects are handled on a case-by-case basis and the primary source of financing is still the commercial market.

### **Additional quota for the COSME guarantee programme due to the coronavirus crisis**

The COSME counter-guarantee makes Finnvera's SME Guarantee possible. Finnvera and the European Investment Fund (EIF) agreed on an additional financing quota for the counter-guarantee to cover the SME Guarantee demand that increased due to the coronavirus crisis. The agreement makes it possible to grant EUR 625 million in financing as an unsecured 80-per-cent SME Guarantee for a loan granted by a bank.

### **Finnvera can grant export credit guarantees with a short risk period also for the EU Member States and Western industrial countries**

Finnvera can grant export credit guarantees with a risk period of less than two years for the EU Member States and certain Western industrial countries, or so-called marketable risk countries, until 31 December 2020.

The authorisation is based on the extensive package of measures that the European Commission introduced due to the coronavirus pandemic. Comparable temporary measures were in place after the financial crisis of 2008. Private credit insurance companies are still the primary source of credit insurance for these countries, and Finnvera's complements the market. Finnvera's guarantee cover in credit insurance is 90 per cent.

### **Finnvera changed its funding plan for 2020**

As the economic outlook has changed significantly, demand for Finnvera's export financing, especially export credits, in 2020 is expected to remain lower than estimated. Finnvera reduced its estimate of the amount of funding: the new estimate is that funding amounts to EUR 1.0–1.5 billion in 2020.

### **Heli Pietiläinen appointed Finnvera's Head of Internal Auditing**

In March 2020, Heli Pietiläinen, M.Sc., B.Sc. (Econ.), CIA, CISA, was appointed Finnvera's Head of Internal Auditing. She started in the position on 1 June 2020. Before joining Finnvera, Pietiläinen worked as the Head of Internal Audit at Stockmann plc. Before that, she worked in internal auditing and risk management positions at KPMG Oy and UPM-Kymmene Corporation.

### **The minimum amount of the Finnvera Loan was raised to EUR 50,000 in January**

Early in the year, Finnvera increased the efficiency of the use of the Start Guarantee and the SME Guarantee, intended for micro-financing. At the same time, the minimum amount of the Finnvera Loan was raised to EUR 50,000 as of 2 January 2020. The change in the minimum loan amount applies to the Finnvera Loan and so-called bridge financing. In the circumstances caused by the coronavirus pandemic, Finnvera focused on securing the Start Guarantee, SME Guarantee and Finnvera Guarantee processes. For this reason, the handling of direct loan applications was suspended in March.

## **Events after the period under review**

### **Finnvera reduced its outlook for 2020**

On 1 July 2020, Finnvera plc gave a profit warning. According to the financial forecasts at that time, the calculated impact of macroeconomic

indicators on expected credit losses, among other factors, was estimated to impair Finnvera Group's result so that the Group's operations are unprofitable in 2020.

In its report of the Board of Directors and financial statements for 2019 released on 26 February 2020, Finnvera Group estimated that its operations are expected to remain self-sustainable in 2020 and that the development of realised and expected credit losses involves uncertainty, which may have a considerable impact on the generation of the result.

## **Outlook for financing**

According to the Bank of Finland's forecast, Finland's GDP will decline by approximately 7 per cent this year. The Ministry of Finance estimates that the GDP will decrease by 6 per cent this year and increase by 2.5 per cent next year. According to the IMF's forecast, the GDP will decrease globally by 4.9 per cent and in developed countries by 8.0 per cent.

Finnvera is prepared to secure the availability of lending to viable enterprises in all stages of the crisis. During the remainder of the year, we will continue the bank financing guarantee programme and supplement the financial market also with Finnvera's own senior and junior loans. We are also prepared for an increase in the number of enterprises in difficulties. We estimate that financing arrangements will become more difficult especially for those enterprises that would need arrangements for the second time during the crisis. Finnvera takes a flexible approach towards all arrangement and re-arrangement needs and hopes that the entire financing system follows suit.

Our estimate is that during the autumn, the effects of the crisis will spread more intensively to export companies and their subcontracting chains in Finland. We expect that also in July–December, demand for domestic financing, when measured in euros, will remain on a par with the first half of the year. The reconstruction of economy proceeds at a different pace in different sectors. We are prepared to secure diverse forms of financing for new growth, too. This refers to the strengthening of enterprises' eligibility for financing with Finnvera's junior loans, for instance.



Demand for export credit guarantees and export credits is influenced by order book development in export companies and the development of the availability of financing to the companies' clients during the second half of the year. Planned investments have been postponed and it is estimated that the number of new orders will decline significantly, which would affect even large companies. On the other hand, the weaker availability of financing typically increases demand for financing guaranteed by export credit agencies. As in previous years, the overall demand is affected by the realisation of individual major projects.

The pandemic has had a negative impact on the tourism sector, including cruise shipping and shipyards. The outlook for the sector is strongly affected by two factors: when shipping companies will have the chance to re-launch their operations and what kind of experiences the new beginning of cruises will bring along. In other major export industry sectors, we expect more buyers to be interested in financing their export transactions with export credit as the terms and conditions of commercial sources of financing become poorer. Demand is not expected to concentrate to certain geographical areas.

Until the end of 2020, Finnvera has the opportunity to offer credit insurance also to so-called commercial risk countries, such as the EU Member States. Credit insurance helps exporters continue trade relations during times of uncertainty, which is important for the continuity of exports and for the Finnish economy.

We are also preparing ourselves for responding to the working capital financing needs of major Finnish enterprises. The need to change our guidelines will be assessed as the situation evolves.

In normal circumstances, our strategic goal is to allocate the majority of our financing to enterprises seeking growth and internationalisation as well as to investments, transfers of ownership and exports. During the coronavirus pandemic, we have expanded the allocation of financing to help all viable enterprises to overcome the crisis.

On 1 July 2020, Finnvera gave a profit warning, reducing its outlook for 2020. The coronavirus pandemic still causes exceptional uncertainty in

the outlook. On the basis of current financial forecasts, we estimate that, owing to credit loss provisions, Finnvera Group's result for 2020 will show a loss due to the calculated impact of macroeconomic indicators and the decline of risk ratings of individual risk subjects.

## Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group	
		1-6 2020	1-6 2019
Interest income			
– Interest from loans passed on to customers <sup>1</sup>		60 899	76 548
– Subsidies passed on to customers		35	112
– Other interest income		5 855	12 708
<b>Total interest income</b>	3	<b>66 789</b>	<b>89 368</b>
Interest expense		-43 011	-69 935
<b>Net interest income</b>		<b>23 778</b>	<b>19 433</b>
Net fee and commission income <sup>1</sup>	4	67 603	67 596
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	6	-2 181	16 694
Net income from investments		6	131
Other operating income		119	107
Total administrative expense		-22 173	-22 623
– Personnel expenses		-14 765	-15 096
– Other administrative expenses		-7 408	-7 527
Depreciation and amortisation on tangible and intangible assets		-3 622	-2 756
Other operating expenses		-203	-226
Realised and expected credit losses, net	5	-481 441	-1 525
– Realised credit losses		-16 575	-13 970
– Credit loss compensations from the State		12 155	7 214
– Expected credit losses		-477 022	5 231
<b>Operating profit/loss</b>		<b>-418 113</b>	<b>76 831</b>
Income tax		-5 122	-4 533
<b>Profit/loss for the period</b>		<b>-423 235</b>	<b>72 297</b>

(EUR 1,000)	Note	Finnvera Group	
		1-6 2020	1-6 2019
<b>Other comprehensive income</b>			
Items that may not be reclassified subsequently to the statement of income			
– Revaluation of defined benefit pension plans		-	-
– Change in the credit risk associated with investments carried at fair value		8 076	5 641
Items that may be reclassified subsequently to the statement at fair value			
– Change in the credit risk associated with investments carried at fair value		1 617	3 664
– Change in the expected credit losses associated with investments carried at fair value		484	-20
– Hedging of cash flow		1 024	-
<b>Total other comprehensive income</b>		<b>11 201</b>	<b>9 284</b>
<b>Total comprehensive income for the period</b>		<b>-412 034</b>	<b>81 582</b>
<b>Distribution of the profit/loss for the period attributable to equity holders of the parent company</b>		<b>-423 235</b>	<b>72 297</b>
<b>Distribution of the total comprehensive income for the period attributable to equity holders of the parent company</b>		<b>-412 034</b>	<b>81 582</b>

<sup>1</sup> The Group's interest income and fee and commission income have been reclassified during the reporting period according to IFRS 15. The comparative figures have been updated to reflect the new presentation method.



## Balance Sheet

(EUR 1,000)	Note	Finnvera Group	
		30 June 2020	31 Dec 2019
<b>ASSETS</b>			
Loans to and receivables from credit institutions	7		
– Payable on demand		305 910	210 725
– Investment accounts and deposits		211 999	408 145
Other		56 888	42 346
		<b>574 797</b>	<b>661 216</b>
Loans to and receivables from customers	7		
– Loans		7 533 738	7 920 345
– Debt securities <sup>1</sup>		10 686	10 865
– Guarantee receivables		26 981	16 612
– Receivables from export credit and special guarantee operations		105 810	135 542
		<b>7 677 214</b>	<b>8 083 363</b>
Investments			
– Debt securities <sup>1</sup>	6, 7, 8	3 749 247	3 216 802
– Other shares and participations	6, 7, 8, 9	13 723	13 723
		<b>3 762 969</b>	<b>3 230 525</b>
Derivatives	6, 7, 8	673 811	392 739
Intangible Assets	12	18 515	19 748
Tangible Assets	12	12 320	12 248
Other Assets			
– Credit loss receivables from the state		12 186	9 549
– Other		16 746	7 940
		<b>28 932</b>	<b>17 489</b>
Accrued income and prepayments	7	164 524	194 788
Tax assets		30	2 946
Assets of disposal groups classified as held for sale	7	48 742	49 939
<b>ASSETS</b>		<b>12 961 855</b>	<b>12 665 002</b>

(EUR 1,000)	Note	Finnvera Group	
		30 June 2020	31 Dec 2019
<b>LIABILITIES</b>			
Liabilities to credit institutions	7, 10	-	-
Liabilities to other institutions		74 583	82 042
Debt securities in issue	6, 7, 8, 10, 11	10 439 554	10 138 250
Derivatives	6, 7, 8	46 417	41 274
Provisions	5	186 761	51 255
Other liabilities	7	102 288	75 354
Accruals and deferred income	7	1 041 944	794 900
Tax liabilities		877	514
Subordinated liabilities	7	-	-
Liabilities of disposal groups classified as held for sales	7	18 626	18 575
<b>Total liabilities</b>		<b>11 911 051</b>	<b>11 202 163</b>
<b>EQUITY</b>			
Equity attributable to the parent company's shareholders			
Sharecapital		196 605	196 605
Share premium		51 036	51 036
Fair value reserve		5 798	-5 403
Non-restricted reserves			
– Reserve for domestic operations		282 241	265 822
– Reserve for export credit guarantees and special guarantees		828 911	772 541
– Reserve for venture capital		15 252	15 252
Retained earnings		-329 039	166 985
Non-restricted equity		<b>797 365</b>	<b>1 220 601</b>
Equity attributable to the parent company's shareholders		1 050 805	1 462 839
<b>Total equity</b>		<b>1 050 805</b>	<b>1 462 839</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12 961 855</b>	<b>12 665 002</b>

<sup>1</sup> The SME and midcap financing bonds have been transferred from investments to loans to and receivables from customers line item. The comparative figures have been updated to reflect the new presentation method.

## Statement of changes in equity

(EUR 1,000)	Share capital	Share premium reserve	Fair value reserve		Change in the credit risk associated with liabilities carried at fair value	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
			Fair value through OCI	Cash flow hedging						
<b>30 June 2020</b>										
<b>Finnvera Group's equity 2019, equity attributable to the parent company's shareholders</b>										
Reported equity at 1 Jan	196 605	51 036	1 662	-	-7 065	265 822	772 541	15 252	166 985	<b>1 462 839</b>
Profit/loss from the previous accounting period transfer to reserves	-	-	-	-	-	16 419	56 369	-	-72 788	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	-	-	-	-
Change in the credit risk associated with liabilities carried at fair value	-	-	-	-	8 076	-	-	-	-	<b>8 076</b>
Cash flow hedging	-	-	-	1 024	-	-	-	-	-	<b>1 024</b>
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	1 617	-	-	-	-	-	-	<b>1 617</b>
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	484	-	-	-	-	-	-	<b>484</b>
Profit/loss for the period	-	-	-	-	-	-	-	-	-423 235	<b>-423 235</b>
<b>Total equity at 30 June 2020</b>	<b>196 605</b>	<b>51 036</b>	<b>3 764</b>	<b>1 024</b>	<b>1 011</b>	<b>282 241</b>	<b>828 911</b>	<b>15 252</b>	<b>-329 039</b>	<b>1 050 805</b>

(EUR 1,000)	Share capital	Share premium reserve	Fair value reserve		Change in the credit risk associated with liabilities carried at fair value	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
			Fair value through OCI	Cash flow hedging						
<b>31 Dec 2019</b>										
<b>Finnvera Group's equity 2019, equity attributable to the parent company's shareholders</b>										
Reported equity at 1 Jan	196 605	51 036	-492	-	-15 394	244 152	755 674	15 252	111 119	<b>1 357 952</b>
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	<b>140</b>
Change in the credit risk associated with liabilities carried at fair value	-	-	-	-	8 329	-	-	-	-	<b>8 329</b>
Cash flow hedging	-	-	-	-	-	-	-	-	-	-
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	2 071	-	-	-	-	-	-	<b>2 071</b>
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	84	-	-	-	-	-	-	<b>84</b>
Profit/loss for the period	-	-	-	-	-	-	-	-	94 264	<b>94 264</b>
<b>Total equity at 31 Dec 2019</b>	<b>196 605</b>	<b>51 036</b>	<b>1 662</b>	<b>-</b>	<b>-7 065</b>	<b>265 822</b>	<b>772 541</b>	<b>15 252</b>	<b>166 985</b>	<b>1 462 839</b>



## 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) and contingent liabilities by business area – commitments have been broken down by business area and contractual stage (Table 2).

(EUR 1,000)	Finnvera Group	
	30 June 2020	31 Dec 2019
<b>Table 1: Contingent liabilities according to the status of commitments</b>		
Current drawn commitments (A+D+G)	5 226 884	4 602 648
Current undrawn commitments (B+E+F+H)	8 170 448	8 455 183
Offers given (C+I)	4 232 488	4 635 644
<b>Contingent liabilities, total</b>	<b>17 629 821</b>	<b>17 693 475</b>

(EUR 1,000)	Finnvera Group	
	30 June 2020	31 Dec 2019
<b>Table 2: Contingent liabilities by business area</b>		
<b>Domestic operations</b>		
A) Valid guarantees	1 659 799	1 165 364
B) Binding credit commitments	28 309	40 541
C) Guarantee offers	191 678	75 349
<b>Domestic operations, total</b>	<b>1 879 786</b>	<b>1 281 253</b>
<b>Export credit guarantees, special guarantees and export credit commitments</b>		
Current commitments (drawn and undrawn)		
D) Drawn export and special guarantees, not included export loans	3 455 789	3 301 490
E) Undrawn export and special guarantees, not included export loans	1 203 533	1 560 779
F) The Group: undrawn export credits granted by the subsidiary (credit commitments)	6 921 990	6 814 608
G) Export and special guarantee interest commitments, drawn commitments	111 296	135 795
H) Export and special guarantee interest commitments, undrawn commitments	16 616	39 257
Offers given		
I) Export and special guarantees	4 040 810	4 560 295
<b>Export credit guarantees, special guarantees and export credit commitments, total <sup>1</sup></b>	<b>15 750 034</b>	<b>16 412 223</b>
<b>Contingent liabilities, total</b>	<b>17 629 821</b>	<b>17 693 475</b>

(EUR 1,000)	Parent company	
	30 June 2020	31 Dec 2019
Liability according to the Act on the State's Export Credit Guarantees	20 477 066	20 774 192

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.

From the beginning of 2020 the parent company's total export credits may amount to EUR 38 billion at the maximum and ship credits granted by Finnvera's subsidiary, Finnish Export Credit Ltd may amount to EUR 33 billion at the maximum.

A) Commitments for domestic guarantees are meant 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).

F) Credit commitments given by the subsidiary always involve an export credit guarantee granted by the parent company. The figure for the Group includes the unused credit arrangements (credit commitments) for export credits granted by Finnish Export Credit Ltd.

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

<sup>1</sup> Subsidiary mentioned is Finnish Export Credit Ltd (FEC).

## Statement of cash flows

(EUR 1,000)	Finnvera Group	
	1-6 2020	1-6 2019
<b>Cash flows from operating activities</b>		
Withdrawal of loans granted	-578 643	-1 920 058
Repayments of loans granted	647 173	973 363
Purchase of investments	-496	-642
Proceeds from investments	700	7 073
Interest received	76 459	73 228
Interest paid	-49 487	-52 587
Net interest subsidy received (+) / repaid to the State (-)	191	0
Net payments received (+) / paid (-) from commission income and expense <sup>2</sup>	64 302	94 326
Payments received from other operating income	261	1 028
Payments for operating expenses <sup>2</sup>	-21 325	-22 238
Claims paid (-) and recovered amounts (+)	-9 146	-9 034
Net credit loss compensation from the State	9 518	10 955
Net taxes paid	-1 792	-1 288
<b>Net cash used in (-) / from (+) operating activities (A)</b>	<b>137 718</b>	<b>-845 874</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment and intangible assets	-1 001	-1 476
Sale of property and equipment and intangible assets	-	0
Short-term and other liquid investments made	-3 816 626	-2 906 980
Proceeds and maturities of short-term and other liquid investments	3 392 455	2 775 489
Other investments	-217	-622
Proceeds from other investments	592	292
Dividends received from investments	6	7
<b>Net cash used in (-) / from (+) investing activities (B)</b>	<b>-424 791</b>	<b>-133 290</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans	-	1 019 318
Repayment of long-term loans	-7 378	-708 740
Net proceeds (+) and repayments (-) of short-term loans	0	0
Payments of lease liabilities	-1 806	-1 070
Proceeds from subordinated liabilities	-	-
Repayment of subordinated liabilities and repayable debt to the State	-	-27 500
Payments (-) / receipts (+) from derivative collaterals	279 870	407 780
<b>Net cash used in (-) / from (+) financing activities (C)</b>	<b>270 686</b>	<b>689 788</b>
<b>Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)</b>	<b>-16 387</b>	<b>-289 376</b>
<b>Cash and cash equivalents at the beginning of the period <sup>1</sup></b>	<b>408 923</b>	<b>1 074 454</b>
Foreign exchange differences <sup>1</sup>	5 204	4 780
<b>Cash and cash equivalents at the end of the period <sup>1</sup></b>	<b>397 740</b>	<b>789 858</b>

<sup>1</sup> 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."

<sup>2</sup> Line items "Payments for operating expenses" and "Net payments received (+) / paid (-) from commission income" and expense have been adjusted for within net cash from operating activities. The comparative figures have been adjusted to reflect the new presentation method.

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	30 Jun 2019
<b>Cash and cash equivalents at the end of the period</b>		
Cash and investment accounts held in credit institutions	397 740	614 857
Short-term deposits	-	175 000
<b>Total</b>	<b>397 740</b>	<b>789 858</b>

### Changes in liabilities arising from financing activities

(EUR 1,000)	Finnvera Group 2020						
	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 30 Jun
Long-term liabilities to credit institutions	-	-	-	-	-	-	-
Short-term liabilities to credit institutions	-	515 247	-515 247	-	-	-	-
Liabilities to other institutions	82 042	-	-7 458	-	-	-	74 583
Debt securities in issue	10 138 250	-	-	292 513	5 208	3 583	10 439 554
Subordinated liabilities	15 867	-	-	-	-	-	15 867
Security given for derivatives <sup>1</sup>	-38 030	21 970	-	-	-	-	-16 060
Security received for derivatives <sup>2</sup>	418 400	257 900	-	-	-	-	676 300
<b>Total</b>	<b>10 616 528</b>	<b>795 117</b>	<b>-522 706</b>	<b>292 513</b>	<b>5 208</b>	<b>3 583</b>	<b>11 190 244</b>

(EUR 1,000)	Finnvera Group 2019						
	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 30 Jun
Long-term liabilities to credit institutions	171 943	-	-175 986	-	4 042	-	-
Short-term liabilities to credit institutions	-	220 675	-220 675	-	-	-	-
Liabilities to other institutions	96 958	-	-7 458	-	-	-	89 500
Debt securities in issue	8 782 823	1 010 347	-500 000	374 118	4 781	3 233	9 675 302
Subordinated liabilities	23 367	-	-7 500	-	-	-	15 867
Security given for derivatives <sup>1</sup>	-62 260	51 460	-	-	-	-	-10 800
Security received for derivatives <sup>2</sup>	61 700	356 320	-	-	-	-	418 020
<b>Total</b>	<b>9 074 531</b>	<b>1 638 802</b>	<b>-911 619</b>	<b>374 118</b>	<b>8 823</b>	<b>3 233</b>	<b>10 187 889</b>

<sup>1</sup> Included in Prepayments and accrued income in the balance sheet.

<sup>2</sup> Included in Accruals and deferred income in the balance sheet.



## Notes to the half-year report

### 1 Principles for drawing up the half-year report

The Finnvera Group consists of the parent company Finnvera plc and its subsidiaries Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd. The financial statements of the Finnvera Group and the parent company Finnvera plc are drawn up according to the International Financial Reporting Standards (IFRS). The income statement is presented in accordance with the IAS 1 Presentation of Financial Statements standard.

The half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard as adopted by the EU. The half-year report does not contain all the information and notes required by the international IFRS standards (International Financial Reporting Standards). The principles for drawing up the financial statements are presented in the Group's financial statements for 2019. The half-year report must be read in conjunction with the consolidated financial statements for 2019. The half-year report only contains information about the Group.

On 20 August 2020, Finnvera's Board of Directors approved the half-year report for the period 1 January–30 June 2020. The half-year report is unaudited.

The half-year report is published in Finnish and English. If there are discrepancies between different language versions, the Finnish version of the half-year report shall apply. The Finnvera Group's report of the Board of Directors, financial statements and half-year report can be found on Finnvera's website at [www.finnvera.fi/eng/annual-reports-and-financial-reports](http://www.finnvera.fi/eng/annual-reports-and-financial-reports).

#### Accounting principles that were changed as of the beginning of 2020

The application of the IFRS 15 Revenue from Contracts with Customers standard has been further specified so that the upfront fees associated with the drawing of export credits are now included in the Group's interest income. The handling fees of loans under SME and midcap financing are also included in interest income in the income statement, whereas previously they were presented in fee and commission income. In this regard, comparative figures have been adjusted to reflect the new disclosure format.

In earlier financial periods, Finnvera has taken out individual long-term cross currency swaps to cover foreign currency commitments. Since the beginning of 2020, cash flow hedge accounting has been applied to these hedge relationships. Furthermore, starting from the beginning of 2020, Finnvera has applied fair value hedge accounting to certain investments in debt securities that are hedged with interest rate swaps.

Due to the coronavirus pandemic, the scope of the State's loss compensation for credits and guarantees in SME and midcap financing was raised from 50 per cent to 80 per cent. The temporary increase has been taken into account

in the ECL calculation of SME and midcap financing. The increasing is valid from the beginning of the year 2020 retrospectively.

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

A half-year report drawn up according to the International Financial Reporting Standards (IFRS) requires that the company's management makes estimates and assumptions that affect the asset and liability items reported in the half-year report as well as income and expense amounts. The realised items may differ from these estimates.

At the Finnvera Group, the essential estimates and assumptions concern the assessment of expected losses for clients' loans and other receivables, domestic guarantee and export credit guarantee commitments, export credits, guarantee receivables and receivables from export credit and special guarantee operations, the determination of discretionary variables, such as the duration of leases and additional credit interest, in the IFRS 16 right-of-use asset item calculation, and the determination of the fair value of financial instruments and venture capital investments made through Finnvera's subsidiaries engaged in venture capital investment.

Recording expected losses requires the management's judgment of uncertainties affecting ECL calculation, such as macroeconomic scenarios and their probability on the end date of the reporting period. In connection with the drawing up of this half-year report, the management's estimates related the Group's accounting principles and key uncertainties have changed from those applied in the consolidated financial statements for 2019. Especially international restrictions on movement and the state of emergency in Finland and other countries during the spring brought economy drastically to a sudden stop during the past six months. Consequently, the changes of macroeconomic forecasts for 2020 have had a negative impact on the macroeconomic scenarios used in ECL calculation.

Macroeconomic forecasts are used in the PIT-PD (point-in-time probability of default) modelling, which helps in predicting the probability of default in different risk categories. The forecast describing the probability of default, used in domestic financing, was updated for the half-year report to take into account that Finland's gross domestic product (GDP) would decrease by 6.8 per cent in 2020. The impact of macroeconomic forecasts without transfers between different stages increased the expected credit losses in domestic financing by EUR 7 million.

For export credit guarantee and special guarantee operations, the macroeconomic forecast used in the half-year report was the GDP forecast for developed countries for 2020 published by the International Monetary Fund (IMF), according to which the GDP decreases by 8 per cent. This GDP forecast was not applied to the PIT-PD modelling as is; instead, it was weighted with three different scenario likelihoods, which were very strong recession (realisation likelihood: 50 per cent), normal development (realisation likelihood: 20 per cent) and development that is 20 per cent weaker than the normal forecast (realisation likelihood: 30 per cent). Different likelihoods were used because the

consequences of the coronavirus crisis for economic development after 2020 are difficult to predict and because the impact of the crisis on different sectors and corporate clusters varies a great deal in intensity and timing. The drastic decrease of the GDP predicted for 2020 results, first and foremost, from the sharp decline of the service business on the domestic market. The effects of the crisis on large export companies will emerge more slowly and over a longer period of time. Even if it is difficult to outline the extent of the long-term effects of the crisis, the IMF's forecast, as many other forecasts, predicts that developed economies will recover from the coronavirus crisis reasonably well from 2021 onwards. The impact of macroeconomic forecasts without transfers between different stages increased the expected credit losses in export credit guarantee and special guarantee operations by EUR 103 million.



## 2 Segment information

(EUR 1,000)	SME and midcap financing			Export financing		Venture capital financing		Total
	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Export credit guarantees	Export credits			
<b>Finnvera Group</b>								
<b>1-6/2020</b>								
Net interest income	3 511	6 407	4 534	1 174	8 119	33		<b>23 778</b>
Net fee and commission income	3 767	10 018	11 003	35 965	6 850	0		<b>67 603</b>
Gains and losses from financial instruments carried at fair value	-91	-243	-151	716	-1 909	-503		<b>-2 181</b>
Net income from investments	-	-	-	-	6	-		<b>6</b>
Other operating income	32	74	35	36	-	-59		<b>119</b>
Administrative expenses	-4 194	-6 213	-5 068	-5 054	-1 487	-158		<b>-22 173</b>
Depreciation and amortisation on tangible and intangible assets	-714	-1 125	-822	-838	-124	-		<b>-3 622</b>
Other operating expenses	-49	-77	-45	-25	-6	-		<b>-202</b>
Total realised and expected credit losses, net	10 539	15 626	-10 783	-492 775	-4 118	70		<b>-481 441</b>
– Realised credit losses	-3 741	-8 965	-2 821	-1 075	-	27		<b>-16 575</b>
– Credit loss compensations from the State	2 993	6 995	2 167	-	-	-		<b>12 155</b>
– Expected credit losses (increase - / decrease + )	11 288	17 596	-10 130	-491 700	-4 118	43		<b>-477 022</b>
Operating profit/loss	12 802	24 469	-1 297	-460 801	7 332	-618		<b>-418 113</b>
Income tax	-	-	-	-	-5 020	-102		<b>-5 122</b>
<b>Profit/loss for the period</b>	<b>12 802</b>	<b>24 469</b>	<b>-1 297</b>	<b>-460 801</b>	<b>2 311</b>	<b>-719</b>		<b>-423 235</b>
<b>Finnvera Group</b>								
<b>1-6/2019</b>								
Net interest income	3 828	7 765	4 347	1 227	1 976	290		<b>19 433</b>
Net fee and commission income	3 070	8 441	7 171	42 525	6 390	-		<b>67 596</b>
Gains and losses from financial instruments carried at fair value	-11	-135	-23	30	20 022	-3 189		<b>16 694</b>
Net income from investments	-	-	54	-	71	7		<b>131</b>
Other operating income	19	49	27	51	0	-38		<b>107</b>
Administrative expenses	-4 012	-6 879	-4 921	-4 996	-1 535	-280		<b>-22 623</b>
Depreciation and amortisation on tangible and intangible assets	-754	-960	-616	-255	-170	-		<b>-2 756</b>
Other operating expenses	-61	-86	-47	-26	-7	-		<b>-226</b>
Total realised and expected credit losses, net	-3 306	-402	-3 788	5 916	19	36		<b>-1 525</b>
– Realised credit losses	-4 632	-5 789	-3 355	-193	-	-		<b>-13 970</b>
– Credit loss compensations from the State	2 316	3 410	1 488	-	-	-		<b>7 214</b>
– Expected credit losses (increase - / decrease + )	-989	1 977	-1 921	6 109	19	36		<b>5 231</b>
Operating profit/loss	-1 227	7 794	2 203	44 472	26 766	-3 175		<b>76 831</b>
Income tax	-	-	-	-	-5 353	820		<b>-4 533</b>
<b>Profit/loss for the period</b>	<b>-1 227</b>	<b>7 794</b>	<b>2 203</b>	<b>44 472</b>	<b>21 413</b>	<b>-2 356</b>		<b>72 297</b>

### 3 Interest income

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	30 Jun 2019
Interest income from items carried at amortised cost	63 713	81 450
Interest income from items carried at fair value through other comprehensive income	-402	-186
Interest income from items carried at fair value through profit and loss	3 479	8 104
<b>Total interest income</b>	<b>66 789</b>	<b>89 368</b>

### 4 Fee and commission income and expenses by income statement <sup>1</sup>

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	30 Jun 2019
<b>Fee and commission income from guarantees</b>		
Export and credit guarantees and special guarantees	48 164	59 026
SME and midcap financing	16 586	14 357
<b>Sub total</b>	<b>64 750</b>	<b>73 382</b>
<b>Delivery and handling fees</b>		
Export and credit guarantees and special guarantees	1 009	704
SME and midcap financing	2 120	1 664
<b>Sub total</b>	<b>3 129</b>	<b>2 368</b>
<b>Fee and commission income from loans</b>		
Export loans	6 991	6 697
SME and midcap financing	966	881
<b>Sub total</b>	<b>7 958</b>	<b>7 578</b>
<b>Other fee and commission income</b>		
Interest balancing, export credit guarantees and special guarantees	176	199
Other fee and commission income, SME and midcap financing	120	18
<b>Sub total</b>	<b>296</b>	<b>217</b>
<b>Grand total</b>	<b>76 132</b>	<b>83 545</b>
<b>Other commission expenses</b>		
Reinsurance, Export and credit guarantees and special guarantees	-8 168	-15 415
Borrowing	-215	-407
Payment transactions	-146	-129
<b>Grand total</b>	<b>-8 530</b>	<b>-15 950</b>
<b>Net fee and commission income</b>	<b>67 603</b>	<b>67 595</b>

<sup>1</sup> The Group's interest income and fee and commission income have been reclassified during the reporting period according to IFRS 15. The comparative figures have been updated to reflect the new presentation method.



## 5 Realised and expected credit losses (ECL)

### 5.1 Realised and expected credit losses (ECL)

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	30 Jun 2019
<b>Total realised credit losses</b>	<b>-16 575</b>	<b>-13 970</b>
– Loans	-7 844	-5 431
– Guarantees	-7 323	-8 997
– Export credit guarantees and special guarantees	-1 407	458
<b>Credit lossa compensation from the State</b>	<b>12 155</b>	<b>7 214</b>
<b>Change in expected credit losses (ECL) decrease (+) / increase (-)</b>	<b>-477 022</b>	<b>5 231</b>
– Expected credit losses at the beginning of the period, gross	241 602	157 092
– Expected credit losses at the end of the period, gross	718 623	151 861
<b>Total, net</b>	<b>-481 442</b>	<b>-1 525</b>

### 5.2 Changes in expected credit losses (ECL)

Financial assets (EUR 1,000)	Finnvera Group 30 Jun 2020			Finnvera Group 30 Jun 2019		
	ECL 31 Dec 2019	ECL 30 Jun 2020	Change in ECL	ECL 31 Dec 2018	ECL 30 Jun 2019	Change in ECL
Loans and receivables form credit institutions <sup>1</sup>	-115	-507	-393	-176	-131	45
Investment accounts and deposits	-	-348	-348	-	-	-
Loans and receivables form customers	-187 837	-525 955	-338 118	-168 914	-166 003	2 911
Debt securities (Amortized cost)	-	-2 738	-2 738	-	-	-
Other assets	-155	-149	7	-239	-212	27
Prepayments and accrued income	-1 534	-1 012	522	-1 418	-1 510	-92
Assets of disposal groups classified as held for sale	-38	-1	37	-43	-38	5
<b>Change in expected credit losses: decrease (+) / increase (-)</b>	<b>-189 680</b>	<b>-530 711</b>	<b>-341 032</b>	<b>-170 790</b>	<b>-167 894</b>	<b>2 896</b>
<b>Financial liabilities (EUR 1,000)</b>						
Provisions	-51 205	-186 711	-135 506	-43 415	-41 099	2 316
Equity – Fair value through OCI <sup>1</sup>	-717	-1 201	-484	-633	-614	19
<b>Change in expected credit losses: decrease (+) / increase (-)</b>	<b>-51 922</b>	<b>-187 912</b>	<b>-135 990</b>	<b>-44 048</b>	<b>-41 713</b>	<b>2 335</b>
<b>Change in expected credit losses: decrease (+) / increase (-), net</b>			<b>-477 022</b>			<b>5 231</b>

<sup>1</sup> The comparative figure (31st Dec 2019) of ECL has been adjusted between two balance sheet items. The change does not impact on the gross amount of ECL.

### 5.3 Changes of expected credit losses (ECL) between stages

#### 5.3.1 Changes of expected credit losses between stages – Payable on demand

SME, midcap, and large corporate financing (EUR 1,000)	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>114</b>	-	-	<b>114</b>	<b>175</b>	-	-	<b>175</b>
Changes in ECL during the reporting period	-21	-	-	<b>-21</b>	2	-	-	<b>2</b>
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new receivables from credit institutions	45	-	-	<b>45</b>	90	-	-	<b>90</b>
Decrease of receivables from credit institutions	-92	-	-	<b>-92</b>	-153	-	-	<b>-153</b>
Change in PD parameters	461	-	-	<b>461</b>	0	-	-	<b>0</b>
<b>ECL at the end of the period</b>	<b>507</b>	-	-	<b>507</b>	<b>114</b>	-	-	<b>114</b>
Net change of ECL during the reporting period				<b>393</b>				<b>-61</b>

#### 5.3.2 Transfers of expected credit losses between stages – Investment accounts and deposits <sup>1</sup>

SME, midcap, and large corporate financing (EUR 1,000)	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	-	-	-	-	-	-	-	-
Changes in ECL during the reporting period	-	-	-	-	-	-	-	-
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new receivables from credit institutions	32	-	-	<b>32</b>	-	-	-	-
Decrease of receivables from credit institutions	-	-	-	-	-	-	-	-
Change in PD parameters	317	-	-	<b>317</b>	-	-	-	-
<b>ECL at the end of the period</b>	<b>348</b>	-	-	<b>348</b>	-	-	-	-
Net change of ECL during the reporting period				<b>348</b>				-

<sup>1</sup> During the reporting period 2020, the line item loans to and receivables from credit institutions has been defined as follows: in ECL calculation the line item has been divided into two items according to their liquidity. These items are payable on demand and investment accounts and deposits. The comparative figures have not been corrected with the same classification due to this fact the comparative figures are not presented.



**5.3.3 Transfers of expected credit losses (ECL) between stages – Loans and receivables from customers**

SME, midcap, and large corporate financing (EUR 1,000)	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>11 337</b>	<b>51 900</b>	<b>126 542</b>	<b>189 779</b>	<b>10 309</b>	<b>34 216</b>	<b>125 241</b>	<b>169 766</b>
Changes in ECL during the reporting period	5 434	-1 697	29 862	<b>33 599</b>	-938	25 250	-5 024	<b>19 288</b>
Transfers to stage 1 from stages 2 and 3	-	-1 128	-1 404	<b>-2 531</b>	-	-1 125	-2 187	<b>-3 312</b>
Transfers to stage 2 from stages 1 and 3	-2 458	-	-1 612	<b>-4 069</b>	-664	-	-499	<b>-1 163</b>
Transfers to stage 3 from stages 1 and 2	-548	-569	-	<b>-1 118</b>	-300	-960	-	<b>-1 260</b>
Additions from stage 1	-	302 580	9 358	<b>311 938</b>	-	17 812	6 459	<b>24 271</b>
Additions from stage 2	240	-	2 618	<b>2 859</b>	124	-	5 370	<b>5 494</b>
Additions from stage 3	76	183	-	<b>259</b>	125	91	-	<b>216</b>
ECL from new finances	995	632	5 669	<b>7 296</b>	1 709	588	21 872	<b>24 169</b>
Repayments/Expirations of guarantees	-855	-247	-7 296	<b>-8 398</b>	-868	-24 951	-24 831	<b>-50 650</b>
Change in PD parameters	6 530	35 224	6	<b>41 760</b>	1 739	978	3	<b>2 720</b>
Change in State's credit loss compensation rate	-4 532	-5 269	-28 670	<b>-38 471</b>	-	-	-	<b>-</b>
Correction	1 025	-6 714	-1 259	<b>-6 947</b>	103	-	137	<b>240</b>
<b>ECL at the end of the period</b>	<b>17 245</b>	<b>374 896</b>	<b>133 814</b>	<b>525 955</b>	<b>11 337</b>	<b>51 900</b>	<b>126 542</b>	<b>189 779</b>
Net change of ECL during the reporting period				<b>336 177</b>				<b>20 012</b>

**5.3.4 Transfers of expected credit losses between stages – Debt securities carried at amortised cost <sup>1</sup>**

SME, midcap, and large corporate financing (EUR 1,000)	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	-	-	-	-	-	-	-	-
Changes in ECL during the reporting period	-	-	-	-	-	-	-	-
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new receivables from credit institutions	232	-	-	<b>232</b>	-	-	-	-
Decrease of receivables from credit institutions	-	-	-	-	-	-	-	-
Change in PD parameters	2 506	-	-	<b>2 506</b>	-	-	-	-
<b>ECL at the end of the period</b>	<b>2 738</b>	-	-	<b>2 738</b>	-	-	-	-
Net change of ECL during the reporting period				<b>2 738</b>				-

<sup>1</sup> During the reporting period 2020, the line item loans to and receivables from credit institutions has been defined as follows: in ECL calculation the line item has been divided into two items according to their liquidity. These items are payable on demand and investment accounts and deposits. The comparative figures have not been corrected with the same classification due to this fact the comparative figures are not presented.

## 5.3.5 Transfers of expected credit losses (ECL) between stages – Provisions

SME, midcap, and large corporate financing (EUR 1,000)	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>30 637</b>	<b>16 532</b>	<b>4 037</b>	<b>51 205</b>	<b>23 643</b>	<b>12 801</b>	<b>6 986</b>	<b>43 430</b>
Changes in ECL during the reporting period	5 401	-47 006	-420	<b>-42 026</b>	-1 405	-2 285	-422	<b>-4 112</b>
Transfers to stage 1 from stages 2 and 3	-	-706	71	<b>-634</b>	-	-1 066	-13	<b>-1 079</b>
Transfers to stage 2 from stages 1 and 3	-10 319	-	-	<b>-10 319</b>	-632	-	-	<b>-632</b>
Transfers to stage 3 from stages 1 and 2	-52	-896	-	<b>-948</b>	-62	-68	-	<b>-130</b>
Additions from stage 1	-	138 869	885	<b>139 754</b>	-	13 408	1 653	<b>15 061</b>
Additions from stage 2	111	-	2 032	<b>2 143</b>	242	-	317	<b>559</b>
Additions from stage 3	3	-	-	<b>3</b>	-	-	-	<b>-</b>
ECL from new finances	16 066	219	44	<b>16 329</b>	12 220	695	472	<b>13 387</b>
Repayments/Expirations of guarantees	-5 521	-6 766	-1 216	<b>-13 503</b>	-7 744	-7 635	-3 605	<b>-18 984</b>
Change in PD parameters	12 963	54 519	-	<b>67 483</b>	4 375	682	-1 350	<b>3 707</b>
Change in State's credit loss compensation rate	-18 166	-4 709	-2 001	<b>-24 877</b>	-	-	-	<b>-</b>
Correction	4 347	-2 245	-	<b>2 102</b>	-	-	-	<b>-</b>
<b>ECL at the end of the period</b>	<b>35 469</b>	<b>147 810</b>	<b>3 432</b>	<b>186 711</b>	<b>30 637</b>	<b>16 532</b>	<b>4 037</b>	<b>51 205</b>
Net change of ECL during the reporting period				<b>135 506</b>				<b>7 776</b>

## 5.3.6 Transfers of expected credit losses between stages – Debt securities carried at fair value (OCI)

SME, midcap, and large corporate financing (EUR 1,000)	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>490</b>	-	-	<b>490</b>	-	-	-	<b>-</b>
Changes in ECL during the reporting period	-4	-	-	<b>-4</b>	-	-	-	<b>-</b>
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new receivables from credit institutions	358	-	-	<b>358</b>	-	-	-	<b>-</b>
Decrease of receivables from credit institutions	-275	-	-	<b>-275</b>	-	-	-	<b>-</b>
Change in PD parameters	740	-	-	<b>740</b>	-	-	-	<b>-</b>
Correction	-212	-	-	<b>-212</b>	-	-	-	<b>-</b>
<b>ECL at the end of the period</b>	<b>1 098</b>	-	-	<b>1 098</b>	-	-	-	<b>-</b>
Net change of ECL during the reporting period				<b>607</b>				<b>-</b>



## 5.4 Distribution of capital by credit ratings

### 5.4.1 Payable on demand by credit ratings and realised and expected credit losses (ECL) <sup>1</sup>

(EUR 1,000) Credit rating	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	-	-	-	-
AA+	-	-	-	-	-	-	-	-
AA	-	-	-	-	-	-	-	-
AA-	85 661	-	-	85 661	-	-	-	-
A+	58 325	-	-	58 325	-	-	-	-
A	153 143	-	-	153 143	-	-	-	-
A-	-	-	-	-	-	-	-	-
BBB+	-	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-	-
BBB-	16 355	-	-	16 355	-	-	-	-
BB+	36 533	-	-	36 533	-	-	-	-
BB	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-
B+	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-
B-	-	-	-	-	-	-	-	-
CCC+	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-
CCC-	-	-	-	-	-	-	-	-
No risk grade	9 276	-	-	9 276	-	-	-	-
<b>Total</b>	<b>359 293</b>	-	-	<b>359 293</b>	-	-	-	-
Expected credit losses	507	-	-	507	-	-	-	-
Realised credit losses	-	-	-	-	-	-	-	-

1 During the reporting period 2020, the line item loans to and receivables from credit institutions has been defined as follows: in ECL calculation the line item has been divided into two items according to their liquidity. These items are payable on demand and investment accounts and deposits. The comparative figures have not been corrected with the same classification due to this fact the comparative figures are not presented.

5.4.2 Investment accounts and deposits by credit ratings and realised and expected credit losses (ECL) <sup>1</sup>

(EUR 1,000) Credit rating	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	-	-	-	-
AA+	-	-	-	-	-	-	-	-
AA	-	-	-	-	-	-	-	-
AA-	-	-	-	-	-	-	-	-
A+	212 348	-	-	212 348	-	-	-	-
A	-	-	-	-	-	-	-	-
A-	-	-	-	-	-	-	-	-
BBB+	-	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-	-
BBB-	-	-	-	-	-	-	-	-
BB+	-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-
B+	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-
B-	-	-	-	-	-	-	-	-
CCC+	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-
CCC-	-	-	-	-	-	-	-	-
No risk grade	-	-	-	-	-	-	-	-
<b>Total</b>	<b>212 348</b>	<b>-</b>	<b>-</b>	<b>212 348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expected credit losses	348	-	-	348	-	-	-	-
Realised credit losses	-	-	-	-	-	-	-	-

<sup>1</sup> During the reporting period 2020, the line item loans to and receivables from credit institutions has been defined as follows: in ECL calculation the line item has been divided into two items according to their liquidity. These items are payable on demand and investment accounts and deposits. The comparative figures have not been corrected with the same classification due to this fact the comparative figures are not presented.



## 5.4.3 Loans and receivables from customers by credit ratings and realised and expected credit losses (ECL)

(EUR 1,000) Credit rating	Finnvera Group 30 Jun 2020				Finnvera Group 31 Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	14	-	-	14	19	-	-	19
AA+	-	-	-	-	-	-	-	-
AA	2 207	53	-	2 260	2 834	-	-	2 834
AA-	-	-	-	-	-	-	-	-
A+	-	-	-	-	-	-	-	-
A	21 779	152	83	22 014	2 727 499	181	93	2 727 774
A-	-	-	-	-	-	-	-	-
BBB+	1 024 343	-	-	1 024 343	-	-	-	-
BBB	1 244 780	2 404	3 140	1 250 324	7 420 917	2 781	3 355	7 427 053
BBB-	1 007 090	-	-	1 007 090	-	-	-	-
BB+	320 676	-	-	320 676	-	-	-	-
BB	905 885	12 205	9 691	927 781	4 134 352	13 830	9 541	4 157 723
BB-	197 716	-	-	197 716	-	-	-	-
B+	-	793 060	-	793 060	-	-	-	-
B	85 996	2 038 507	29 110	2 153 613	247 406	61 337	19 884	328 627
B-	-	32 849	-	32 849	-	-	-	-
CCC+	-	14 270	-	14 270	-	-	-	-
CCC	242	131 303	7 823	139 368	564	143 601	9 959	154 124
CCC-	-	-	-	-	-	-	-	-
D	44	53	279 954	280 052	30	54	275 110	275 194
No risk grade	34 528	-	-	34 528	38 065	-	-	38 065
<b>Total</b>	<b>4 845 301</b>	<b>3 024 857</b>	<b>329 801</b>	<b>8 199 959</b>	<b>14 571 686</b>	<b>221 785</b>	<b>317 942</b>	<b>15 111 413</b>
Expected credit losses	17 394	374 896	133 280	525 570	11 234	51 900	126 393	189 527
Realised credit losses				7 752				12 384











## 5.6 Expected credit losses (ECL) in balance sheet

### 5.6.1 Expected credit losses (ECL) by balance sheet item

Assets (EUR 1,000)	Finnvera Group 30 Jun 2020			Finnvera Group 31 Dec 2019		
	Balance, gross	ECL	Balance, net	Balance, gross	ECL	Balance, net
Loans and receivables from credit institutions	575 304	-507	574 797	661 330	-93	661 237
Investment accounts and deposits	-	-348	-348	-	-	-
Loans and receivables from customers	8 203 170	-525 955	7 677 214	8 260 335	-187 837	8 072 498
Debt securities (amortised cost)	-	-2 738	-2 738	-	-	-
Other assets	29 081	-149	28 932	17 644	-155	17 489
Prepayments and accrued income	165 536	-1 012	164 524	196 322	-1 534	194 788
Assets of disposal groups classified as held for sale	-48 741	-1	-48 742	49 977	-38	49 939
<b>Total</b>	<b>8 924 350</b>	<b>-530 711</b>	<b>8 393 639</b>	<b>9 185 608</b>	<b>-189 657</b>	<b>8 995 951</b>
<b>Liabilities (EUR 1,000)</b>						
Provisions		-186 711			-51 205	
Equity – Fair value through OCI		-1 201			-738	
<b>Total</b>		<b>-187 912</b>			<b>-51 944</b>	

### 5.6.2 Expected credit losses (ECL) from disposal groups classified as held for sale by balance sheet item

Assets (EUR 1,000)	Finnvera Group 30 Jun 2020			Finnvera Group 31 Dec 2019		
	Balance, gross	ECL	Balance, net	Balance, gross	ECL	Balance, net
Loans and receivables from credit institutions	2 021	-	2 021	2 270	-	2 270
Loans and receivables from customers	1 134	-1	1 133	1 265	-38	1 228
Investments in Group companies	-	-	-	-	-	-
Investments associated companies	10 582	-	10 582	10 034	-	10 034
Other shares and participations	22 192	-	22 192	36 407	-	36 407
Prepayments and accrued income	-	-	-	-	-	-
<b>Total</b>	<b>35 929</b>	<b>-1</b>	<b>35 928</b>	<b>49 976</b>	<b>-38</b>	<b>49 939</b>

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

(EUR 1,000)	Finnvera Group				Total
	Dividends	Gains and losses from sales	Impairments and reversals of impairments	Changes in fair value	
<b>30 Jun 2020</b>					
<b>From financial instruments recognised through profit or loss</b>					
Derivatives	-	-	-	292 616	292 616
Debt securities in issue	-	-	-	-300 589	-300 589
Investments in debt securities	-	-	-	4 487	4 487
Shares and participations	6	392	-682	-220	-503
<b>Total for financial instruments recognised through profit or loss</b>	<b>6</b>	<b>392</b>	<b>-682</b>	<b>-3 706</b>	<b>-3 989</b>
<b>By categories of financial instruments, IFRS 9</b>					
Items carried at amortised cost (fair value hedging)	-	-	-	-249 302	-249 302
Items carried at fair value through OCI (fair value hedging)	-	-	-	3 873	3 873
Items carried at fair value through profit and loss (fair value option)	-	-	-	-50 673	-50 673
Items carried at fair value through profit and loss (mandatory)	6	392	-682	292 396	292 113
<b>Total</b>	<b>6</b>	<b>392</b>	<b>-682</b>	<b>-3 706</b>	<b>-3 989</b>
<b>Foreign exchange gains (+) and losses (-)</b>					<b>1 808</b>
<b>Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses</b>					<b>-2 181</b>

(EUR 1,000)	Finnvera Group				Total
	Dividends	Gains and losses from sales	Impairments and reversals of impairments	Changes in fair value	
<b>30 Jun 2019</b>					
<b>From financial instruments recognised through profit or loss</b>					
Derivatives	-	-	-	397 413	397 413
Debt securities in issue	-	-	-	-379 758	-379 758
Investments in debt securities	-	-	-	1 609	1 609
Shares and participations	-	1 248	-539	-3 898	-3 189
<b>Total for financial instruments recognised through profit or loss</b>	<b>-</b>	<b>1 248</b>	<b>-539</b>	<b>15 366</b>	<b>16 075</b>
<b>By categories of financial instruments, IFRS 9</b>					
Items carried at amortised cost (fair value hedging)	-	-	-	-294 137	-294 137
Items carried at fair value through profit and loss (fair value option)	-	-	-	-84 012	-84 012
Items carried at fair value through profit and loss (mandatory)	-	1 248	-539	393 515	394 224
<b>Total</b>	<b>-</b>	<b>1 248</b>	<b>-539</b>	<b>15 366</b>	<b>16 075</b>
<b>Foreign exchange gains (+) and losses (-)</b>					<b>619</b>
<b>Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses</b>					<b>16 694</b>

## 7 Financial instrument classification and fair values

(EUR 1,000)	At fair value through profit or loss					Fair value <sup>4</sup>
	Amortised cost	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	
<b>30 Jun 2020</b>						
Loans to and receivables from credit institutions	574 797	-	-	-	574 797	576 648
Loans to and receivables from customers <sup>1</sup>	7 666 528	-	-	10 686	7 677 214	7 939 558
Investments in debt securities – Short term debt securities	1 290 611	-	-	-	1 290 611	1 290 611
Investments in debt securities – Bonds <sup>1</sup>	-	-	137 082	2 321 554	2 458 636	2 458 636
Derivatives	-	673 811	-	-	673 811	673 811
Shares and participations <sup>2</sup>	-	13 723	-	-	13 723	13 723
Assets of disposal groups classified as held for sale <sup>3 3</sup>	3 154	45 588	-	-	48 742	48 742
Other financial assets	147 841	-	-	-	147 841	147 841
<b>Total</b>	<b>9 682 931</b>	<b>733 121</b>	<b>137 082</b>	<b>2 332 240</b>	<b>12 885 375</b>	<b>13 149 570</b>

(EUR 1,000)	At fair value through profit or loss					Fair value <sup>4</sup>
	Amortised cost	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	
<b>31 Dec 2019</b>						
Loans to and receivables from credit institutions	661 216	-	-	-	661 216	662 381
Loans to and receivables from customers <sup>1</sup>	8 072 498	-	-	10 865	8 083 363	8 215 601
Investments in debt securities – Short term debt securities	1 240 489	-	-	-	1 240 489	1 240 489
Investments in debt securities – Bonds <sup>1</sup>	-	83 966	136 542	1 755 804	1 976 313	1 976 313
Derivatives	-	392 739	-	-	392 739	392 739
Shares and participations <sup>2</sup>	-	13 723	-	-	13 723	13 723
Assets of disposal groups classified as held for sale <sup>3 3</sup>	3 498	46 441	-	-	49 939	49 939
Other financial assets	175 279	-	-	-	175 279	175 279
<b>Total</b>	<b>10 152 980</b>	<b>536 869</b>	<b>136 542</b>	<b>1 766 670</b>	<b>12 593 061</b>	<b>12 726 463</b>

(EUR 1,000)	Amortised cost	At fair value through profit or loss		Total	Fair value <sup>5</sup>
		Mandatorily	Fair value option		
<b>30 Jun 2020</b>					
Liabilities to credit institutions	-	-	-	-	-
Liabilities to other institutions	74 583	-	-	<b>74 583</b>	82 810
Debt securities in issue	7 220 660	-	3 218 894	<b>10 439 554</b>	10 404 356
Derivatives	-	46 417	-	<b>46 417</b>	46 417
Other financial liabilities	819 734	-	-	<b>819 734</b>	819 734
Subordinated liabilities	-	-	-	-	-
Liabilities of disposal groups held for sale	15 867	-	-	<b>15 867</b>	15 867
<b>Total</b>	<b>8 130 845</b>	<b>46 417</b>	<b>3 218 894</b>	<b>11 396 156</b>	<b>11 369 185</b>

(EUR 1,000)	Amortised cost	At fair value through profit or loss		Total	Fair value <sup>5</sup>
		Mandatorily	Fair value option		
<b>31 Dec 2019</b>					
Liabilities to credit institutions	-	-	-	-	-
Liabilities to other institutions	82 042	-	-	<b>82 042</b>	88 964
Debt securities in issue	6 961 492	-	3 176 757	<b>10 138 250</b>	10 162 188
Derivatives	-	41 274	-	<b>41 274</b>	41 274
Other financial liabilities	532 447	-	-	<b>532 447</b>	532 447
Subordinated liabilities	-	-	-	-	-
Liabilities of disposal groups held for sale	15 867	-	-	<b>15 867</b>	15 867
<b>Total</b>	<b>7 591 848</b>	<b>41 274</b>	<b>3 176 757</b>	<b>10 809 879</b>	<b>10 840 740</b>

1 The SME and midcap financing bonds have been transferred from investments to loans to and receivables from customers line item. The comparative figures have been updated to reflect the new presentation method.

2 The Group'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.

3 The Group's assets held for sale include EUR 12.8 (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.

4 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).

5 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 (Level 2).



## 8 Hierarchy for financial instruments carried at fair value

(EUR 1,000)	Finnvera Group			Total
	Level 1	Level 2	Level 3	
<b>Financial assets 30 Jun 2020</b>				
Financial instruments carried at fair value through profit and loss				
– Investments in debt securities – Bonds	-	137 082	-	<b>137 082</b>
– Derivatives	-	673 811	-	<b>673 811</b>
– Shares and participations	-	-	13 723	<b>13 723</b>
– Assets of disposal groups held for sale	-	-	45 588	<b>45 588</b>
Financial instruments carried at fair value through other comprehensive income (OCI)				
– Loans to and receivables from customers – debt securities	-	10 686	-	<b>10 686</b>
– Investments in debt securities – Bonds	-	2 321 554	-	<b>2 321 554</b>
<b>Total</b>	-	<b>3 143 134</b>	<b>59 310</b>	<b>3 202 444</b>
<b>Financial liabilities 30 Jun 2020</b>				
Financial instruments carried at fair value through profit and loss				
– Debt securities in issue	-	3 218 894	-	<b>3 218 894</b>
– Derivatives	-	46 417	-	<b>46 417</b>
<b>Total</b>	-	<b>3 265 311</b>	-	<b>3 265 311</b>

(EUR 1,000)	Finnvera Group			Total
	Level 1	Level 2	Level 3	
<b>Financial liabilities 31 Dec 2019</b>				
Financial instruments carried at fair value through profit and loss				
– Investments in debt securities – Bonds	-	220 509	-	<b>220 509</b>
– Derivatives	-	392 739	-	<b>392 739</b>
– Shares and participations	-	-	13 723	<b>13 723</b>
– Assets of disposal groups held for sale	-	-	46 441	<b>46 441</b>
Financial instruments carried at fair value through other comprehensive income (OCI)				
– Loans to and receivables from customers – debt securities	-	10 865	-	<b>10 865</b>
– Investments in debt securities – Bonds	-	1 755 804	-	<b>1 755 804</b>
<b>Total</b>	-	<b>2 379 917</b>	<b>60 164</b>	<b>2 440 081</b>

<b>Financial liabilities 31 Dec 2019</b>				
Financial instruments carried at fair value through profit and loss				
– Debt securities in issue	-	3 176 757	-	<b>3 176 757</b>
– Derivatives	-	41 274	-	<b>41 274</b>
<b>Total</b>	-	<b>3 218 031</b>	-	<b>3 218 031</b>

## 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.

## 9 Specification of events at hierarchy level 3

Level 3, Financial assets (EUR 1,000)	Finnvera Group	
	30 Jun 2020	31 Dec 2019
<b>Financial assets carried at fair value</b>		
<b>Balance at 1 Jan</b>	<b>60 164</b>	<b>61 604</b>
Profits and losses entered in the income statement, total	65	7
Aquisitions	713	2 006
Sales	-1 185	-3 453
Other	-447	0
<b>Balance at end of period</b>	<b>59 310</b>	<b>60 164</b>
Profits and losses entered in the income statement for the instruments held by the Group	-568	-7 486

## 10 Liabilities to credit and other institutions

(EUR 1,000)	Finnvera Group 2020	
	Nominal value	Carrying amount
<b>Liabilities to credit and other institutions</b>		
<b>1 Jan 2020</b>	<b>82 042</b>	<b>82 042</b>
Loans withdrawn	515 247	515 247
Repayments	-522 705	-522 705
Foreign exchange differences	-	-
<b>30 Jun 2020</b>	<b>74 583</b>	<b>74 583</b>
	Finnvera Group 2019	
(EUR 1,000)	Nominal value	Carrying amount
<b>Liabilities to credit and other institutions</b>		
<b>1 Jan 2019</b>	<b>268 902</b>	<b>268 902</b>
Loans withdrawn	220 675	220 675
Repayments	-411 577	-411 577
Foreign exchange differences	4 042	4 042
<b>31 Dec 2019</b>	<b>82 042</b>	<b>82 042</b>

## 11 Debt securities in issue

Issuer and ISIN (EUR 1,000)	Interest	Nominal (thousands)	Currency	Issue date	Maturity date	Carrying amount	
						30 Jun 2020	31 Dec 2019
Finnvera plc - XS1951364915	2,800%	30 000	AUD	14.2.2019	14.8.2029	20 604	20 111
Finnvera plc - XS1951364915	2,800%	30 000	AUD	13.11.2019	14.8.2029	20 604	20 111
Finnvera plc - XS1140297000	0,625%	750 000	EUR	19.11.2014	19.11.2021	761 336	764 906
Finnvera plc - XS1294518318	0,625%	1 000 000	EUR	22.9.2015	22.9.2022	1 024 090	1 027 770
Finnvera plc - XS1392927072	0,500%	1 000 000	EUR	13.4.2016	13.4.2026	1 042 865	1 027 215
Finnvera plc - XS1613374559	1,125%	750 000	EUR	17.5.2017	17.5.2032	859 706	820 922
Finnvera plc - XS1613374559	1,125%	100 000	EUR	3.7.2017	17.5.2032	114 628	109 456
Finnvera plc - XS1613374559	1,125%	150 000	EUR	6.9.2017	17.5.2032	171 941	164 184
Finnvera plc - XS1791423178	1,250%	1 000 000	EUR	14.3.2018	14.7.2033	1 182 632	1 122 684
Finnvera plc - XS1904312318	0,750%	500 000	EUR	7.11.2018	7.8.2028	540 290	530 363
Finnvera plc - XS1979447064	0,375%	1 000 000	EUR	9.4.2019	9.4.2029	1 054 988	1 021 464
Finnvera plc - XS1538285807	1,910%	1 500 000	SEK	20.12.2016	20.12.2028	157 098	153 798
Finnvera plc - XS1538285807	1,910%	1 500 000	SEK	23.1.2017	20.12.2028	157 098	153 798
Finnvera plc - XS1538285807	1,910%	500 000	SEK	23.1.2017	20.12.2028	52 366	51 266
Finnvera plc - XS1241947768	2,375%	500 000	USD	4.6.2015	4.6.2025	485 408	454 635
Finnvera plc - XS1692488262	1,875%	1 000 000	USD	5.10.2017	5.10.2020	896 502	890 335
Finnvera plc - XS1845379152	3,000%	1 000 000	USD	27.6.2018	27.6.2023	961 954	925 834
Finnvera plc - XS2068940753	1,625%	1 000 000	USD	23.10.2019	23.10.2024	935 445	879 397
<b>Total</b>						<b>10 439 554</b>	<b>10 138 250</b>

(EUR 1,000)	Finnvera Group 2020	
	Nominal value	Carrying amount
<b>Debt securities in issue</b>		
<b>1 Jan 2020</b>	<b>9 738 085</b>	<b>10 138 250</b>
Debt securities issued	-	-
Repayments at maturity	-	-
Fair value changes	-	292 513
Foreign exchange differences	7 683	5 208
Other changes	-	3 583
<b>30 Jun 2020</b>	<b>9 745 767</b>	<b>10 439 554</b>
Average interest rate <sup>1</sup>		0,3052%
	Finnvera Group 2019	
(EUR 1,000)	Nominal value	Carrying amount
<b>Debt securities in issue</b>		
<b>1 Jan 2019</b>	<b>8 711 391</b>	<b>8 782 823</b>
Debt securities issued	1 936 570	1 923 801
Repayments at maturity	-953 268	-953 268
Fair value changes	-	333 212
Foreign exchange differences	43 392	45 037
Other changes	-	6 646
<b>31 Dec 2019</b>	<b>9 738 085</b>	<b>10 138 250</b>
Average interest rate <sup>1</sup>		0,6600%

<sup>1</sup> The average interest rate for the Group is calculated as an average interest rate for all interest-bearing loans.

Liabilities have been measured at fair value 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 interest 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 liabilities under the fair value option is based on market data. The liabilities have been guaranteed by the state of Finland, whose credit rating has not changed.

## 12 Right-of-use assets (IFRS 16)

### 12.1 Intangible assets of right-use assets

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	31 Dec 2019
<b>Carrying amount at 1 Jan</b>	<b>10 839</b>	<b>12 223</b>
Acquisition cost at 1 Jan	12 223	12 223
Additions	129	-
Disposals	-	-
Acquisition cost at 30 June	12 352	12 223
Accumulated amortisation and impairment losses at 1 Jan	-1 384	-
Accumulated amortisation on disposals	-	-
Amortisation for the period	-712	-1 384
<b>Accumulated amortisation and impairment losses at the end of reporting period</b>	<b>-2 095</b>	<b>-1 384</b>
<b>Carrying amount at the end of reporting period</b>	<b>10 257</b>	<b>10 839</b>

### 12.2 Tangible assets of right-use assets

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	31 Dec 2019
<b>Carrying amount at 1 Jan</b>	<b>11 608</b>	<b>13 800</b>
Acquisition cost at 1 Jan	13 916	13 800
Additions	1 331	126
Disposals	-	-
Acquisition cost at 30 June	15 247	13 926
Accumulated amortisation and impairment losses at 1 Jan	-2 308	-
Accumulated amortisation on disposals	-	-
Amortisation for the period	-1 181	-2 318
<b>Accumulated amortisation and impairment losses at the end of reporting period</b>	<b>-3 489</b>	<b>-2 318</b>
<b>Carrying amount at the end of reporting period</b>	<b>11 758</b>	<b>11 608</b>



### 12.3 IFRS 16 impact on the income statement

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	30 Jun 2019
<b>Income statement item</b>		
Interest expenses, IFRS 16	-81	-87
Depreciation and amortisation, IFRS 16	-1 892	-1 851
Administrative expenses		
– Expenses relating to leases of low-value assets	-598	-567
<b>Operating profit</b>	<b>-2 571</b>	<b>-2 506</b>
Change in deferred taxes	-	-
<b>Profit for the period (+) / loss (-)</b>	<b>-2 571</b>	<b>-2 506</b>
<b>Cash outflow for leases</b>	<b>-1 704</b>	<b>-1 689</b>

### 12.4 Balance sheet items of the right-of-the-use assets

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	31 Dec 2019
<b>Right-of-use-asset</b>		
Intangible assets		
– IT Applications	10 257	10 839
Tangible assets		
– Office properties	11 567	11 504
– Lease cars	191	104
<b>Total</b>	<b>22 015</b>	<b>22 447</b>

(EUR 1,000)	Finnvera Group	
	30 Jun 2020	31 Dec 2019
<b>Other liabilities</b>		
Lease liabilities		
– IT applications	10 310	10 877
– Office properties	11 817	11 679
– Lease cars	215	133
<b>Total</b>	<b>22 342</b>	<b>22 689</b>

### 13 Key figures and formulas for the key indicators

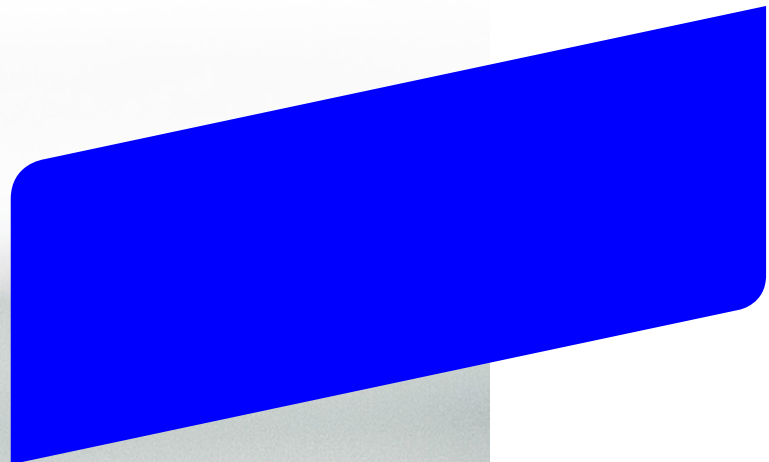
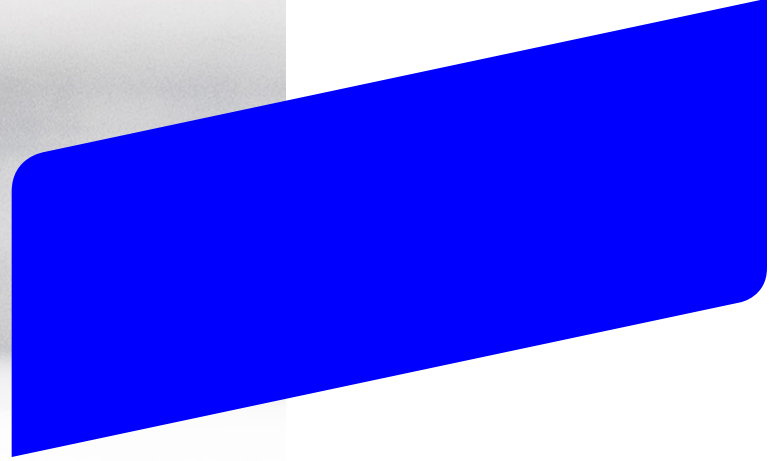
	Finnvera Group	
	30 Jun 2020	31 Dec 2019
Equity ratio, %	8.1	11.6
Expense-income ratio, %	29.1	25.4

#### Formulas for the key indicators

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

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





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

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