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

H2/2018 and
1 Jan–31 Dec 2018

FINNVERA

FINNVERA

Finnvera Group, Stock Exchange Release 26 February 2019

Finnvera Group's Report of the Board of Directors and Financial Statements for 2018

The result was clearly positive – self-sustainability has been attained throughout Finnvera's 20-year history

CEO Pauli Heikkilä:

"Demand for Finnvera's export financing remained high in 2018 due to long credit periods in the exports of capital goods. The volumes of export credit guarantees, special guarantees and export credits granted to large corporates' export trade transactions were lower than in the previous year but, then again, 2017 was a record-breaking year in Finnvera's history. The availability of SME and midcap financing and the increased use of the European Fund for Strategic Investments (EFSI) reduced demand for Finnvera's SME and midcap financing. In line with our strategy, the focus of the financing granted by us was increasingly on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.

The Finnvera Group's result was EUR 98 million (EUR 107 million). The result for the SME and midcap business operations, EUR -4 million (EUR 30 million), showed a loss, mainly due to the lower level of the State's credit loss compensation and the adoption of the IFRS 9 standard. The result for export financing was clearly positive, EUR 103 million (EUR 71 million), which increases reserves for the future.

Demand for export credits has increased in recent years. At the same time, our need for funding has increased and, in 2018, a total of EUR 2.4 billion was acquired from the capital market. To balance funding and asset management, Finnvera prepaid loans associated with the temporary export credit system of 2009–2012 to the State, amounting to EUR 1.5 billion.

Finnvera's total exposure at the end of 2018 was EUR 25.6 billion, of which drawn guarantees and credits accounted for EUR 12.2 billion. Approximately half of the exposure relates to binding financing offers or agreements that are related to future deliveries by export companies, and thus they do not create credit risks for Finnvera yet. These arrangements typically consist of buyer financing for cruise ships, the delivery times of which are long. In the long term, the drawn exposure will remain clearly below our total exposure. For potential future losses, we have so far accumulated EUR 1.8 billion reserves as the result of our operations.

Finnvera's operations are guided by self-sustainability, which is ensured with risk management, careful risk analysis and reinsurance, among other means. In line with our targets, our business operations have been cumulatively self-sustainable since the founding of Finnvera, 20 years ago this year."

Finnvera Group, business operations and the financial performance

1–12/2018 (1–12/2017)

- Loans and guarantees granted: 765 MEUR (782), change -2%
- Export credit guarantees and special guarantees granted: 3,145 MEUR (7,693), change -59%
- Export credits granted: 2,197 MEUR (6,555), change -66%
  - The timing of individual large export transactions has a major impact on the annual variation in financing volumes.

31 Dec. 2018 (31 Dec. 2017)

- Exposure, drawn loans and guarantees for SMEs and midcap enterprises: 1,974 MEUR (2,129), change -7%
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export credit guarantees: 23,631 MEUR (22,562), change 5%
  - of which drawn guarantees amount to 10,275 MEUR (9,137), change 12%
- Exposure, export credits: 5,981 MEUR (4,758), change 26%
  - The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee.

The Finnvera Group's profit for H2/2018 was EUR 49 million. This was at the same level as in H1/2018 (EUR 49 million). The result of the entire year 2018 was EUR 98 million (EUR 107 million), 8 per cent less than in the previous year. The most significant reasons for the weaker result included the decrease in the net

Finnvera Group, year 2018 (vs. 2017)

Profit for the period
98 MEUR
(107), change -8%

Balance sheet total
EUR 11.0 bn
(10.3), change 7%

Non-restricted equity and The State Guarantee Fund
EUR 1.8 bn
(1.7), change 4%

Average number of employees
360
(383), change -6%

Equity ratio
12.3%
(12.7%)

Expense-income ratio
29.3%
(27.2%)

Change in the focus of financing:
87%
(80%)
of SME and midcap financing focused on start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership.

Net promoter score index
70
(66)
Clients are willing to recommend Finnvera

interest income, the increase in losses associated with items recognised at fair value through profit or loss, the year-on-year increase in realised credit losses, and expected losses in SME and midcap financing, due to the lower level of the State's credit loss compensation and the adoption of the IFRS 9 standard.

Outlook for financing

The growth of the Finnish economy is expected to slow down in 2019, and according to the Bank of Finland's forecast, GDP will grow by 1.9 per cent this year.

We expect that the availability of financing will remain good in the SME and midcap sector. Finnvera's goal is to keep the focus of SME and midcap financing firmly on enterprises seeking growth, internationalisation and change, in addition to transfers of ownership and start-ups. In line with the strategy, the aim is to increase the number of SME clients involved in exports as well as the offering of SME advisory services related to financing export trade transactions and preparing for risks. We expect that this will increase demand for export financing this year. The acceleration of transfers of ownership continues, and we expect demand for financing for transfers of ownership to remain high as in previous years.

In 2018, demand for export financing was very high, as in the previous year, which is an indicator of the outlook for financing for this year. We expect demand for export credit guarantees and export credits to remain strong in 2019 and to focus on cruise shipping, telecommunications and pulp and paper sectors. As in previous years, the overall demand is affected by the realisation of individual major projects. Regionally, the strongest demand is anticipated to occur in the United States and Latin America and, to an increasing extent, in other emerging markets. Financing solutions offered to buyers play a pivotal role in the export trade of capital goods sold by large corporates.

The strategy is implemented throughout the Group as planned in 2019 and we expect that operations will be self-sustainable in the current financial period as well. The realised and expected credit losses involve some uncertainty, which can have a significant effect on the financial perfomance.

Finnvera Group	**H2/2018**	**H1/2018**	**Change**	**H2/2017**	**2018**	**2017**	**Change**
Financial performance	**MEUR**	**MEUR**	**%**	**MEUR**	**MEUR**	**MEUR**	**%**
Net interest income	19	23	-16%	23	42	46	-10%
Net fee and commission income	70	65	7%	61	135	127	6%
Gains and losses from financial instruments carried at fair value through P&L	-9	0.1	-	-2	-9	1	-
Administrative expenses	-23	-23	0%	-21	-46	-43	6%
Realised and expected credit losses, gross	-18	-28	-35%	-22	-45	-42	8%
Credit loss compensation from the State	11	13	-14%	12	24	23	3%
Operating profit	49	51	-4%	49	100	109	-8%
Profit for the period	49	49	0%	50	98	107	-8%

Further information:
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Report of the Board of Directors and Financial Statements H2/2018 and 1 January–31 December 2018 (PDF)
Statement on the Corporate Governance and Steering System 2018 (PDF)
Annual Review and Corporate Responsibility 2018 (PDF)

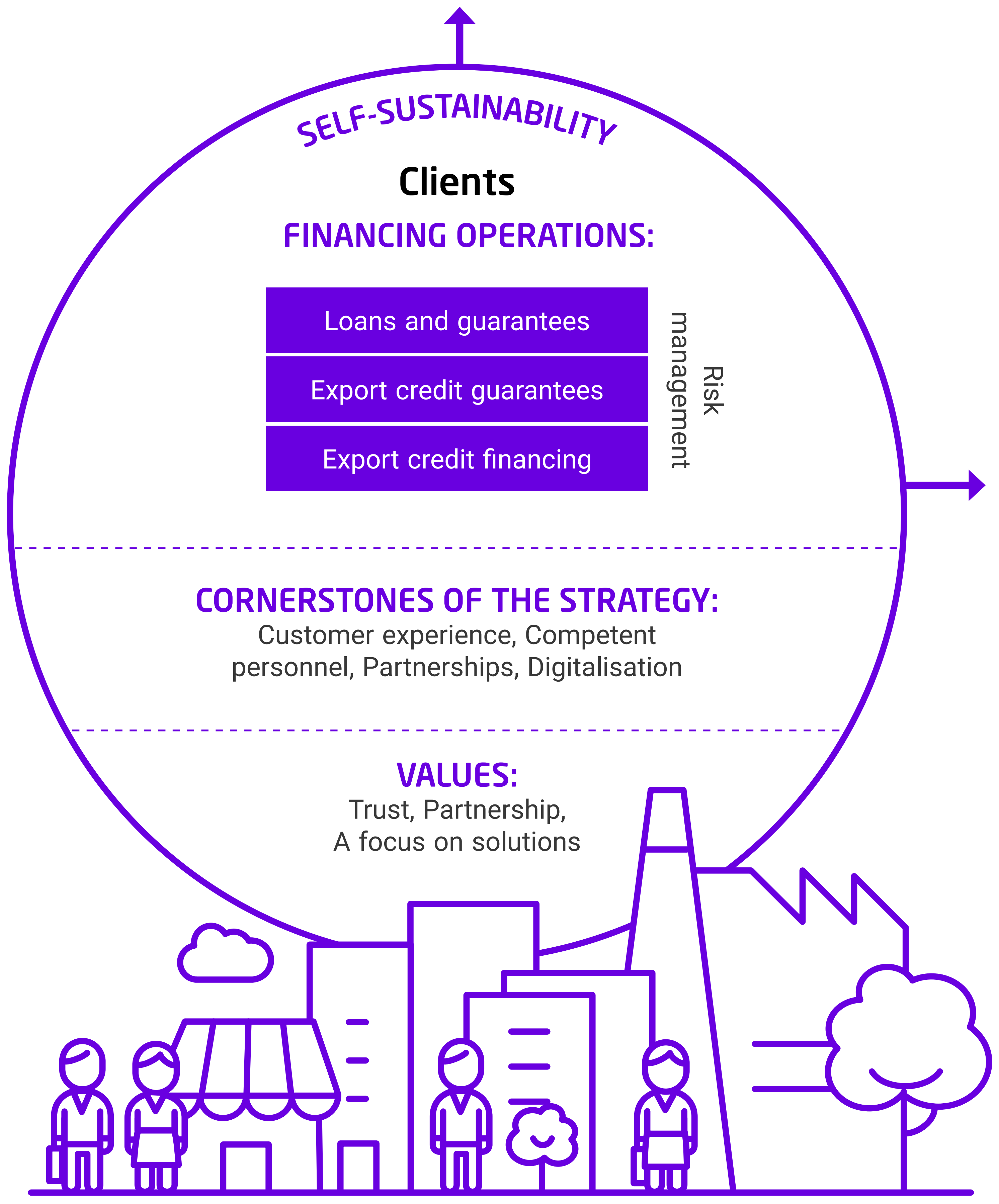
Distribution:
NASDAQ Helsinki Ltd, London Stock Exchange, the principal media, www.finnvera.fi

The financial statements are available in Finnish and in English at www.finnvera.fi/financial_reports

How Finnvera creates value

Finnvera improves and diversifies financing opportunities available for Finnish enterprises by offering loans, guarantees and export credit financing.

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



Number of clients: 25,700

- Micro-enterprises: 89%
- SMEs and midcap enterprises: 11%
- Large corporates: 0.5%

Products and services

Loans and guarantees granted
To micro-enterprises, SMEs and midcap enterprises EUR 0.8 billion in total

Export credit guarantees and special guarantees granted
To SMEs, midcap enterprises and large corporates EUR 3.1 billion in total

Export credits granted
EUR 2.2 billion in total

Authorisations and exposures

Loans and guarantees
For SMEs and midcap enterprises
- authorisation EUR 4.2 billion
  – of which EUR 2.0 billion used
- exposure EUR 2.0 billion

Export credit guarantees
- authorisation EUR 27.0 billion
  – of which EUR 19.1 billion used
- exposure EUR 23.5 billion

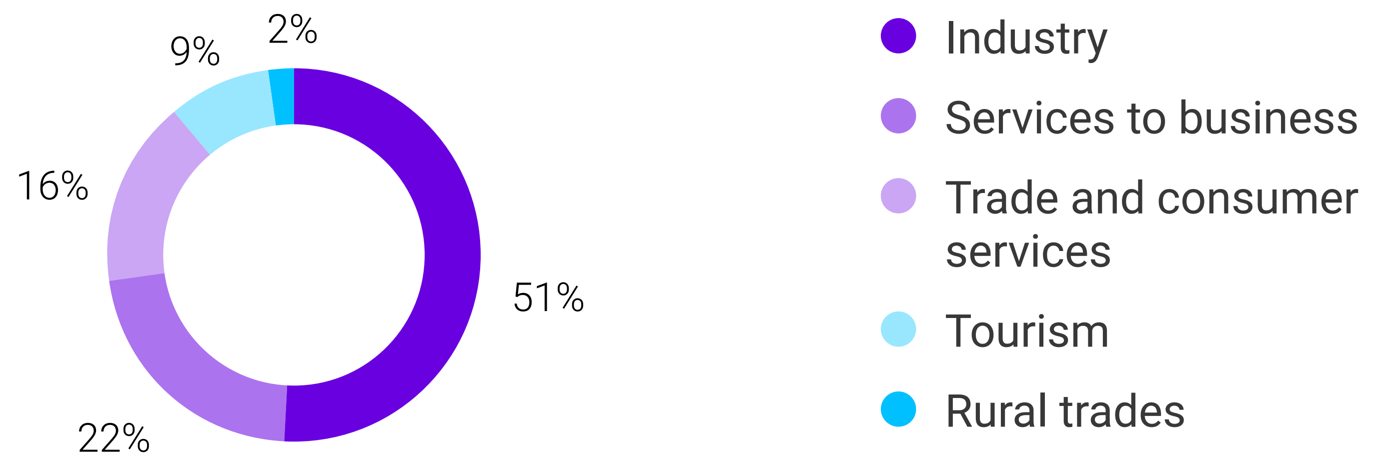
Export credits
- authorisation EUR 22.0 billion
  – of which EUR 12.5 billion used
- exposure EUR 6.0 billion

Special guarantees
(shipping and environmental guarantees and raw material guarantees)
- authorisation EUR 3.2 billion
  – of which EUR 0.2 billion used

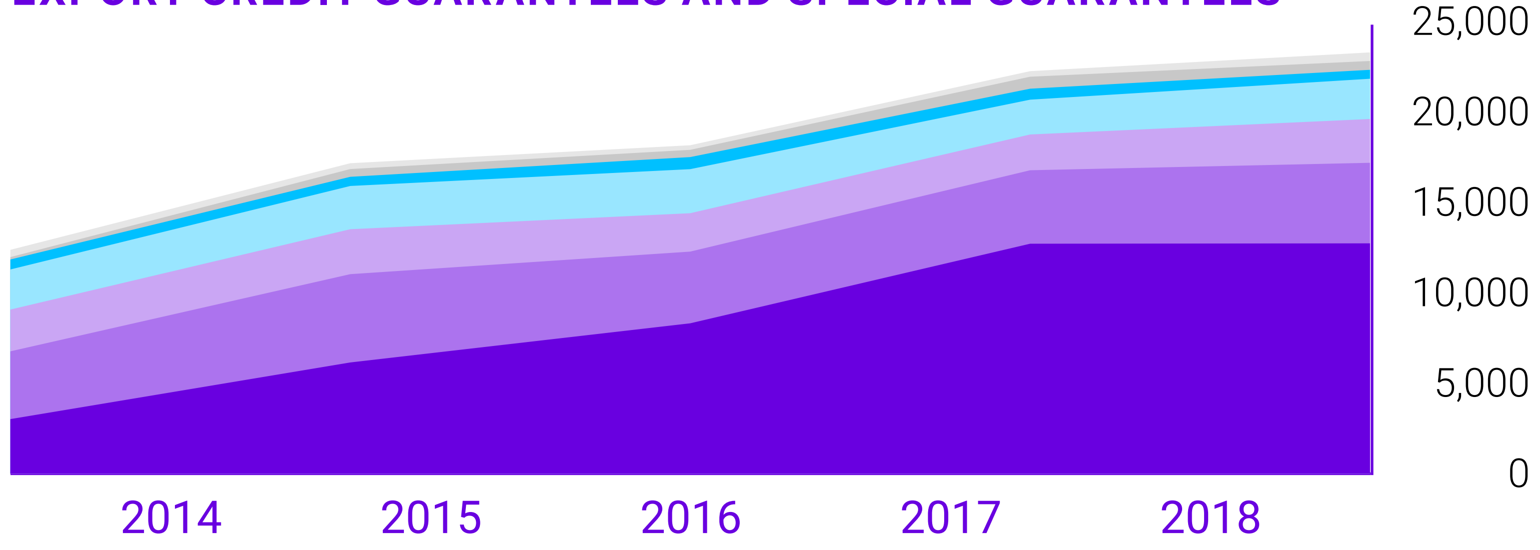
The exposure defined in the Act on the State's Export Credit Guarantees includes commitments and half of offers given at the closing date's exchange rate. The total exposure arising from export credit guarantees and special guarantees includes current commitments and offers given, including export guarantees.

More in Annual Review >

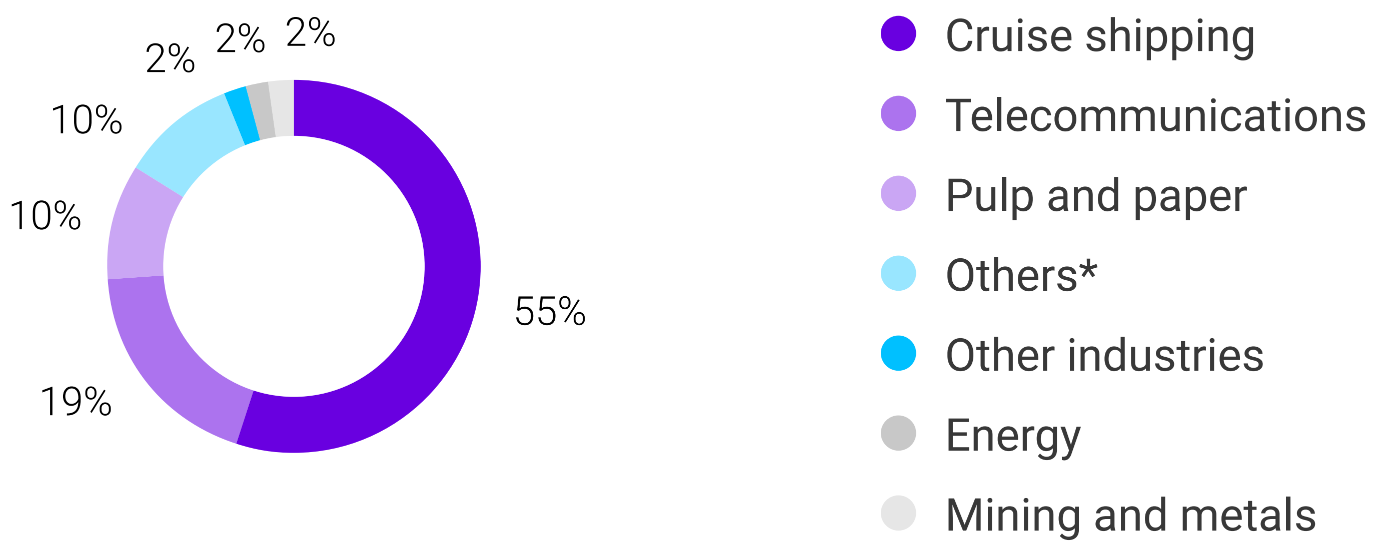
EXPOSURE BY SECTOR 2018, LOANS, GUARANTEES AND EXPORT GUARANTEES



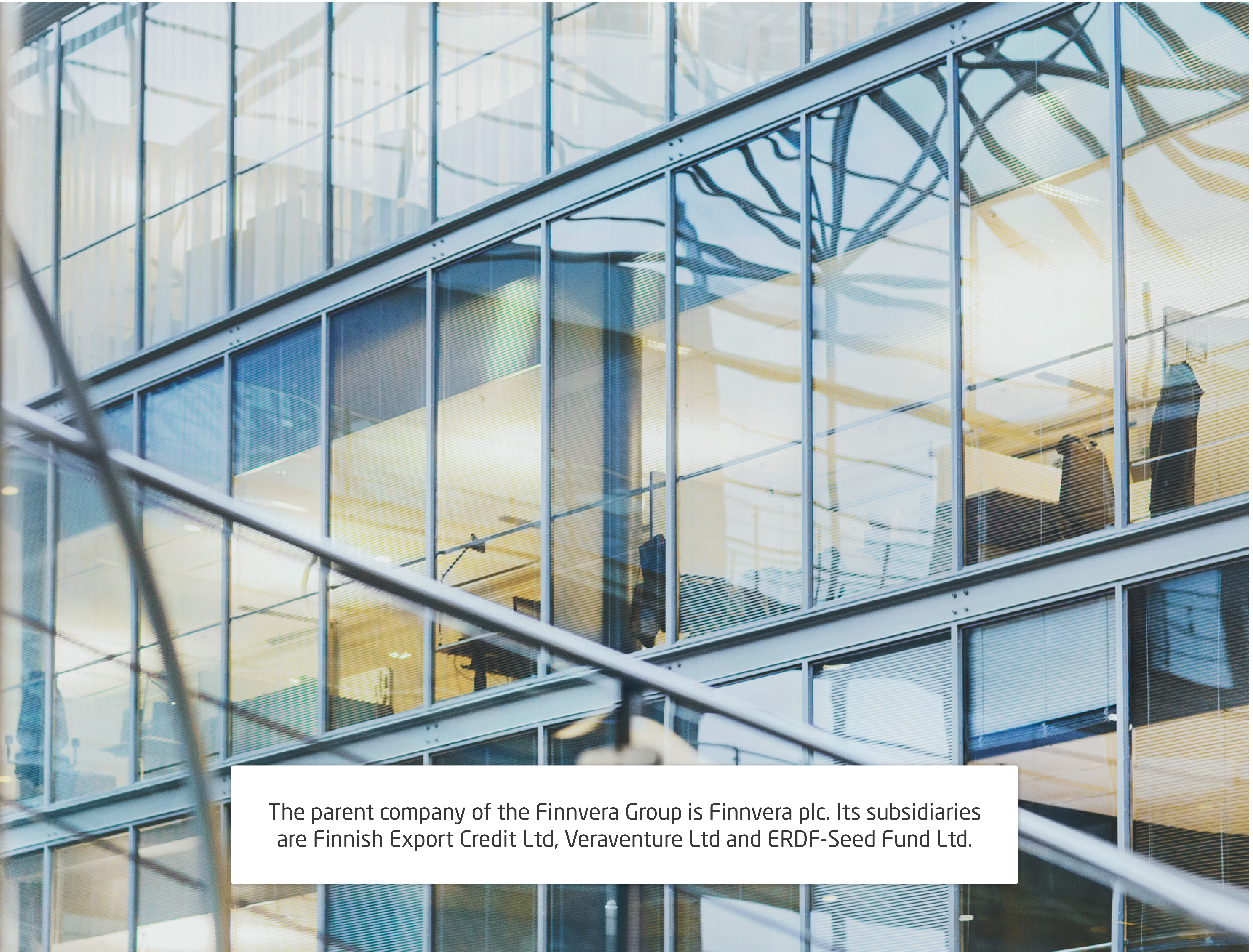
5-YEAR-TREND OF EXPOSURE BY SECTOR, MEUR EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES



EXPOSURE BY SECTOR 2018, 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.

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

Report of the Board of Directors

Finnvera Group

Profit for the period

98 MEUR

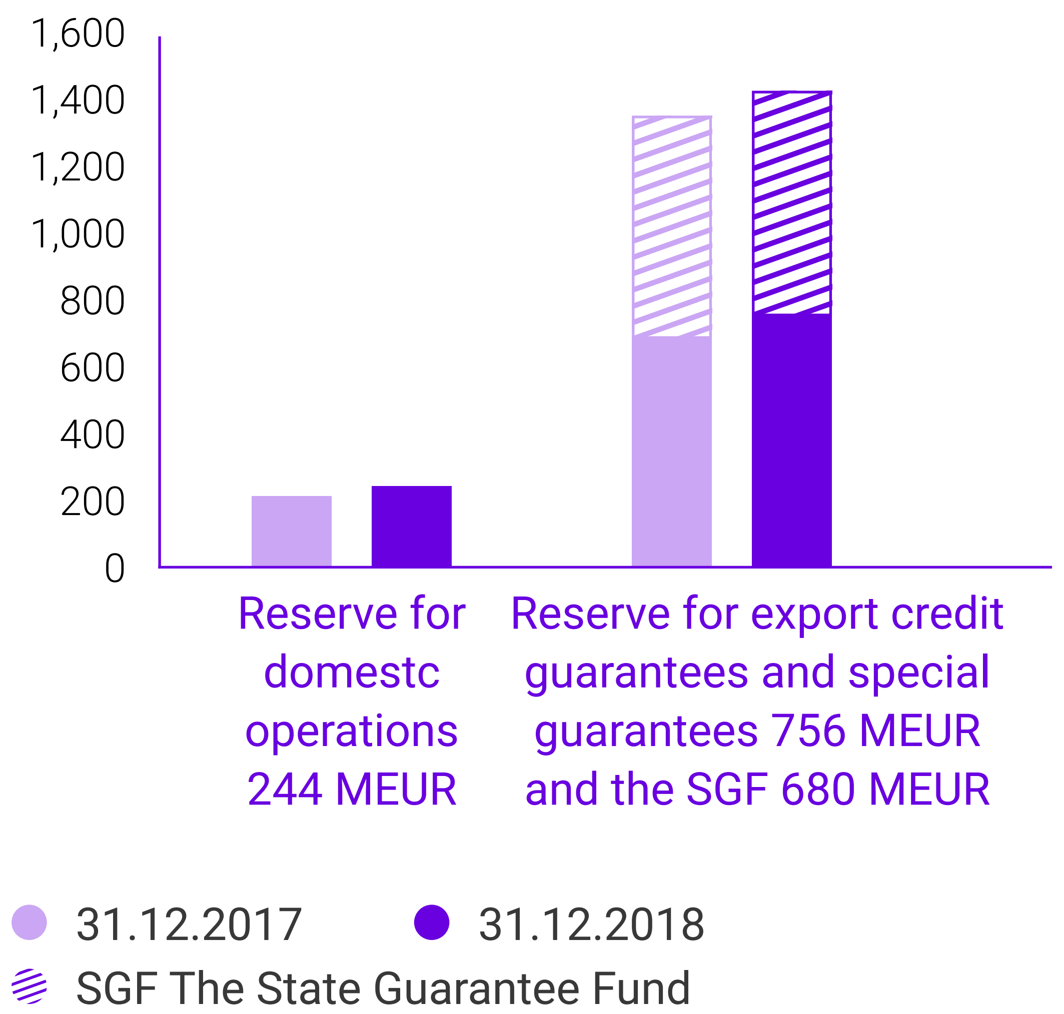
(2017: 107 MEUR)

Balance sheet total

11,039 MEUR

(31 Dec 2017: 10,337 MEUR)

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



Expence-income ratio

29.3%

(2017: 27.2%)

Equity ratio

12.3%

(31 Dec 2017: 12.7%)

Capital adequacy, Tier 1
Domestic operations

27.2%

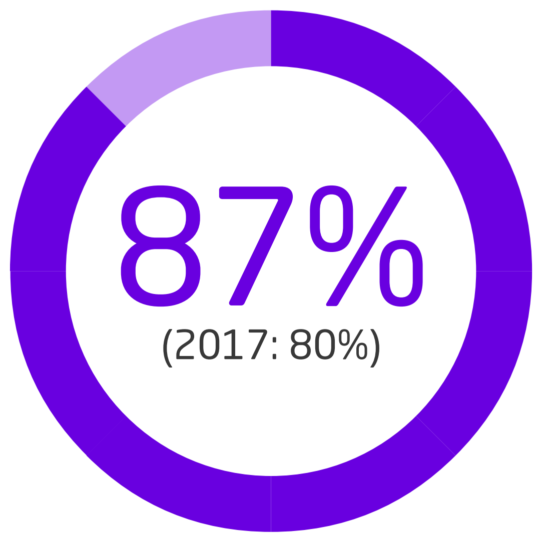
(31 Dec 2017: 25.3%)

Export financing incl.
The State Guarantee Fund

<8.0%

(31 Dec 2017: <8.0%)

Change in the focus of financing:



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

Finnvera's goal is, by means of financing, to promote the operations of SMEs and midcaps as well as the internationalisation and exports of enterprises.

Clients are willing to recommend Finnvera
Net promoter score index

70

(2017: 66)

Report of the Board of Directors

In 2018, economic growth continued and was extensive although the growth was slower than in 2017, the year of strong economic growth, and although the risks of conflicts in world trade impaired the outlook and increased uncertainty. In Finland, exports and investments increased, although less than in the previous year. Finnvera arranged a significant amount of guarantees and financing for enterprises as financing solutions for export transactions and investments.

Export financing still at a high level

Demand for Finnvera's export financing remained high, and Finnvera granted EUR 3.0 billion to large corporates' export transactions in new export credit guarantees and special guarantees and EUR 2.2 billion in export credits. The volumes were lower than in the previous year, but one should bear in mind that 2017 was a record-breaking year for Finnvera's export financing. Finnvera's exposure related to export credit guarantees and special guarantees was EUR 23.3 billion at the end of 2018. Export credits amount to EUR 6.0 billion, and Finnvera's balance sheet total has grown to EUR 11.0 billion.

One of Finnvera's strategic goals is to ensure a competitive export financing system when compared to the key competitor countries. In this way, Finnish enterprises can have an equal footing in international markets. Large corporates also consider competitive export financing very important. Public export financing may even be a prerequisite for getting a chance to participate in international competitive bidding processes. This was revealed by an impact study commissioned by Finnvera.

Finland's export financing system was studied in the report of a consultant appointed by the Ministry of Economic Affairs and Employment. The report served as a basis for setting up a working group on the development of export financing.

The Research Institute of the Finnish Economy (Etla), commissioned by the Prime Minister's Office, conducted an impact study on export financing. It showed that export financing has a significant impact on the economy, extending clearly beyond individual financing projects through thousands of jobs created and subcontracting networks consisting of hundreds of enterprises. Etla's study focused on the export financing granted to Meyer Turku and Nokia. The example used in the study was a EUR 1 billion financing project: according to the report, Meyer Turku, for instance, would create more than EUR 600 million in added value in Finland.

The rapid growth of the export financing exposure in the past few years calls for professional risk management. The special characteristics of export financing and the concentration of risks in certain sectors are taken into account in risk management. In operations, investments were made in reinsurance. In addition, Finnvera investigated the possibility of using other risk transfer methods.

Finnvera's exposures were assessed in the National Audit Office of Finland's audit, which suggested measures for the reporting on Finnvera's risk position and the supervision of operations. In 2017, an external assessment commissioned by the Ministry of Economic Affairs and Employment showed that Finnvera's management of risks and exposures is at an excellent level in international comparison.

SME financing for enterprises seeking growth and internationalisation

SMEs' willingness to make investments and financing granted for these investments were increasing slightly during the first months of the year. Towards the end of the year, demand for Finnvera's financing decreased. On the other hand, the availability of financing from other sources improved. The use of the European Fund for Strategic Investments (EFSI) became more common among banks.

The financing Finnvera granted to SMEs and midcap enterprises amounted to EUR 943 million. Exposure was EUR 2.3 billion at the end of 2018. The result for the SME business showed a loss due to the slightly lower level of the State's credit loss compensation as well as the IFRS 9 standard that was adopted at the same time and the related consideration of expected future losses.

Finnvera has managed to shift the focus of financing to start-ups, enterprises seeking growth, internationalisation and change, and transfers of ownership. In line with the goals, these target groups' share of the financing granted continued to grow.

The granting of guarantees related to SMEs' export activities was at the same level as in the previous year. Finnvera's goal is to increase the number of enterprises using export financing services by 30 per cent. Finnvera launched, together with the Chamber of Commerce, banks and credit insurers, an export trade financing tour targeted at SMEs to improve their awareness of protection against export risks and of the use of financing in winning export contracts. Approximately 200 enterprises participated in the tour.

Financing arrangements for transfers of ownership continue to be important for Finnvera. The volume of transfers of ownership financed by Finnvera increased by 6 per cent year on year, when measured in euros. The average size of the corporate acquisitions financed was slightly larger than before.

The SME financing goals set in Finnvera's strategy are in line with the industrial and ownership policy goals set by the Ministry of Economic Affairs and Employment. These goals were largely achieved. The goals were one of the underlying reasons why Finnvera applied for the status of an intermediary of the European Investment Fund's (EIF) COSME guarantee programme. This guarantee product will be launched in 2019. The guarantee instrument diversifies enterprises' financing options.

Need for funding has increased

Financing solutions offered to buyers are crucially important in the export trade of large corporates' capital goods. In these transactions, financing for export credits has increased in recent years. Two thirds of export credit guarantees granted also include export credit.

At the same time, the need for funding has grown. In 2018, a total of EUR 2.4 billion was acquired from the capital market by issuing EUR and USD bonds under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. The funds are used for export credits and SME financing. Funding is estimated to remain at the same level (EUR 2.0–2.5 billion) also in 2019.

To balance funding and asset management, Finnvera prepaid loans associated with the temporary export credit system of 2009–2012 to the State in 2018, amounting to EUR 1.5 billion.

Customer service and the client's best interests

According to Finnvera's updated strategy, customer experience is the guiding principle for all Finnvera employees. To ensure that the services meet the clients' needs, client satisfaction is constantly measured with the NPS (Net Promoter Score) index in connection with service events. The index measures how willing clients are to recommend Finnvera's services.

In SME and midcap financing services, the NPS rating was 51 among small enterprises, 70 among enterprises on the domestic market, and 74 among enterprises seeking growth and internationalisation.

The NPS rating among large corporates was 86. Finnvera received the international TXF Importer's Choice award for being the export credit agency that succeeded best in serving foreign buyers dealing with export companies. In addition, in the Exporters' Choice comparison exporters rated Finnvera as one of the export credit agencies that succeeded in supporting exporters' business operations.

Customer service was carried out in close cooperation with the Team Finland network. Export companies were provided with expertise and support for internationalisation. In 2018, Finnvera made dozens of service proposals within the framework of the Team Finland service model and a joint management system for customer data was adopted.

Finnvera has, for its part, improved Finnish enterprises' prospects related to exports, investments and other development activities by offering financing solutions both independently and together with commercial actors and banks in cases where financing could not have been acquired solely from commercial markets.

Financial performance

The Finnvera Group in July-December 2018

The profit in July–December was EUR 49 million. This was at the same level as in January–June (EUR 49 million).

The net value of fee and commission income and expenses increased from January–June by 7 per cent to EUR 70 million. The net value was increased especially by fee and commission income from export credit guarantee and special guarantee operations, growing by EUR 6 million and 11 per cent in July–December. Factors influencing the growth included an increase in the drawn exposure and a single significant prepayment during the July–December period. The amount of reinsurance for export credit guarantees has been further increased, which increased the reinsurance expenses by EUR 1 million and 12 per cent when compared to the first half of the year.

Realised credit losses in July–December were EUR 22 million, whereas in January–June, they amounted to EUR 29 million. Expected credit losses were also lower than during the first half of the year. Expected losses decreased by EUR 4 million in July–December, whereas in January–June they decreased by EUR 1 million. Expected losses were decreased by the better diversification of credit risks in SME and midcap financing, which reduced the overall risk, and the IMF's latest, more positive estimates of global economic development, which decreased the expected losses associated with export credit guarantee and special guarantee exposures in the Large Corporates business.

The Group's net interest income in July–December came to EUR 19 million. The net interest income was 16 per cent lower than during the first half of the year, which was due to the funding executed to cover future export credit commitments by the subsidiary Finnish Export Credit Ltd as well as to higher interest expenses. Interest expenses were 10 per cent higher than in January–June.

In July–December, losses for items recognised at fair value through profit or loss were EUR 9 million, whereas during the first half of the year, these items showed a small profit. The losses in July–December were mainly due to the recognition of derivatives and liabilities at fair value, which includes losses of EUR 3 million for the period of January-June due to a change in the valuation of bonds issued. Sales losses from venture capital investment activities and impairment losses from shares and participations owned by Finnvera were also higher than during the first half of the year.

The Group's personnel and other administrative expenses in July–December amounted to EUR 23 million, or at the same level as during the first half of the year (EUR 23 million).

The Finnvera Group in January-December 2018

The Finnvera Group's profit for 2018 was EUR 98 million (EUR 107 million). This was 8 per cent less than in the previous year. The most significant reasons for the weaker result included the decrease in the net interest income, the losses associated with items recognised at fair value through profit or loss, and the year-on-year increase in realised credit losses.

The net interest income for the period under review was EUR 42 million (EUR 46 million), down by 10 per cent from the comparison period. Due to the funding executed to cover future export credit commitments, interest expenses grew by 21 per cent from the previous year. In 2018, Finnvera acquired a total of EUR 2.4 billion from the market by issuing EUR and USD bonds.

In addition, the result was impaired by losses from items recognised at fair value through profit or loss. During the period under review, losses from items recognised at fair value amounted to EUR 9 million, whereas in the previous year, they showed a profit of EUR 1 million. In the previous year, positive revaluations made in venture capital investment activities had a positive impact on the result. In 2018, similar revaluations were not made. As a result, the change in the fair value of shares and participations was EUR 8 million negative when compared to the previous year. In addition, losses from changes in the fair value of liabilities and derivatives increased by EUR 2 million from the previous year.

During the period under review, realised credit losses totalled EUR 51 million (EUR 41 million), up by 26 per cent from the previous year. Expected credit losses decreased by EUR 7 million during the period: in SME and midcap financing the expected credit losses increased by EUR 14 million and in the Large Corporates business decreased by EUR 20 million.

The net value of fee and commission income and expenses came to EUR 135 million (EUR 127 million) during the period under review. The net value was 6 per cent higher than in the comparison period as a result of the 4 per cent growth of the fee and commission income from the parent company's export credit guarantee and special guarantee operations, reaching EUR 110 million, and the nearly 40 per cent growth of the subsidiary Finnish Export Credit Ltd's commitment and other fees, reaching EUR 16 million. The fee and commission income from guarantees associated with SME and midcap financing was at the same level as in the previous year. The total fee and commission expenses were only slightly higher than in the previous year, although the fee and commission expenses in reinsurance operations increased by 9 per cent.

In 2018, the quality of the SME and midcap financing credit portfolio was at the targeted level. Risks pertaining to individual clients and the amounts of non-performing credits and arrears remained at a reasonable level. The decrease in some large exposures further increased risk diversification in the credit portfolio, which reduced both exposure and the overall risk.

Approximately 80 per cent of the export credit guarantee commitments and binding offers in the Large Corporates business were associated with EU and OECD countries. The main sectors were cruise shipping, telecommunications and pulp and paper, which accounted for a total of 83 per cent of total exposure. Altogether, 69 per cent of the exposure was in risk category B1, which reflects investment grade, or in better risk categories. The percentage rose from the previous year, indicating a slight decrease in the risk level of the export credit guarantee portfolio.

Financial performance of Finnvera plc and the Group companies

The profit of the parent company, Finnvera plc, for 2018 stood at EUR 91 million (EUR 98 million), of which the Large Corporates business accounted for EUR 95 million (EUR 68 million) and the SMEs and Midcap business for EUR -4 million (EUR 30 million). The result of the Large Corporates business improved by 40 per cent from the previous year. The negative result of the SMEs and Midcap business was due to the lower 50 per cent level (59) of the State's credit loss compensation and the adoption of the IFRS 9 standard.

The Group companies and subsidiaries had an impact of EUR 8 million on the profit for the period under review (EUR 8 million). Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 8 million (EUR 3 million). The result of venture capital investment activities showed a small profit (EUR 5 million).

Separate result for export credit guarantee and special guarantee operations

The separate result for export credit guarantee and special guarantee operations, as defined in the Act on the State's Export Credit Guarantees, came to EUR 88 million (EUR 68 million) in 2018.

Analysis of financial performance in January-December 2018

Interest income and expenses and interest subsidies

The Finnvera Group's net interest income in January–December came to EUR 42 million (EUR 46 million), down by 10 per cent from the previous year. The net interest income decreased, especially due to higher interest expenses. Finnvera has acquired funds to cover future export credit commitments, which has increased interest expenses. During the period under review, interest expenses grew by EUR 14 million, or 21 per cent.

Interest income amounted to EUR 124 million (EUR 114 million), increasing by 9 per cent from the previous year. The most significant increasing factor was interest income from receivables from interests from loans passed on to customers. Interests from loans passed on to customers amounted to EUR 10 million, showing an increase of 9 per cent from the previous year. During the period under review, the subsidiary Finnish Export Credit Ltd's outstanding loans grew by 26 per cent and interest income from lending by 22 per cent. On the other hand, outstanding loans in SME and midcap financing provided by the parent company, Finnvera plc, decreased by 15 per cent during the period, which decreased interest income by a nearly equal percentage. Interest income from receivables from credit institutions totalled EUR 6 million (EUR 2 million), or nearly 149 per cent higher than in the previous year. Interest income from debt securities decreased by EUR 4 million from previous year. The most significant increasing factor was interest income from receivables from interests from loans passed on to the clients. Interests from loans passed on to the clients amounted to EUR 10 million, showing an increase of 9 per cent from the previous year.

The interest subsidies paid by the State and by the European Regional Development Fund (ERDF) and passed on directly to clients totalled less than EUR 1 million (EUR 1 million). Interest-subsidised financing has not been granted since 2013, and the accrual of interest subsidy will end in the coming years.

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses came to EUR 135 million (EUR 127 million), up by 6 per cent from the comparison period.

The fee and commission income totalled EUR 160 million (EUR 152 million). Of this, the parent company's fee and commission income from export credit guarantees and special guarantees accounted for 69 per cent (70 per cent), SME and midcap financing for 21 per cent (23 per cent) and export credit financing for 10 per cent (7 per cent). The share of export credit financing in fee and commission income has grown as the export credit volume and the commitment fee amount have increased.

Fee and commission expenses totalled EUR 25 million (EUR 24 million). Fee and commission expenses consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc. The company has increased the volume of reinsurance taken out to cover the exposure for export credit guarantees; this also contributed to the rise in fee and commission expenses in 2018. The fee and commission expenses in reinsurance increased 9 per cent from the previous year.

Gains and losses from items carried at fair value through profit or loss

The Group's losses from items carried at fair value totalled EUR -9 million (EUR 1 million), of which the change in the fair value of liabilities and interest rate and currency swaps accounted for EUR -8 million (EUR -6 million). The change in the fair value of venture capital investments, losses/gains from the sale of SME bonds and exchange rate differences totalled EUR -1 million (EUR 6 million).

Other income

During the period under review, net income from investments remained under EUR 1 million but doubled from the previous year. Other operating income amounted to EUR 4 million (EUR 1 million). The EUR 3 million increase of the income from the previous year resulted of the operating grant that the State transferred from an ERDF escrow account to Finnvera for SME development. In addition, other operating income includes the management fee paid by the State Guarantee Fund.

Operating expenses and depreciation

The Group's operating expenses were EUR 48 million (EUR 45 million). Of these personnel and other administrative expenses accounted for EUR 46 million (EUR 43 million) and other operating expenses for EUR 2 million (EUR 2 million). Personnel expenses accounted for 59 per cent (63 per cent) of operating expenses.

Operating expenses grew by 6 per cent from the previous year, in particular due to increasing IT expenses. In late 2017, Finnvera adopted a new operational system that improves the efficiency of SME and midcap financing operations, which increased SaaS expenses compared to last year. In addition, recovery charges, expenses associated with precautionary measures intended to preserve receivables, collateral expenses, and costs associated with real property increased. Personnel training expenses increased due to IT and information security courses arranged for all of the personnel, among other things.

During the period under review, personnel expenses decreased by 1 per cent year on year. Office and travel expenses were also lower than in the previous year. Furthermore, expenses related to other external services decreased year on year.

During the period under review, the Group's depreciation amounted to EUR 3 million (EUR 2 million). Depreciation increased as the depreciation related to the operational system for SME and midcap financing, adopted in 2017, began.

Realised and expected credit losses

The Group's realised and expected credit losses amounted to EUR 45 million (EUR 42 million). After the compensation for credit losses by the State and the European Regional Development Fund (ERDF), the Group's liability for realised and expected credit losses during the financial period amounted to EUR 22 million (19 million).

Realised credit losses totalled EUR 51 million (EUR 41 million). The compensation for losses paid by the State and the European Regional Development Fund totalled EUR 24 million (EUR 23 million). According to the lower credit loss compensation commitment adopted at the beginning of 2018, compensation for losses was 50 per cent of the losses realised (59 per cent).

The change in expected losses during the period under review was EUR 6 million positive (EUR 1 million). During the period under review, expected losses in SME and midcap financing increased by EUR 14 million, and expected losses in the Large Corporates business decreased by EUR 20 million.

The parent company Finnvera plc has a significant receivable from export credit and special guarantee operations related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. On 31 December 2018, the carrying amount of receivables from Finnvera's export credit and special guarantee operations was EUR 125 million, the majority of which was receivables from Oi S.A.

The impacts of the IFRS 9 Financial Instruments standard

The IFRS 9 Financial Instruments standard entered into force at the beginning of 2018, which influenced the expected loss entries for the period under review and decreased retained earnings on the balance sheet. The standard's impacts on the profit may also be significant in the future, especially in export financing.

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

According to IAS 39, the amount of expected losses for loans in SME and midcap financing on the balance sheet on 31 December 2017 was EUR 87 million, while according to the new IFRS 9 standard, the corresponding loss provisions on the balance sheet on 1 January 2018 amounted to EUR 69 million, or EUR 17 million less. This change increased retained earnings on the balance sheet when IFRS 9 was adopted. The corresponding expected loss amount according to IFRS 9 on 31 December 2018 was EUR 84 million. This means that expected losses increased by EUR 14 million, which impaired the profit for the period. It is estimated that the most significant factor behind this increase was the changed credit and guarantee loss compensation commitment and that the impact of IFRS 9 was less significant.

During the period under review, Large Corporates business' expected losses, as defined in IFRS 9, related to export credit guarantees and special guarantees decreased by EUR 20 million, which improved the profit for the period. IFRS 9 loss provisions on the balance sheet on 1 January 2018 amounted to EUR 71 million. This amount decreased retained earnings on the balance sheet when IFRS 9 was adopted as, in line with IAS 39, no loss provisions were recorded for Large Corporates' export credit guarantees and special guarantees during the previous financial period. Loss provisions on 31 December 2018 totalled EUR 51 million, which had the above-mentioned impact on the profit.

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 119 million at the end of December (EUR 143 million). When the impairment losses recognised are considered, non-performing exposure accounted for 5.5 per cent of total exposure. This was 0.7 percentage points lower than the amount of non-performing exposure at the end of 2017 (6.2 per cent). The ratio of non-performing exposure to total exposure was 2.8 per cent (2.5 per cent) when the compensation for credit losses received from the State for SME and midcap financing is taken into account.

The amount of non-performing exposure in export financing stood at EUR 110 million at the end of December (EUR 132 million). At the end of the period under review, non-performing exposure accounted for 0.5 per cent of total exposure. This was 0.1 percentage points lower than the amount of non-performing exposure at the end of the previous year (0.6 per cent).

Long-term economic self-sustainability

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

Self-sustainability in Finnvera's SME and midcap financing has been attained over a 10-year period when the cumulative result is calculated up to the end of December 2018. 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 December 2018, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 23.6 billion and the exposure for the credits and guarantees of SMEs and midcap enterprises, as well as guarantee receivables, stood at EUR 2.0 billion. Seen against these exposures, the net profit building a loss reserve on the balance sheet is now about 0.4 per cent at the annual level, non-restricted equity is about 4 per cent, and the equity is about 5 per cent.

Balance sheet 31 December 2018

At the end of the year, the consolidated balance sheet total was EUR 11,039 million (EUR 10,337 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 10,959 million (EUR 8,584 million). The consolidated balance sheet total increased by 7 per cent, or EUR 702 million, during 2018. At the end of the year, the balance sheet total of Finnish Export Credit Ltd was EUR 6,137 million (EUR 4,900 million).

At the end of December, the Group's outstanding loan receivables from customers came to EUR 6,731 million (EUR 5,693 million), or EUR 1,038 million more than at the start of the year. The outstanding credits of the parent company, Finnvera plc, came to EUR 6,721 million (EUR 3,997 million), of which the receivables from the subsidiary Finnish Export Credit Ltd totalled EUR 5,909 million (EUR 3,042 million). Approximately 60 per cent of Finnish Export Credit Ltd's loans are in US dollars, so changes in exchange rates affect the EUR value of the loans.

The parent company's drawn guarantees in SME and midcap financing increased slightly during 2018 and totalled EUR 1,103 million at the end of December (EUR 1,098 million).

The exposure defined in the Act on the State's Export Credit Guarantees (commitments and half of offers given at the closing date's exchange rate) totalled EUR 19,108 million at the end of December (EUR 18,691 million). The total exposure arising from export credit guarantees and special guarantees (commitments and offers given, including export guarantees) totalled EUR 23,631 million (EUR 22,562 million), of which drawn guarantees amounted to EUR 10,275 million (EUR 9,137 million). The maximum indemnity amount of reinsurance arrangements valid at the end of the year was approximately EUR 1.4 billion, or 14 per cent of drawn guarantees.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments. The shares in the subsidiary ERDF-Seed Fund Ltd and Innovestor Kasvurahasto I Ky's capital input owned by the parent company (19.71 per cent) have been transferred to assignable assets available for sale in the parent company's financial statements. Similarly, the assets and liabilities of ERDF-Seed Fund Ltd are presented under assets held for sale in the consolidated financial statements. Finnvera has a subordinated loan from the State, related to Innovestor Kasvurahasto I Ky, that has also been transferred to liabilities held for sale. At the end of December, the Group's assets held for sale totalled EUR 51 million (EUR 51 million) and liabilities held for sale EUR 19 million (EUR 15 million).

The Group's long-term liabilities as per 31 December totalled EUR 9,075 million (EUR 8,464 million). Of this sum, EUR 8,783 million (EUR 6,483 million) consisted of bonds. The liabilities include subordinated loans of EUR 23 million received by Finnvera from the State for investment in the share capitals of Innovestor Kasvurahasto I Ky and Veraventure Ltd (EUR 20 million).

At the end of December, the Group's non-restricted equity was EUR 1,126 million (1,062 million), of which the reserve for domestic operations accounted for EUR 244 million (214 million), the reserve for export credit guarantee and special guarantee operations for EUR 756 million (688 million), the reserve for venture capital investments for EUR 15 million (15 million) and retained earnings for EUR 111 million (145 million).

At the end of 2018, the accumulated loss reserve amount in export credit guarantee and special guarantee operations was EUR 1,435 million (EUR 1,361 million), when the State Guarantee Fund's assets, EUR 680 million, are taken into account in addition to the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet. The loss reserves amounted to EUR 1,806 million (EUR 1,735 million), or 7 per cent of exposures, with the other non-restricted equity included.

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

Finnvera Group Balance sheet	31 Dec 2018 MEUR	31 Dec 2017 MEUR	Change MEUR	Change %
Share capital	197	197	0	0%
Share premium and fair value reserve	35	56	-20	-37%
Non-restricted equity, in total	1,126	1,062	64	6%
Reserve for domestic operations	244	214	30	14%
Reserve for export credit guarantees and special guarantees	756	688	68	10%
Other	15	15	0	0%
Retained earnings	111	145	-34	-24%
Equity attributable to the parent company's shareholders	1,358	1,314	44	3%
Balance sheet total	11,039	10,337	702	7%

Funding

In 2018, the Group's long-term funding totalled EUR 2,355 million (EUR 2,060 million). Repayments of long-term loans totalled EUR 2,012 million (EUR 647 million). Finnvera prepaid loans associated with the temporary export credit system of 2009–2012 to the State in 2018, amounting to EUR 1,461 million.

Capital adequacy

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

The above separation prescribed by law, and the State's responsibility for export credit guarantees, explain why Finnvera calculates its capital adequacy, i.e. the ratio between its exposure and assets, only for domestic operations.

According to the goal set by the State of Finland, the owner of Finnvera, the Group's capital adequacy ratio for domestic operations should be at least 15.0 per cent. Capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of December, the Group's capital adequacy ratio for domestic operations, Tier 1, stood at 27.2 per cent (25.3 per cent) while that of the parent company, Finnvera plc, was 26.3 per cent (24.3 per cent). The Finnvera Group's leverage ratio was 22.6 per cent at the end of December (18.5 per cent).

Finnvera Group Domestic operations	31 Dec 2018	31 Dec 2017	Change	Change
Capital for calculating capital adequacy	**MEUR**	**MEUR**	**MEUR**	**%**
Equity excluding profit for the period	1,258	1,164	94	8%
Intangible assets	9	-9	-17	-204%
Reserve for export credit guarantees and special guarantees	-756	-688	68	10%
Profit for the period	91	113	-23	-20%
Profit for the period attributable to export credit guarantees	-88	-68	-20	30%
Total	**514**	**513**	**1**	**0%**

Finnvera Group Domestic operations	31 Dec 2018	31 Dec 2017	Change	Change
Risk-weighted items	**MEUR**	**MEUR**	**MEUR**	**%**
Receivables from credit institutions	12	10	2	18%
Receivables from clients	1,610	1,729	-119	-7%
Investments and derivatives	95	113	-18	-16%
Receivables, prepayments, interest and other receivables, other assets	29	33	-4	-11%
Binding promises for loans	58	58	-1	-1%
Operational risk	85	86	0	0%
Total	**1,889**	**2,030**	**-140**	**-7%**

The risk-weighted receivables in the Finnvera Group's domestic operations totalled EUR 1,889 million at the end of December (EUR 2,030 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,610 million (EUR 1,729 million), or 85 per cent (85 per cent) of risk-weighted receivables. Most of the remaining receivables were investments and derivatives. About 50 per cent of loans and guarantees consisted of a large number of individual exposures of under EUR 1 million. Calculated according to the standard method, their risk weight was 75 per cent. The risk weight of other loans and guarantees was 100 per cent.

No specific requirement has been set for the capital adequacy of Finnvera's export financing because ultimately it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finnvera, considering its special industrial policy purpose as a promoter of exports. However, if taking into account the assets in the reserve for export credit guarantee and special guarantee operations and the State Guarantee Fund, the estimated capital adequacy of export financing in accordance with Tier 1 would be under 8.0 per cent (<8.0 per cent).

Risk position

SME and midcap financing exposure was EUR 2,326 million at the end of 2018 (EUR 2,475 million).

The quality of the SME and midcap financing credit portfolio was at the targeted level. Risks pertaining to individual clients and the amounts of non-performing credits and arrears remained at a reasonable level. The decrease in some major exposures further increased risk diversification in the credit portfolio, which reduced both exposure and the overall risk. In its financing, Finnvera focuses on start-ups, enterprises seeking growth, as well as enterprises in situations of change. The operational risks faced by these enterprises are often greater than the risks of established companies. Expected loss (EL) for exposure remained unchanged during the year and was 3 per cent of total exposure at the end of the year. The distribution of exposure by risk category also remained virtually unchanged. Credit and guarantee losses and impairment losses totalled

EUR 67 million (EUR 39 million). A significant part of the increase in credit losses in accounting is due to the lower level (50 per cent) of the State's credit and guarantee loss compensation, which increased Finnvera's share in the IFRS 9 loss allowances.

Exposure in the Large Corporates business was EUR 23,276 million at the end of 2018 (EUR 22,205 million). Approximately 80 per cent of the outstanding guarantees (EUR 19,434 million) and binding offers (EUR 3,842 million) were associated with EU and OECD countries.

The main sectors were cruise shipping, telecommunications and pulp and paper. These sectors accounted for a total of 83 per cent of total exposure. Altogether, 69 per cent of the exposure was in risk category B1, which reflects investment grade, or in better risk categories. The percentage rose from the previous year, indicating a slight decrease in the risk level of the export credit guarantee portfolio.

Similarly to the previous year, there were no significant export credit guarantee losses in 2018. The commitments arisen for the subsidiary Finnish Export Credit Ltd from the financing of export credits totalled EUR 13,544 million at year's end (EUR 12,503 million). The commitments include the outstanding credits as well as binding credit commitments. The credit risks associated with the outstanding credits are fully covered by means of export credit guarantees covered by the parent company Finnvera plc that are included in the above-mentioned exposure for export financing.

Finnvera Group's liquidity portfolio consisting of deposits in banks and investments in liquid assets, stood at EUR 3,638 million (EUR 4,025 million), excluding cash collateral received, at the end of 2018. All investments are at least in risk category B1 (Finnvera's risk category) 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 94 per cent of assets were in investments or account banks with a minimum rating of A3- (Finnvera's risk category). Expected loss (EL) for deposits and investments was EUR 1 million, or 0.04 per cent.

The company hedges interest rate and currency risks using derivatives, the nominal value of which was EUR 11,759 million at the end of 2018 (EUR 7,042 million). The minimum credit rating of all derivative contract counterparties was A- (S&P and Fitch) or A3 (Moody's). The derivative-related counterparty risk is mitigated with collateral agreements.

At the end of 2018, the most significant market risks were within the risk limits of the asset and liability management policy. Key risk metrics are spread risk in own debt EUR 75 million and investment assets EUR 34 million. Interest rate risk as a change in economic value of equity for 200 basis point shift in interest rates was EUR 1 million and as a change in 12 month net interest income for 100 basis point shift in interest rates was EUR 16 million. Net foreign exchange position was less than EUR 1 million.

Attainment of industrial policy and ownership policy goals

Finnvera's operations are steered by the legislation on the company and by the industrial and ownership policy goals determined by the owner. As the body responsible for the ownership and industrial policy steering of Finnvera, the Ministry of Economic Affairs and Employment sets industrial and ownership policy goals for the company for a period of four years. Whenever necessary, the ministry revises these goals annually. Out of the nine goals set for the year 2018, eight goals were reached and one was not reached.

Corporate governance

Personnel

At the end of the financial period, the Group had 360 employees (383). The parent company Finnvera plc had 357 employees (379), of whom 335 (353) held a permanent post and 22 (21) a fixed-term post. The Group's average number of employees during the period under review was 360 (383) and personnel expenses totalled EUR 28 million (EUR 29 million).

Supervisory Board, Board of Directors and auditor

On 16 March 2018, Finnvera's Annual General Meeting elected new members to the company's Supervisory Board. The new members of the Supervisory Board were Pia Kauma, Member of Parliament; Anne Louhelainen, Member of Parliament; and Timo Saranpää, Chairman of the Board.

Antti Rantakangas, Member of Parliament, continued as Chairman of Finnvera's Supervisory Board, and Krista Kiuru, Member of Parliament, as Vice Chairman. The members continuing on the Supervisory Board were Pia Björkbacka, Adviser, International Affairs; Eeva-Johanna Eloranta, Member of Parliament; Lasse Hautala, Member of Parliament; Laura Huhtasaari, Member of Parliament; Timo Kalli, Member of Parliament; Leila Kurki, Senior Adviser; Kari Luoto, Managing Director; Veli-Matti Mattila, Chief Economist; Ville Niinistö, Member of Parliament; Carita Orlando, Managing Director; Olli Rantanen, Head of Legal Services, Domestic Financing; Eero Suutari, Member of Parliament; and Tommi Toivola, Senior Adviser.

Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, continued as Chairman of Finnvera's Board of Directors. Pekka Timonen, Director General, continued as First Vice Chairman (until 31 May 2018), and Terhi Järvikare, Director General, continued as Second Vice Chairman. Other members continuing on the Board of Directors were Ritva Laukkanen, M.Sc. (Econ.), Kirsi Komi, LL.M., Pirkko Rantanen-Kervinen, B.Sc. (Econ.), and Antti Zitting, M.Sc. (Tech.). When Pekka Timonen was appointed as Permanent Secretary of the Ministry of Justice starting from 1 June 2018, his membership in the Board of Directors ended on his own request. On 15 June 2018, Tomi Lounema, Commercial Councellor, was appointed as a new member of the Board of Directors and First Vice Chairman.

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

Other events during the period under review

Finnvera to become an intermediary of the COSME guarantee programme

Finnvera applied for the status of an intermediary of the European Investment Fund's (EIF) COSME guarantee programme. Finnvera's application was approved in July 2018. The plan is to sign the agreement during the first half of 2019. After that, the aim is to launch the new product, arranged through banks, as quickly as possible. Within the framework of the programme, Finnvera can grant an unsecured 80 per cent guarantee for a loan of a maximum of EUR 150,000.

Finnvera's minimum loan and guarantee amounts rose
In line with its strategy, Finnvera shifted the focus of financing granted increasingly to guarantees. The minimum Finnvera Guarantee amount rose to EUR 10,000 and the minimum Finnvera Loan amount to EUR 30,000 starting from 1 September 2018. Finnvera's primary product for the financing of an SME start-up is the Start Guarantee, with which an enterprise can get bank financing for its various investment and working capital needs. The minimum Start Guarantee amount is EUR 5,000 and the maximum amount is EUR 80,000.

Finnvera launched competitive tendering for domestic recovery operations
Finnvera launched the reorganisation of domestic recovery operations after employer-employee negotiations. The reorganisation is associated with the transformation of the operating model, and Finnvera started to investigate the possibility of transferring domestic recovery tasks to an external service provider with a commission agreement. The procurement process was launched in November, and the procurement is arranged as public competitive tendering in accordance with the Act on Public Procurement and Concession Contracts. However, Finnvera will have the responsibility for recovery and its control in the future, too.

Juuso Heinilä appointed as Finnvera's Executive Vice President for SME financing
Finnvera plc's Board of Directors appointed Juuso Heinilä, M.Sc. (Tech.), M.Sc. (Econ.), as Executive Vice President for SME financing and a member of the Management Group as of 1 September 2018. Before that, he worked as Finnvera's Regional Director for Northern Finland.

Events after the period under review

New Regional Directors at Finnvera
Anna Karppinen, M.Sc. (Econ.), was appointed Regional Director for Finnvera's Southern Finland region as of 1 January 2019. She has worked as a Finance Manager for Finnvera's Southern Finland region since 2015.

Pasi Vartiainen, M.Sc. (Econ.), was appointed Regional Director for Finnvera's Northern Finland region. Vartiainen will move to Finnvera from the position of the Director of OP Private Oulu. He will start working for Finnvera on 1 March 2019.

Outlook for financing

The growth of the Finnish economy is expected to slow down in 2019, and according to the Bank of Finland's forecast, GDP will grow by 1.9 per cent this year.

We expect that the availability of financing will remain good in the SME and midcap sector. Finnvera's goal is to keep the focus of SME and midcap financing firmly on enterprises seeking growth, internationalisation and change, in addition to transfers of ownership and start-ups. In line with the strategy, the aim is to increase the number of SME clients involved in exports as well as the offering of SME advisory services related to financing export trade transactions and preparing for risks. We expect that this will increase demand for export financing this year. The acceleration of transfers of ownership continues, and we expect demand for financing for transfers of ownership to remain high as in previous years.

In 2018, demand for export financing was very high, as in the previous year, which is an indicator of the outlook for financing for this year. We expect demand for export credit guarantees and export credits to remain strong in 2019 and to focus on cruise shipping, telecommunications and pulp and paper sectors. As in previous years, the overall demand is affected by the realisation of individual major projects. Regionally, the strongest demand is anticipated to occur in the United States and Latin America and, to an increasing extent, in other emerging markets. Financing solutions offered to buyers play a pivotal role in the export trade of capital goods sold by large corporates.

The strategy is implemented throughout the Group as planned in 2019 and we expect that operations will be self-sustainable in the current financial period as well. The realised and expected credit losses involve some uncertainty, which can have a significant effect on the financial perfomance.

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

The parent company's profit for the financial period was EUR 90,878,355.61.

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

To the fund for export credit guarantee and special guarantee operations;
the share of export credit guarantee and special guarantee operations EUR 88,120,331.58.

To the fund for domestic operations; the share of domestic operations EUR 2,758,024.03.

Transferring items entered directly into retained earnings to reserves
One item that was entered directly into retained earnings during the financial period was the difference, at the time of the adoption of the standard, between the expected losses calculated according to the IFRS 9 standard and the impairment and loss provisions calculated previously according to the IAS 39 standard. In addition, the credit risk portion of the fair value change for liabilities carried at fair value through profit and loss attributable to domestic operations at the time of the adoption of the IFRS 9 standard was entered directly into retained earnings. For operations related to the Act on the State Guarantee Fund, this amounted to EUR -71,252,500.63 and for domestic operations to EUR 18,854,666.60. In addition, remeasurement gains in defined benefit pension plans, EUR 57,097.00, were entered directly into retained earnings. It is proposed that these items that were entered directly into retained earnings be transferred to the non-tied capital reserves as follows:

To the reserve for export credit guarantee and special guarantee operations;
as a result from the adoption of the IFRS 9 standard EUR -71,252,500.63.

To the reserve for domestic operations; EUR 18,854,666.60 as a result from the adoption of the IFRS 9 standard
and EUR 57,097.00 as a result of remeasurement gains in defined benefit pension plans, totalling EUR 18,911,763.60.

Key figures & Formulas for the key indicators

Key Figures

Finnvera Group	2018	2017	2016	2015	2014
Key P&L figures:					
Net interest income, MEUR	42	46	50	56	52
Net fee and commission income, MEUR	135	127	144	141	137
Administrative expenses, MEUR	46	43	44	44	41
– of which salaries including social security costs, MEUR	28	29	30	30	28
Realised and excpected credit losses	45	42	94	97	98
Credit loss compensation from the State, MEUR	24	23	28	83	64
Operating profit or loss, MEUR	100	109	69	114	101
Profit for the year, MEUR	98	107	70	111	100
Key Balance sheet figures:					
Loans to and receivables from customers, MEUR	6,876	5,846	6,078	5,394	4,643
Investments, MEUR	2,665	3,084	2,082	2,059	1,065
Liabilities, MEUR	9,681	9,023	8,290	7,297	5,673
– of which debt securities in issue, MEUR	8,783	6,483	4,892	3,958	2,564
Shareholders' equity, MEUR	1,358	1,314	1,207	1,121	1,009
– of which non-restricted equity, MEUR	1,126	1,062	955	871	756
Balance sheet total, MEUR	11,039	10,337	9,498	8,418	6,619
Key ratios:					
Return on equity, ROE, %	7.4	8.5	6.0	10.4	10.8
Return on assets, ROA, %	0.9	1.1	0.8	1.5	1.8
Equity ratio, %	12.3	12.7	12.7	13.3	15.2
Capital adequacy ratio, Tier 1, domestic operations, %	27.2	25.3	22.4	18.1	17.7
Expense-income ratio, %	29.3	27.2	27.0	28.3	25.9
Average number of employees[1]	360	383	398	404	401
Finnvera plc, SMEs and midcaps; financing, exposures and effectiveness					
Loans, guarantees and export credit guarantees offered, billion EUR	0.9	1.0	1.0	1.1	1.0
Outstanding commitments, billion EUR	2.3	2.5	2.6	2.7	2.8
Number of start-up enterprises financed	2,600	3,100	3,400	3,600	3,200
Number of new jobs created	7,700	9,100	8,700	8,600	8,100
Finnvera plc, Large Corporates; financing and exposures					
Export credit guarantees and special guarantees offered, billion EUR	3.0	7.5	4.2	6.6	5.0
Outstanding commitments, billion EUR	23.3	22.2	18.1	17.0	12.2
Finnvera plc, clients					
Number of clients, SMEs and midcaps and Large Corporates together	25,700	27,300	27,700	28,400	28,800

1 Based on monthly average for the whole period.

Formulas for the key indicators

Return on equity % (ROE)

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

Return on assets %, (ROA)

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

Equity ratio, %

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

Capital adequacy ratio, Tier 1, domestic operations, %

calculated according to Basel III standard method

Expense-income ratio, %

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

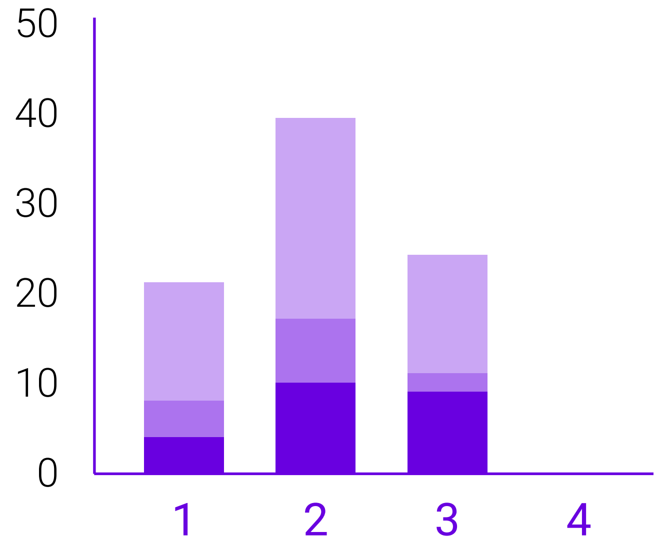
Financial statements

Finnvera Group

Net interest income	Net fee and commission income	Operating expenses
42 MEUR	135 MEUR	48 MEUR
(2017: 46 MEUR)	(2017: 127 MEUR)	(2017: 45 MEUR)

The financial statements include both the consolidated and the parent company's financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The Notes to the financial statements also comply with the currently valid requirements of the Finnish Accounting and Limited Liability Companies Acts.

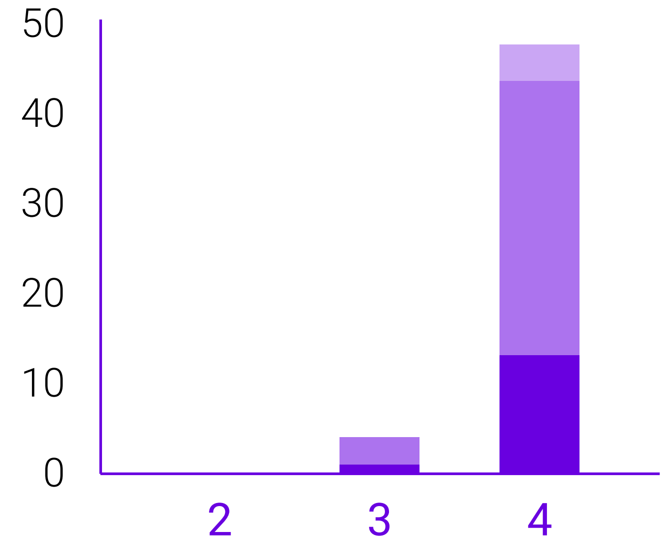
EXPECTED CREDIT LOSSES, LOANS, GUARANTEES AND EXPORT GUARANTEES 2018



1 Locally operating small companies **2** SMEs focusing on the domestic markets

Stage 1 22 MEUR · Stage 2 13 MEUR · Stage 3 49 MEUR

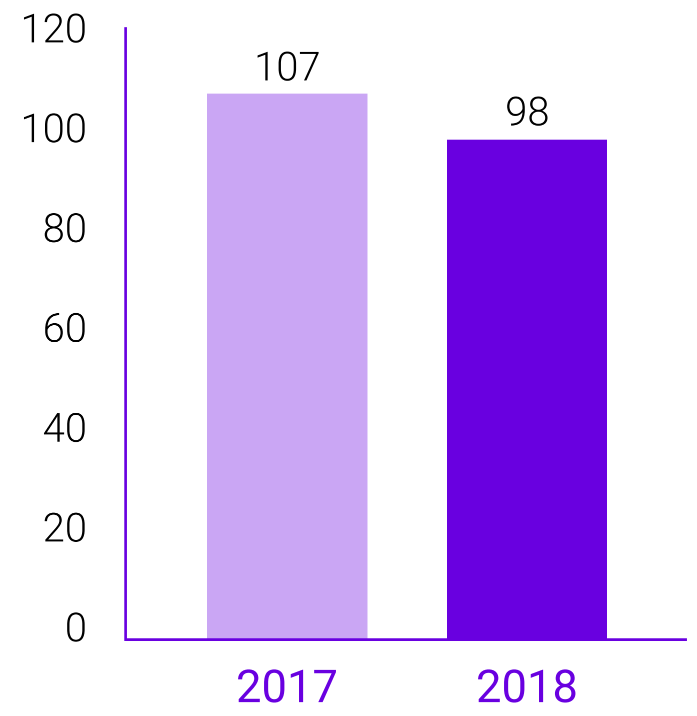
EXPECTED CREDIT LOSSES, EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES 2018



3 SMEs seeking growth and internationalisation **4** Export financing

Stage 1 14 MEUR · Stage 2 34 MEUR · Stage 3 4 MEUR

PROFIT FOR THE PERIOD
MEUR



Realised and expected credit losses

45 MEUR

(2017: 42 MEUR)

Average number of employees

360

(2017: 383)

Consolidated comprehensive income statement

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	1–12 2018	1–12 2017	1–12 2018	1–12 2017
Interest income	D1				
Interest from loans passed on to customers		124,848	114,650	90,044	64,500
Subsidies passed on to customers		356	767	356	767
Other interest income		-1,558	-1,523	-2,326	-2,236
Total interest income		**123,646**	**113,894**	**88,074**	**63,030**
Interest expenses	D1	-81,689	-67,468	-53,493	-23,518
Net interest income		**41,958**	**46,426**	**34,581**	**39,512**
Net fee and commission income	D2	134,824	127,105	134,168	126,442
Gains and losses from financial instruments carried at fair value through profit and loss	D3	-8,546	524	-1,095	972
Net income from investments	D4	418	198	413	198
Other operating income	D5	4,147	657	6,630	2,814
Total administrative expenses		-45,853	-43,073	-45,336	-42,424
– Personnel expenses	D6	-28,436	-28,707	-28,107	-28,297
– Other administrative expenses		-17,418	-14,367	-17,229	-14,127
Depreciation and amortization on tangible and intagible assets	D8	-2,779	-1,800	-2,779	-1,798
Other operating expenses	D9	-2,039	-2,044	-14,138	-8,350
Total realised and expected credit losses [1]	D10, D11	-21,808	-19,288	-21,565	-19,107
– Realised credit losses		-51,041	-39,284	-50,734	-39,285
– Credit loss compensation from the State		23,624	22,833	23,624	22,833
– Expected credit losses	E25	5,609	-2,836	5,545	-2,655
Operating profit		**100,321**	**108,705**	**90,878**	**98,260**
Income tax expense	D12	-1,861	-2,111		
Profit for the period		**98,460**	**106,593**	**90,878**	**98,260**

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	1–12 2018	1–12 2017	1–12 2018	1–12 2017
Other comprehensive income					
Items that may not be reclassified subsequently to the statement of income					
– Revaluation of defined benefit pension plans		57	151	57	151
– Change in the credit risk associated with liabilities carried at fair value		4,958		1,625	
Items that may be reclassified subsequently to the statement of income					
– Change in the credit risk associated with investments carried at fair value		-5,642	1,046	-5,642	1,019
Total other comprehensive income		**-626**	**1,196**	**-3,959**	**1,169**
Total comprehensive income for the period		**97,834**	**107,789**	**86,919**	**99,429**
Distribution of the profit for the period attributable to					
Equity holders of the parent company		98,460	106,593		
Non-controlling interest		0			
		98,460	**106,593**		
Distribution of the total comprehensive income for the period attributable to					
Equity holders of the parent company		97,834	107,789		
Non-controlling interest		0			
		97,834	**107,789**		

1 Due to the implementation of IFRS 9 standard, the impairment loss on financial assets item line has been restated. Expected credit losses line for the year 2017 comprises of impairments according to the IAS 39 standard. The comparison figures of the year 2017 have been updated to be equivalent to the new representation.

Balance sheet

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
ASSETS					
Loans to and receivables from credit institutions	E1				
– Payable on demand		1,028,060	302,192	975,261	251,034
– Investment accounts and deposits		43,668	734,307	43,668	734,307
– Other		36,349	28,279	4,000	7,620
		1,108,078	**1,064,778**	**1,022,929**	**992,961**
Loans to and receivables from customers	E2				
– Loans		6,730,888	5,692,490	6,721,413	3,997,194
– Guarantee receivables		19,984	31,884	19,984	31,884
– Receivables from export credit and special guarantee operations		125,419	121,816	125,419	121,816
		6,876,292	**5,846,190**	**6,866,816**	**4,150,895**
Investments	E3				
– Debt securities		2,645,970	3,059,716	2,645,970	3,059,716
– Investments in group companies				68,815	68,815
Other shares and participations		18,752	24,092	13,723	14,068
		2,664,722	**3,083,807**	**2,728,508**	**3,142,599**
Derivatives	E11	101,741	79,792	101,741	79,591
Intangible assets	E4	8,841	8,511	8,841	8,511
Property and equipment	E5				
– Equipment		1,084	1,192	1,084	1,192
		1,084	**1,192**	**1,084**	**1,192**
Other assets	E6				
– Credit loss receivables from the state		10,951	7,212	10,951	7,212
– Other		12,181	15,622	21,672	18,094
		23,132	**22,834**	**32,622**	**25,306**
Prepayments and accrued income	E7	199,585	175,077	167,530	155,009
Tax assets	E8	4,869	4,182		
Assets of disposal groups classified as held for sale	E23	50,905	50,683	28,621	27,772
TOTAL ASSETS		11,039,249	10,337,048	10,958,692	8,583,838

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	1–12 2018	1–12 2017	1–12 2018	1–12 2017
LIABILITIES					
Liabilities to credit institutions	E9	171,943	187,609	171,943	187,609
Liabilities to other institutions	E9				
– At fair value through profit or loss			37,227		
– Other financial liabilities		96,958	1,736,453	65,000	82,519
Debt securities in issue	E10	8,782,823	6,483,055	8,782,823	6,483,055
Derivatives	E11	81,288	138,321	81,288	138,321
Provisions	E13, E25	44,135	43,255	73,892	43,255
Other liabilities	E12	93,392	49,659	105,404	55,942
Accruals and deferred income	E15	384,324	324,147	354,153	305,546
Tax liabilities	E8	376	299		
Subordinated liabilities	E16	7,500	7,500	7,500	7,500
Liabilities of disposal groups classified as held for sale	E23	18,558	15,277	15,867	12,525
Total liabilities		**9,681,297**	**9,022,803**	**9,657,869**	**7,316,273**
EQUITY	E22				
Equity attributable to the parent company's shareholders					
Share capital		196,605	196,605	196,605	196,605
Share premium		51,036	51,036	51,036	51,036
Fair value reserve		-15,886	4,534	-937	4,342
Non-restricted reserves					
– Reserve for domestic operations		244,152	213,734	244,152	213,734
– Reserve for export credit guarantees and special guarantees		755,674	687,681	755,674	687,681
– Other		15,252	15,252	15,252	15,252
Retained earnings		111,119	145,403	39,041	98,914
Non-restricted equity		**1,126,197**	**1,062,071**	**1,054,119**	**1,015,582**
Equity attributable to the parent company's shareholders		**1,357,952**	**1,314,245**	**1,300,823**	**1,267,565**
Share of equity held by non-controlling interest					
Total equity		**1,357,952**	**1,314,245**	**1,300,823**	**1,267,565**
TOTAL LIABILITIES AND EQUITY		11,039,249	10,337,048	10,958,692	8,583,838

Contingent liabilities

The presentation method of contingent liabilities has been changed from the previous year. Interest commitments included in the export and special guarantees have been presented separately (items I an J). The Group interest commitment figures do not include group internal interest commitments to Finnish Export Credit Ltd. The comparison period figures have been updated to reflect the new presentation method.
Contingent liabilities according to the status of commitments – in the table the commitments have been categorised according to their contractual stage.
Contingent liabilities by business area – commitments have been broken down by business area and contractual stage.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Contingent liabilities according to the status of commitments:				
Current drawn commitments (A+D+F+G+I)	4,897,526	5,112,130	11,378,307	10,234,559
Current undrawn commitments (B+E+H+J)	8,163,559	8,841,535	9,513,150	9,967,521
Offers given (C+K)	3,957,321	3,563,686	3,957,321	3,563,686
Contingent liabilities, total	**17,018,406**	**17,517,352**	**24,848,779**	**23,765,767**

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

	Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017
Liability according to the Act on the State's Export Credit Guarantees	**19,107,574**	18,690,750

The total commitments of Finnvera's export credit guarantees and hedging arrangements may amount to EUR 27 billion at the maximum.

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.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Contingent liabilities by business area				
Domestic operations				
A) Valid guarantees	1,102,902	1,097,846	1,102,902	1,097,846
B) Binding credit commitments	38,679	29,921	38,679	29,921
C) Guarantee offers	76,661	75,782	76,661	75,782
Domestic operations total	**1,218,242**	**1,203,549**	**1,218,242**	**1,203,549**
Export credit guarantees, special guarantees and export credit commitments				
Current commitments (drawn and undrawn)				
D) Drawn export and special guarantees, not included export loans	3,591,776	3,817,418	3,591,776	3,817,418
E) Undrawn export and special guarantees, not included export loans	529,643	1,007,698	529,643	1,007,698
F) Export and special guarantees of the parent company on behalf of the subsidiary's [1] drawn export credits, no parent company funding			48,479	1,680,515
G) Export and special guarantees of the parent company on behalf of the subsidiary's [1] drawn export credits, parent company funding			5,883,667	3,021,220
H) The Group: undrawn export credits granted by the subsidiary (credit commitments); in the parent company, the export credit guarantees for the subsidiary's export credits in question [1]	7,560,129	7,745,721	7,560,129	7,608,633
I) Export and special guarantee interest commitments, drawn commitments	202,848	196,866	751,484	617,559
J) Export and special guarantee interest commitments, undrawn commitments	35,108	58,194	1,384,700	1,321,269
Offers given				
K) Export and special guarantees	3,880,660	3,487,905	3,880,660	3,487,905
Export credit guarantees, special guarantees and export credit commitments, total[2]	**15,800,164**	**16,313,803**	**23,630,537**	**22,562,218**
Contingent liabilities, total	**17,018,406**	**17,517,352**	**24,848,779**	**23,765,767**

A) Commitments for domestic guarantees mean commitments referred to in §4 and §4a of the Act on Credits and Guarantees Provided by the State-owned Specialised Financing Company (18.6.1998/445). These commitments are current commitments.
F) and G) Not included in the Group figure as the item consists of the parent company's guarantees for drawn export credit granted by Finnish Export Credit Ltd that are inlcuded in the consolidated balance sheet.
G) The parent company funding is included in the parent company balance sheet as receivables from Finnish Export Credit Ltd.
H) Credit commitments given by the subsidiary always involve an export credit guarantee granted by the parent company. The figure for the Group includes the unused credit arrangements (credit commitments) for export credits granted by Finnish Export Credit Ltd. The figure for the parent company consists of export credit guarantees that cover the credit risk for the credit commitments presented in the figure for the Group (liability for compensation to the subsidiary).
I) and J) Finnvera pays compensation for the interest included in guaranteed receivables for the amount fallen due, until the due date according to credit documents. If Finnvera pays the compensation before the due date, interest will be paid only until the compensation payment date. The Group interest commitment figures do not include group internal interest commitments to Finnish Export Credit Ltd.

1 Subsidiary mentioned is Finnish Export Credit Ltd (FEC)
2 Commitments for export credit guarantees and special guarantees are as referred to in the Act on the State Guarantee Fund (18.6.1998/444). Total export credit guarantees and special guarantees are EUR 23 631 million (EUR 22 562 million), of which drawn export credit guarantees are EUR 10 275 million (EUR 9 137 million).

Statement of changes in equity

(EUR 1,000)	Share capital	Share Premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	The redemption of non-controlling interest shares	Total equity
Finnvera Group's equity 2018									
Equity attributable to the parent company's shareholders									
Reported equity 31 Dec 2017	196,605	51,036	4,534	213,734	687,681	15,252	145,403		**1,314,245**
IAS 39 standard reverse entry 1 Jan 2018 concerning impairments							86,780		**86,780**
Expected credit losses according to IFRS 9, 1 Jan 2018							-141,531		**-141,531**
Change in the fair value of investments recognised at fair value through comprehensive income (IFRS 9)			807						**807**
Change in the credit risk associated with liabilities carried at fair value, 1 Jan 2018 [1]			-20,352				20,352		**0**
Valuation adjustment of issued bonds 1 Jan 2018 [2]							-434		**-434**
Reclassificafition of financial assets (IFRS 9)			-191				191		**0**
Adjusted equity 1 Jan 2018	**196,605**	**51,036**	**-15,203**	**213,734**	**687,681**	**15,252**	**110,761**		**1,259,867**
Profit/loss from previous accounting period transfer to reserves				30,418	67,993	0	-98,411		**0**
Other changes in the previous years' retained earnings							251		**251**
Re-determination of defined benefit pensions recognised at fair value through comprehensive income							57		**57**
Change it the credit risk associated with liabilities carried at fair value			4,958						**4,958**
Change in the fair value of investments recognised at fair value through comprehensive income			-5,642						**-5,642**
Profit/loss for the period							98,460		**98,460**
Total equity 31 Dec 2018	**196,605**	**51,036**	**-15,886**	**244,152**	**755,674**	**15,252**	**111,119**		**1,357,952**

1 The company has reconsidered the use of hedge accounting and decided to continue to apply it in the connection of the adoption of the IFRS 9 standard with regard to liabilities previously covered by hedge accounting. Consequently, the re-classification or re-measurement of liabilities has not been carried out on the opening balance sheet of the financial statements on 1 January 2018. When compared to H1/2018, the decision had the following impact on the Group's opening IFRS 9 balance: debt securities in issue EUR -33.6 million and the fair value reserve EUR 33.6 million.
2 An adjustment has been made to the valuation method for foreign currency issued debt. As a result an adjustment of EUR -0.4 million was reconised in retained eranings and EUR 0.4 million for issued bonds. The impact on the H1/2018 financials was EUR -2.8 million in the profit for the period, EUR 0.8 million in fair value reserves/other comprehensive income and EUR 2.0 million in issued bonds.

(EUR 1,000)	Share capital	Share Premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	The redemption of non-controlling interest shares	Total equity
Finnvera Group's equity 2017									
Reported equity 31 Dec 2016	196,605	51,036	3,488	154,550	668,440	15,252	117,084	906	**1,207,362**
Profit/loss from previous accounting period transfer to reserves				59,184	19,241		-78,425		**0**
Change in the fair value of AFS investments			1,046						**1,046**
Re-determination of defined benefit pensions							151		**151**
Corrections [1]								-906	**-906**
Profit/loss for the period							106,593		**106,593**
Total equity 31 Dec 2017	**196,605**	**51,036**	**4,534**	**213,734**	**687,681**	**15,252**	**145,403**	**0**	**1,314,245**

(EUR 1,000)	Share capital	Share Premium reserve	Fair value reserve	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	The redemption of non-controlling interest shares	Total equity
Finnvera plc's equity 2018									
Equity attributable to the parent company's shareholders									
Reported equity 31 Dec 2017	196,605	51,036	4,342	213,734	687,681	15,252	98,914		**1,267,565**
IAS 39 -standard reverse entry 1 Jan 2018 concerning allowances							86,780		**86,780**
Expected credit losses according to IFRS 9, 1 Jan 2018							-141,248		**-141,248**
Change in the fair value of investments recognised at fair value through comprehensive income (IFRS 9)			807						**807**
Change in the credit risk associated with liabilities carried at fair value, 1 Jan 2018			-20,352				20,352		**0**
Finnish Export Credit Ltd's share of the change in the credit risk associated with liabilities 1 Jan. 2018 [2]			18,282				-18,282		**0**
Adjusted equity 1 Jan 2018	**196,605**	**51,036**	**3,079**	**213,734**	**687,681**	**15,252**	**46,516**		**1,213,904**
Profit/loss from previous accounting period transfer to reserves				30,418	67,993	0	-98,411		**0**
Re-determination of defined benefit pensions recognised at fair value through comprehensive income							57		**57**
Change in the fair value of investments recognised at fair value through comprehensive income			-5,642						**-5,642**
Change it the credit risk associated with liabilities carried at fair value			1,625						**1,625**
Profit/loss for the period							90,878		**90,878**
Total equity 31 Dec 2018	**196,605**	**51,036**	**-937**	**244,152**	**755,674**	**15,252**	**39,041**	**0**	**1,300,823**
Finnvera plc's equity 2017									
Equity attributable to the parent company's shareholders									
Reported equity 31 Dec 2016	196,605	51,036	3,323	154,550	668,440	15,252	78,929		**1,168,136**
Profit/loss from previous accounting period transfer to reserves				59,184	19,241		-78,425		**0**
Change in the fair value of AFS investments			1,019						**1,019**
Re-determination of defined benefit pensions							151		**151**
Profit/loss for the period							98,260		**98,260**
Total equity 31 Dec 2017	**196,605**	**51,036**	**4,342**	**213,734**	**687,681**	**15,252**	**98,914**		**1,267,565**

1 In the comparison year 2017, Finnvera redeemed the remaining non-controlling shares of ERDF-Seed Fund Ltd.
2 Finnish Export Credit Ltd's share of the change in the credit risk associated with liabilities is transferred from the parent company's equity to the parent company's other receivables on 1 Jan. 2018.

Statement of cash flows

	Finnvera Group		Finnvera plc	
(EUR 1,000)	1–12 2018	1–12 2017	1–12 2018	1–12 2017
Cash flows from operating activities				
Withdrawal of loans granted	-2,171,046	-1,328,107	-3,647,856	-1,331,114
Repayments of loans granted	1,232,477	1,053,337	1,027,577	654,726
Purchase of investments	-1,774	-2,145	0	0
Proceeds from investments	1,576	5,178	0	0
Interest received [3]	117,847	116,768	74,820	63,626
Interest paid	-91,264	-68,470	-54,908	-18,921
Net interest subsidy received (+) / repaid to the State (-)	444	-6,364	444	-6,364
Payments received from commission income	159,823	121,324	159,144	120,387
Payments received from other operating income [2]	3,953	1,307	6,433	5,601
Payments for operating expenses	-84,031	-82,563	-89,703	-92,671
Claims paid (-) and recovered amounts (+) [2]	-20,928	-32,792	-20,928	-32,792
Net credit loss compensation from the State	18,397	24,190	18,397	24,190
Taxes paid [3]	-2,208	-3,458	0	0
Net cash used in (-) / from (+) operating activities (A)	**-836,736**	**-201,793**	**-2,526,581**	**-613,332**
Cash flows from investing activities				
Purchase of property and equipment and intangible assets	-3,064	-3,011	-3,064	-3,011
Sale of property and equipment and intangible assets	119	1	119	1
Short-term and other liquid investments	-6,335,893	-5,343,620	-6,335,893	-5,343,620
Proceeds and maturities of short-term and other liquid investments	7,016,065	4,085,992	7,011,108	4,065,992
Other investments	-1,370	-977	-1,370	-977
Proceeds from other investments	903	1,357	903	1,357
Dividends received from investments	5	15	0	15
Net cash used in (-) / from (+) investing activities (B)	**676,767**	**-1,260,243**	**671,804**	**-1,280,243**
Cash flows from financing activities				
Proceeds from long-term loans	2,354,880	2,060,448	2,354,880	2,060,448
Repayment of long-term loans	-2,012,013	-647,017	-298,445	-251,165
Net proceeds (+) and repayments (-) of short-term [4]	0	0	-18,296	11,194
Proceeds from subordinated liabilities	3,342	0	3,342	0
Repayment of subordinated liabilities	0	-50,000	0	-50,000
Payments (-) / receipts (+) from derivative collaterals	44,410	65,710	44,410	65,710
Net cash used in (-) / from (+) financing activities (C) [4]	**390,618**	**1,429,141**	**2,085,890**	**1,836,188**
Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)	**230,649**	**-32,895**	**231,113**	**-57,387**
Cash and cash equivalents at the beginning of the period[1]	**821,445**	**878,559**	**766,656**	**847,523**
Translation differences[1]	22,360	-24,218	21,314	-23,480
Cash and cash equivalents at the end of the period[1]	**1,074,454**	**821,445**	**1,019,083**	**766,656**

1 Cash and cash equivalents comprise of cash and investment accounts held in credit institutions and deposits with a maturity less than 3 months. Cash and cash equivalents are included in the balance sheet line item "Loans to and receivables from credit institutions -payable on demand" and "Loans to and receivables from credit institutions -investment accounts and deposits".
2 Group and parent company comparative figures have been adjusted for between the line items within cash flows from operating activities.
3 Group comparative figures have been adjusted for between the line items within cash flows from operating activities.
4 The presentation method has been changed from the previous year. Net proceeds (+) and repayments (-) of short-term loans have been presented as a separate line item. Comparatives have been adjusted to reflect the new presentation method.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	1–12 2018	1–12 2017	1–12 2018	1–12 2017
Cash and cash equivalents at the end of the period				
Cash and investment accounts held in credit institutions	1,030,785	588,883	975,414	534,093
Short term deposits	43,668	232,563	43,668	232,563
Total	**1,074,454**	**821,445**	**1,019,083**	**766,656**

Changes in liabilities arising from financing activities

	Finnvera Group 2018						
(EUR 1,000)	Opening balance 1.1.	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31.12.
Liabilities to credit institutions	**187,609**		-24,470		8,804		**171,943**
Liabilities to other institutions	**1,773,680**		-1,713,929	-193	37,400		**96,958**
Debt securities in issue	**6,483,055**	2,339,406	-190,594	83,563	62,099	5,293	**8,782,823**
Subordinated liabilities	**20,025**	3,342					**23,367**
Security given for derivatives[1]	**-79,100**	16,840					**-62,260**
Security received for derivatives[2]	**34,130**	27,570					**61,700**
Total	**8,419,400**	**2,387,158**	**-1,928,993**	**83,370**	**108,303**	**5,293**	**9,074,531**

	Finnvera plc 2018						
(EUR 1,000)	Opening balance 1.1.	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31.12.
Liabilities to credit institutions	**187,609**		-24,470		8,804		**171,943**
Liabilities to other institutions	**82,519**	229,073	-247,369		777		**65,000**
Debt securities in issue	**6,483,055**	2,339,406	-190,594	83,563	62,099	5,293	**8,782,823**
Subordinated liabilities	**20,025**	3,342					**23,367**
Security given for derivatives[1]	**-79,100**	16,840					**-62,260**
Security received for derivatives[2]	**34,130**	27,570					**61,700**
Total	**6,728,239**	**2,616,230**	**-462,433**	**83,563**	**71,680**	**5,293**	**9,042,573**

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

	Finnvera Group 2017						
(EUR 1,000)	Opening balance 1.1.	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31.12.
Liabilities to credit institutions	**213,452**				-25,843		**187,609**
Liabilities to other institutions	**2,338,543**		-395,853	-764	-168,246		**1,773,680**
Debt securities in issue	**4,891,873**	2,051,682	-259,471	-30,276	-174,633	3,881	**6,483,055**
Subordinated liabilities	**70,025**		-50,000				**20,025**
Security given for derivatives [1]	**-156,080**	76,980					**-79,100**
Security received for derivatives [2]	**45,400**		-11,270				**34,130**
Total	**7,403,213**	**2,128,662**	**-716,593**	**-31,041**	**-368,722**	**3,881**	**8,419,400**

	Finnvera plc 2017						
(EUR 1,000)	Opening balance 1.1.	Cash inflows from financing activities	Cash outflows from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31.12.
Liabilities to credit institutions	**213,452**				-25,843		**187,609**
Liabilities to other institutions	**75,793**	243,558	-232,364		-4,468		**82,519**
Debt securities in issue	**4,891,873**	2,051,682	-259,471	-30,276	-174,633	3,881	**6,483,055**
Subordinated liabilities	**70,025**		-50,000				**20,025**
Security given for derivatives [1]	**-156,080**	76,980					**-79,100**
Security received for derivatives [2]	**45,400**		-11,270				**34,130**
Total	**5,140,463**	**2,372,220**	**-553,104**	**-30,276**	**-204,944**	**3,881**	**6,728,239**

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

Notes concerning the presentation of the financial statements

The adoption of the IFRS 9 Financial Instruments standard

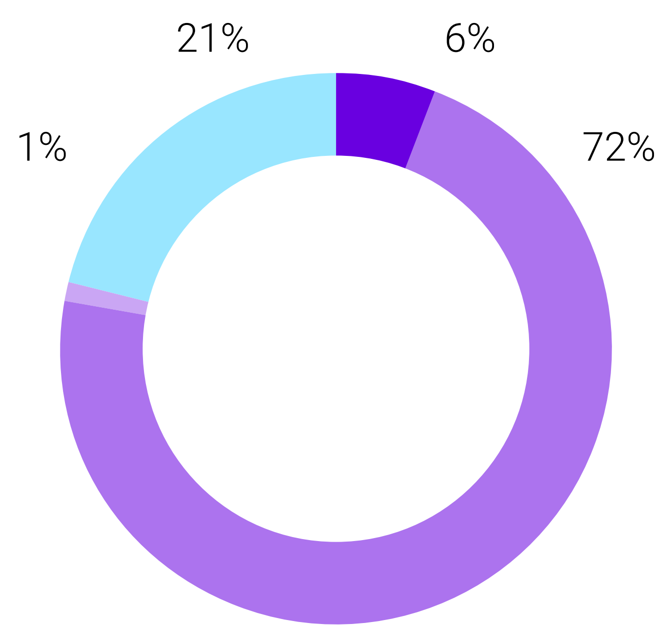
The transition to the IFRS 9 standard caused changes in the re-classification and re-measurement of the Group's financing items, especially in the calculation of expected credit losses recognised for balance sheet items that have been measured at amortised cost and for off-balance sheet items. The adjustments made at the time of adoption have been recorded on 1 January 2018 on the opening balance sheet in equity, under retained earnings from previous periods.

Return on equity
7.4%
(31 Dec 2017: 8.5%)

Return on assets
0.9%
(31 Dec 2017: 1.1%)

Balance sheet total, change from previous year
6.8%
(31 Dec 2017: 8.8%)

CONTINGENT LIABILITIES 2018



- Domestic guarantees
- Export credit guarantees
- Special guarantees
- Offers given and binding credit commitments

Segments

Locally operating small companies
Clients are locally operating enterprises that have fewer than 10 employees. This segment offers financial services for the start-up and development of enterprises.
Result -8.6 MEUR

SMEs focusing on the domestic markets
Clients are SMEs and, on special grounds, large corporates. The clientele includes companies engaged in production and services.
Result 7.4 MEUR

SMEs seeking growth and internationalisation
Clients are SMEs and midcaps that have a growth strategy based on internationalisation.
Result -3.0 MEUR

Export financing
Clients are exporters operating in Finland, generally classified as large corporates, as well as domestic and foreign providers of financing for these.
Result 102.7 MEUR

Venture capital financing
The Group's venture capital investments are classified as assets available for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities.
Result 0.0 MEUR

NOTES CONCERNING THE PRESENTATION OF THE FINANCIAL STATEMENTS

A Accounting principles

A1 BASIC INFORMATION OF THE GROUP

The Group's parent company is Finnvera plc (hereinafter Finnvera) and its subsidiaries are Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd. Finnvera provides financing for the business of small and medium-sized enterprises (SMEs), for exports and internationalisation, and helps implement the Government's regional policy objectives. Finnish Export Credit Ltd focuses on the financing of export credits, whereas Veraventure Ltd and ERDF-Seed Fund Ltd engage in venture capital investment.

The Group's parent company is a Finnish limited liability company established in accordance with Finnish law. Its business ID is 1484332-4 and it is domiciled in Kuopio. The parent company's registered address is P.O. Box 1127, Kallanranta 11, FI-70111 Kuopio, Finland. Finnvera's Board of Directors approved the financial statements on 25 February 2019.

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

A2 PRINCIPLES FOR DRAWING UP THE FINANCIAL STATEMENTS

The financial statements include both the consolidated and the parent company's financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IFRSs effective on 31 December 2018 that refer to the standards and their SIC and IFRIC interpretations adopted in accordance with the procedures laid down in IAS Regulation No 1606/2002 of the European Union. The Notes to the financial statements also comply with the currently valid requirements of the Finnish Accounting and Limited Liability Companies Acts.

Drawing up financial statements in keeping with the IFRS standards requires the making of certain accounting estimates and judgment exercised by the management. In its judgments, the management uses estimates and assumptions that are based on earlier experience and the management's best understanding or other knowledge. Use of the management's judgment is described in more detail in section "A11 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty".

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

New and revised standards and interpretations applied

In 2018, Finnvera adopted the following new or revised IFRS standards or interpretations:

- The IFRS 9 Financial Instruments standard and its amendments replaced the earlier standard, IAS 39 Financial Instruments: Recognition and Measurement, as of 1 January 2018. The IFRS 9 standard changed the classification and measurement of financial assets in the Group. In the financial statements, the financing items on the balance sheet have been re-classified and re-measured according to the IFRS 9 standard as of 1 January 2018, excluding the information about the comparison year (2017), which remains compliant with the IAS 39 standard. The financial asset classification model is based on the asset's cash flow characteristics and business model. One of the features of the financial liability classification model is that gains and losses resulting from an increase or decrease in the entity's credit risk are recognised in other components of comprehensive income, instead of them being recognised through profit or loss. This applies to financial liabilities that the entity has chosen to carry at fair value. Accounting with the hedge accounting model according to the IFRS 9 standard reflects the entity's risk management activities better than the IAS 39 standard and provides more information about risk management. In the Finnvera Group's financial liabilities, bonds in issue were re-classified as of 1 January 2018 so that issued bonds that fall outside hedge accounting are measured using the fair value option in line with the FVTPL method. Hedge accounting for bonds issued by Finnvera still continues. More detailed information about the adoption of the IFRS 9 standard, its effects and the expected credit loss calculation model can be found below in the section: Adoption of the IFRS 9 Financial Instruments standard and its effects in the Finnvera Group.

  The area most significantly affected by the adoption of the IFRS 9 standard was financial assets that are not recognised at fair value through profit or loss and that have an expected credit loss entry made upon initial recognition. The expected credit loss (ECL) calculation models were adopted in the Group starting from 1 January 2018. If the credit risk has increased significantly after initial recognition, expected credit losses are recognised over the entire life of the financial instrument. Expected credit losses are also recognised as provisions for contingent liabilities, that is: guarantees, export credit guarantees and binding credit commitments and guarantee offers and, in export financing, export credit guarantees that are not in force.

Adoption of the IFRS 9 Financial Instruments standard and its effects in the Finnvera Group

The transition to the IFRS 9 standard caused changes in the re-classification and re-measurement of the Group's financing items, especially in the calculation of expected credit losses recognised for balance sheet items that have been measured at amortised cost and for off-balance sheet items.

The adjustments made at the time of adoption have been recorded on 1 January 2018 on the opening balance sheet in equity, under retained earnings from previous periods. The impact of the adoption of the IFRS 9 standard on the Group's retained earnings in equity was EUR 34.6 million negative, of which the net impact of the change in expected credit losses was EUR 54.8 million negative and the impact of the change in the credit risk associated with liabilities carried at fair value was EUR 20.4 million positive. In the parent company, the non-recurring impact of the transition on retained earnings was EUR 52.4 million negative, of which the net impact of the change in expected credit losses was EUR 54.5 million negative and the impact of the change in the credit risk associated with liabilities carried at fair value was EUR 2.1 million positive. A more detailed description of the non-recurring effects of the transition is presented in Note E24 Re-classification and re-measurement of financing items according to the IFRS 9 standard on 1 January 2018 and in the statement of changes in equity.

The Group does not publish information about the comparison year (2017) according to the IFRS 9 standard in the financial statements (2018); instead, information about the comparison year remains compliant with the IAS 39 standard. The new IFRS 7 standard's Note-related requirements are presented in the financial statements only for the financial period 2018.

Re-classification of financial assets

Finnvera's management has classified the financial assets according to the IFRS 9 standard on the basis of the business models:

The financial asset items on the balance sheet:	Business model:
Cash deposits, investment accounts, fund investments	The objective is to collect the contractual cash flows
Loan receivables from clients	The objective is to collect the contractual cash flows
Debt securities include certificates of deposit into public corporations, credit institutions and enterprises	The objective is to collect the contractual cash flows
Investments in bonds	The objective is to collect the contractual cash flows and to sell the assets

The business model with the objective of holding the financial assets to collect the contractual cash flows encompasses loan receivables from clients, debt securities and deposits. Financial assets may also be sold in situations resulting from sudden financing needs. According to Finnvera's asset management policy, it has been decided that investments in bonds may be sold, if necessary, to maintain daily liquidity or a certain interest profile, among other things. In line with this business model, sales transactions recur more frequently and are larger.

The most significant changes were the transfer of fund investments and strategic unlisted shareholdings from items available for sale to items recognised at fair value through profit or loss (FVTPL). On the opening balance sheet (1 January 2018), these amounted to EUR 36.6 million in the Group and to EUR 110.7 million in the parent company. The Group has defined that the fair value of unlisted shares and participations is their acquisition value. Investments are strategic investments or investments held for sale or investments within the Group. The Group's fund investments are carried at fair value through profit or loss. The re-classification of financial assets and book values according to the IAS 39 standard and the IFRS 9 standard on the opening balance sheet on 1 January 2018 are presented in Table E24.1 Financial assets 1 January 2018 in the Notes.

Re-classification of financial liabilities

The adoption of the IFRS 9 standard did not bring about major changes with regard to financial liabilities. Finnvera still continues to apply hedge accounting to liabilities covered by the IAS 39 hedge accounting. For liabilities that fall outside hedge accounting, the change in the credit risk is recognised in the fair value reserve. The impact of the change in the credit risk associated with liabilities on the Group's retained earnings in equity was EUR 20.4 million positive and on the Group's fair value reserve EUR 20.4 million negative. In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. Consequently, with regard to liabilities, the impact of the adoption of the IFRS 9 standard on the parent company's retained earnings in equity was EUR 2.1 million positive and on the parent company's fair value reserve EUR 2.1 million negative.

Expected credit loss calculation

When calculating expected credit losses, Finnvera adheres to the same general principles as the banking sector in general. The ECL calculation formula is PD (probability of default) x EAD (exposure at default) x LGD (loss given default). Calculation is specific to each financing instrument and is carried out according to stage 1, 2 or 3 depending on whether the credit risk of the financial instrument on the reporting date is significantly higher than at the moment when it was originally granted. Factors that have an impact on a significant increase of the credit risk include the client's financial situation (e.g. bankruptcy), a change in the risk classification, payment behaviour or the financial instrument product used by the client. A significant change in credit risk is determined by estimating the difference in the life-time expected PD between the granting date and the reporting date. The change in stage in SME and midcap financing is also affected by the clients' payment behaviour: a payment delay exceeding 30 days (stage 2) or 90 days (stage 3) or a significant change in risk category. Guarantee receivables and receivables from export credit and special guarantee operations on the balance sheet are also handled according to stage 3 as they have already been compensated to a third party. The bases on which stages (1, 2 and 3) are determined are described in more detail in Tables 3 and 4.

Expected credit loss (ECL) calculation model in SME and midcap financing

When financing is being granted, Finnvera's risk classification model is used to determine a risk category and risk classification score for the client. A process has been defined for checking regularly that risk classification is up to date. Risk categories and ranges of risk scores are assigned PD values that are based on averages derived from Finnvera's own materials since 2000. In ECL calculation according to the IFRS 9 standard, long-term TTC (through-the-cycle) values are converted into future PIT-PD (point-in-time-probability of default) values by using the actual values of the last four quarters as the basis. These values are further refined with macroeconomic forecasts, which include the management's estimate. The basic scenario for the macroeconomic forecasts is the average of the forecasts that five different forecast institutions have given regarding the development of the key indicators of the Finnish economy in a 2–3-year period. A positive estimate and a negative estimate are derived from the basic forecast. Stressed values based on the European Central Bank's latest stress test are used as a basis for the negative estimate. The actual PIT-PD calculation with different scenarios is carried out with the vector autoregression model (VAR), the parameters of which make use of Finnvera's own annual PD history. After scenario-specific calculation, the PIT-PDs used in IFRS calculation are determined with the aid of the management's estimate. The management's estimate may be based on the weighting of the probabilities of different scenarios or other experience-based estimates. The life-time expected PD needed in ECL calculation is calculated from transition probabilities, which have been derived from risk category transition matrices, and estimated risk category-specific, long-term cumulative

PDs. The short average maturity of credits and guarantees in SME financing means that, when calculating the life-time ECL, the significance of estimated cash flows after the second year remains low. The LGD estimate takes into account collaterals specific to each financing arrangement that decrease the expected credit loss amount. According to the risk model defined by Finnvera, LGD refers to the collateral risk, or collateral shortage. As the fair value of a collateral is based on the situation at the time of the estimate and may change later during the financing arrangement, a collateral value, which is a certain percentage of the fair value of the collateral, is determined separately for the collateral. The determination of the collateral value is a way to prepare for, for instance, the deterioration of the quality of the collateral object or a decrease in the realisation price of the collateral object due to an economic downturn.

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

When the IFRS 9 standard was adopted, the earlier State credit loss compensation percentage, specific to each financial instrument, was still valid at Finnvera. Consequently, upon the IFRS 9 standard's entry into force, expected credit losses in SME and midcap financing were altogether EUR 17.4 million lower than loss allowances according to IAS 39 in the financial statements for 2017 (Table 1). This is due to the fact that the State credit loss compensation percentage at the each financing arrangement was higher than the one used as an average in expected credit loss calculation during the IAS 39 standard. The State credit loss compensation percentage that was applied until 2017 varied from 35 to 80, depending on the financing arrangement.

1.1: The impact of the IFRS 9 standard on retained earnings, SME and midcap financing, 1 January 2018 (the Group / the parent company)

Item affected by expected credit loss (MEUR)	IAS 39's loss allowances / provisions on 31 December 2017:	IFRS 9 ECL on 1 January 2018:	Difference (decrease in retained earnings (+) / increase in retained earnings (-):
Loan receivables from clients	47.1	41.2	-5.9
Guarantee receivables and receivables from export credit and special guarantee operations	0	12.5	+12.5
Provisions, guarantees	32.2	11.6	-20.7
Provisions, export credit guarantees	6.4	2.3	-4.1
Other items	1.0	1.8	+0.8
Total	**86.8**	**69.4**	**-17.4**

In the expected credit loss calculation, the State's credit loss compensation reduces Finnvera's expected credit losses. The State's credit loss compensation applies to the loans (loan principal and interest receivable) and guarantees (only the guaranteed amount) granted by Finnvera's SME and midcap financing operations.

On 15 February 2018, the Government made a decision to change the commitment to compensate Finnvera plc partially for credit and guarantee losses. The changed commitment entered into force on 1 March 2018, and it was applied retrospectively to all outstanding credits and guarantees of the company and to new credits and guarantees granted by the company as of 1 January 2018. The loss compensation level was lowered and harmonised to 50 per cent in SME and midcap financing. As a result, the amount of expected credit losses increased when compared to the initial situation.

During the application of the IAS 39 standard, a calculation method that was specific to each receivable and risk category (group) was used in calculating client credit and guarantee impairment in SME and midcap financing. When the IFRS 9 standard was adopted, calculation became specific to each financial instrument. Before the adoption of the IFRS 9 standard, loss allowances in SME and midcap financing had been calculated on either a client-specific basis (that is: all client commitments) or a group-specific basis by risk category. Investments carried at fair value through other comprehensive income and, of off-balance sheet items, SME and midcap financing offers given (binding credit commitments and guarantee offers), assets on accounts and fixed-term deposits were also included in the calculation of expected credit loss. Expected credit losses recognised for investments, assets on accounts and fixed-term deposits are non-essential items for the Group.

Finnvera is still carrying out a project to harmonise the risk classifications used within Finnvera for SME and midcap financing and export financing, which may, upon its execution, change transitions from one stage to another. No test calculations on the risk category changes have been carried out yet.

There were no major changes in estimation methods during the reporting period, apart from the fact that in SME and midcap financing, forward-looking information has been included in PD values in ECL calculation during the last reporting quarter. The change increased expected credit losses by a total of EUR 1.1 million. In addition, basic calculation information included in the binding credit commitments and guarantee offers of the SME and midcap financing during the financial period was more extensive than what was included at the time of the adoption of the standard.

In SME financing, as from the financial statements of 2015, Finnvera has applied the definition of non-performing exposure harmonised at the EU level. The following are reported as non-performing exposure: receivables that are more than 90 days overdue; receivables subject to impairment losses, receivables from clients that have applied for restructuring or are in the process of restructuring, guarantee receivables and bankruptcy receivables.

Table 3: Determination of ECL calculation stages, SME and midcap financing

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

Expected credit loss (ECL) calculation model in export financing

In export financing, the IFRS 9 standard's loss allowances and provisions were substantial when compared to the earlier provision calculation model according to the IAS 39 standard. In export financing, loss allowances concerning loans to clients and credit institutions granted by a subsidiary are recorded as expected credit losses on the Group's balance sheet. The remainder of the export financing ECL calculation is presented as provisions in the Group's figures. The ECL calculation model in the provisions and loss allowances in export financing is the same. Loss allowances and provisions according to the IFRS 9 standard were EUR 71.3 million when the standard was adopted. The financial statements for 2017 did not include loss allowances and provisions according to the IAS 39 standard from export financing (Table 2). The adoption of the IFRS 9 standard did not affect the valuation of receivables from export credit and special guarantee operations or cost provisions in export financing. For that reason, Table 2 does not include cost provisions and receivables from export credit and special guarantee operations. In export financing, receivables from export credit and special guarantee operations are evaluated individually for each financial instrument. The expected cash flow is estimated as receivables from export credit and special guarantee operations and the cash flow is discounted at the effective interest rate to the present value. To protect itself against credit risk, Finnvera uses reinsurance in its export credit guarantee financing. The impact of reinsurance has been taken into account in ECL calculation, which decreases the amount of provisions and loss allowances.

Table 4: Determination of ECL calculation stages, export financing

Factor determining the stage	Stage 1	Stage 2	Stage 3
If the credit risk has not significantly increased from the moment the financial instrument was granted to the moment the situation is reviewed	x		
Significant risk increase in the client's risk category		x	x
Receivables from export credit and special guarantee operations			x
Client's financial status: impecunious, restructuring application cancelled, debt restructuring started, bankruptcy expired or ended, debt restructuring arrangement expired, applying for debt restructuring, debt restructuring application cancelled or rejected, debt restructuring expired or ended, bankruptcy, applying for restructuring, restructuring application rejected, in a restructuring procedure, or restructuring procedure suspended			x
Other clients in the risk category D			x

2.1: Group: Export financing: The impact of the IFRS 9 standard on retained earnings, 1 January 2018:

(2.1 The table does not contain provisions associated with export credit guarantees and special guarantees.)

Item affected by expected credit loss (MEUR)	IAS 39's provisions / loss allowances on 31 December 2017	IFRS 9 ECL on 1 January 2018
Receivables from credit institutions	0	0.0
Receivables from clients	0	-47.8
Provisions	0	-23.5
Decrease in retained earnings (+) / increase in retained earnings (-)	**0**	**-71.3**

2.2: Parent company: Export financing: The impact of the IFRS 9 standard on retained earnings, 1 January 2018:

(2.1 The table does not contain provisions associated with export credit guarantees and special guarantees.)

Item affected by expected credit loss (MEUR)	IAS 39's provisions / loss allowances on 31 December 2017	IFRS 9 ECL on 1 January 2018
Receivables from credit institutions	0	0
Receivables from clients	0	0
Provisions	0	-71.3
Decrease in retained earnings (+) / increase in retained earnings (-)	**0**	**-71.3**

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

The LGD value and the probability of default are updated in export financing once a year. The LGD, the share of expected loss given default, also has an essential impact on ECL calculation. A change of the client's risk category has an impact on the probability of default. Factors that influence default include payment delays, the change of risk category into default or the fact that a separate decision has been made to declare the client to be in default. In export financing, the expected credit loss calculation model also includes forward-looking, i.e. macroeconomic, scenarios. These are taken into account in the PIT-PD model, in which one of the variables is the change of the world gross national product and its forecast. They increase or decrease expected losses depending on economic forecasts. The management's judgment especially covers macroeconomic scenarios and a significant credit risk increase, or a change in the probability of default. In the future, the Group will continue the development of expected credit loss models and reporting tools.

Hedge accounting

Finnvera adopted hedge accounting starting from 2016 and applies it to some of the bonds issued. The purpose of hedge accounting is to hedge against the impact of fair value changes caused by changes in market interest rates. After the IFRS 9 standard's entry into force on 1 January 2018, hedge accounting for bonds issued by Finnvera has still continued. Financial liabilities included in hedge accounting and their result are presented in Note E20.

The classification, measurement and recognition of financial assets and liabilities according to the IAS 39 standard (the standard in force until 31 December 2017)

Financial assets were classified according to the IAS 39 standard as financial assets at fair value through profit or loss, loans and other receivables, as well as financial assets available for sale. Until 31 December 2017, financial liabilities were classified according to the IAS 39 standard as financial liabilities at fair value through profit or loss and other financial liabilities. Balance sheet items recognised at fair value through profit or loss comprised derivative contracts, financial liabilities designated at fair value through profit or loss and other items designated at fair value through profit or loss. Financial items recognised at fair value through profit or loss comprised derivative contracts and the liabilities for which the interest rate risk or the currency risk had been hedged using derivatives. Finnvera applied the fair value option in accordance with IAS 39 Financial Instruments: Recognition and Measurement to the above-mentioned items. Hedge accounting has been applied to some of the bonds issued. Non-derivative financial assets that were designated as available for sale or that did not belong to any other category of financial assets were classified as available-for-sale financial assets. In Finnvera, bond commitments as well as shares and participations other than those held for venture capital investments were classified as available-for-sale financial assets. If the value of an asset classified as a financial asset available for sale had declined markedly or for an extended period, the accumulated loss recognised in equity was entered in the income statement.

In the comparison year 2017, during the validity of the IAS 39 standard, the impairment testing of SME and midcap financing clients' credits, guarantees, export credit guarantees as well as guarantee and export guarantee receivables was done individually for the largest sums and by risk category for other sums. An impairment loss was recorded when there was objective evidence of impairment as a result of one or more loss events and this had an impact on future cash flows to be received from the receivables. Objective evidence of a client's capability to fulfil obligations is based on the risk classification of clients, past experience and estimates made by the management about the effect of delayed payments on the accruing of receivables. The impairment testing was based on the management's estimates of future cash flows to be received. The value of the receivables had been impaired if the estimated present value of the cash flow discounted at the effective interest rate on the balance sheet date, including collateral, was less than the carrying amount of the receivables. The State credit loss compensations were also reviewed. The Large Corporates unit made individual and collective provisions for bank and enterprise commitments in export financing. An impairment loss was recognised as a realised loss when the debtor had been found insolvent in liquidation proceedings, had ceased operations, or the receivables had been written off in either a voluntary or statutory debt adjustment.

For the comparison year 2017, a provision was recognised on outstanding export credit guarantees and special guarantees when there was objective evidence that the obligation to pay an indemnity was likely to arise and it was estimated that the present value of the cash flows arising from the indemnity and discounted at the effective interest rate would exceed the correspondingly discounted cash flow from the receivables from export credit and special guarantee operations, arisen on the basis of the indemnity paid. Objective evidence of a client's capability to fulfil obligations is based on the risk classification of clients, past experience and estimates made by management about the client's ability to repay the credit covered by the guarantee. The need for provisions is assessed individually and collectively. Individual assessment is applied to commitments where the amount of commitments is substantial, i.e. the total commitment as per the guarantee cover is at least EUR 500,000. For smaller commitments, the need for provisions is assessed collectively.

Other new and revised IFRS standards and interpretations

- The IFRS 15 Revenue from Contracts with Customers standard and its amendments replaced the IAS 18 and IAS 11 standards and the related interpretations. In the Group, the IFRS 15 standard influenced the Notes presented for commitment and other fees related to export credits, export financing service and handling fees, and other fees related to SME and midcap financing. The standard specifies when and how revenue is recognised. The Finnvera Group started applying the standard on 1 January 2018. IFRS 15 includes a five-step model for recognising revenue: 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognise revenue when (or as) the entity satisfies a performance obligation. In accordance with the IFRS 15 standard, Finnvera recognises the interest income and commission revenue collected on loans and guarantees according to the effective interest rate. Operational fees collected during the financing process are recognised as revenue once the work is performed or the transaction is completed. The commitment fee collected for export credits is recognised as revenue according to the effective interest rate, not on the basis of time elapsed. The amendments to the IFRS 15 standard related to the recording of revenue have had no impact on the Group's revenue recognition rules.
- The amendments to the IFRS 2 Share-based Payment standard as of 1 January 2018 include requirements for the accounting of the following: (a) the impact of right vesting conditions and non-vesting conditions on the valuation of cash-settled share-based payments, (b) share-based payment transactions with a net settlement feature for withholding tax obligations, and (c) a change in the share-based payment terms and conditions, which re-classifies the business transaction from cash-settled to equity-settled. The amendments have had no significance for Finnvera's consolidated financial statements. The amendments to the IAS 40 Investment Property standard as of 1 January 2018 clarify

the requirements that apply to the transfer of assets from investment property to other categories and from other categories to investment property. The amendments to the standard have no impact on Finnvera's consolidated financial statements. Annual Improvements to IFRS Standards 2014–2016 Cycle concerned amendments to IFRS 1, 7 and 10 and to IAS 19 and 28. According to the amended IFRS 1 standard, an entity may specifically re-classify a financial asset item that has previously been recorded on the balance sheet as a financial asset item carried at fair value through profit or loss. In its financial statements, the entity must present the fair value of the specifically classified financial assets and liabilities on the classification date and their classification and carrying amount in the previous financial statements. According to the amended IAS 28 standard, when an entity has made an investment in an associate or a joint venture, the entity may elect to measure the investments at fair value through profit or loss in accordance with IFRS 9. According to the amended IFRS 7 standard, information to be presented in the financial statements has increased in connection with the adoption of the IFRS 9 standard. The amendment to the standard increased the number of tables in Notes D10 and E25. The IFRS 10 standard has not caused any significant changes in Finnvera's consolidated financial statements. The amendment to the IAS 19 standard has had no essential impact on Finnvera's consolidated financial statements either. IFRIC 22 Foreign Currency Transactions and Advance Consideration discusses the establishment of a date of transaction for the purpose of determining the exchange rate that is used in the initial recognition of an asset, expense or income, when the consideration related to the asset, the expense or the income is paid or received in advance in foreign currency. The amendments have had no impact on Finnvera's consolidated financial statements. IFRS Practice Statement 2 Making Materiality Judgements provides guidance on how to make materiality judgements when drawing up financial statements, so that the financial statements emphasise information that is useful for investors. IFRS Practice Statement compiles all materiality-related requirements in IFRS standards and includes practical guidelines and examples that may help enterprises decide which information is essential. IFRS Practice Statement 2 is not binding and does not change requirements or set new requirements.

- The IFRS 16 Leases standard (applied to financial periods starting on 1 January 2019 or thereafter): Replaces the current standard IAS 17 on leases and the related interpretations. The IFRS 16 standard includes major changes to the lessee's accounting because a substantial percentage of leases is transferred to the lessee's balance sheet as an item under fixed assets and as a lease liability. In addition, lessees will no longer classify leases as finance leases and operating leases. As a consequence, lessees will have only one accounting model for presenting leases. The IFRS 16 standard will affect the accounting procedure for leases concerning Finnvera's premises, the accounting procedure for leasing cars and potentially the accounting procedure for certain IT leases. Finnvera has assessed that the IFRS 16 standard will not have a significant impact on the figures on the Group's balance sheet income statement.

A3 CONSOLIDATION PRINCIPLES FOR THE FINANCIAL STATEMENTS

Subsidiaries

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

In the parent company's financial statements, holdings in subsidiaries have been entered at acquisition cost.

The value of the subsidiaries' shares is tested when the books are closed and, whenever necessary, an impairment loss is recognised.

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

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

Associates

Associated companies are entities in which the Group has significant influence but not control over the financial and operational policies of the entity. Significant influence exists when the Group has 20 to 50 per cent of the voting shares of the entity. Associated companies are consolidated using the equity method of accounting. At the end of 2018, Finnvera had no associated companies consolidated using the equity method of accounting.

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

Elimination of intra-group items in the consolidated financial statements

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

Non-controlling interest

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

A4 TRANSACTIONS DENOMINATED IN FOREIGN CURRENCIES

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

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

A5 PRINCIPLES FOR RECOGNISING INCOME AND EXPENSES

Net interest income

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

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

Net fee and commission income and expenses

Guarantee fees are recognised in the income statement over the maturity of the contract.

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

Other fee and commission income and expenses are normally recognised when the service is rendered. These include, for instance, changes resulting from various debt restructuring arrangements, collection charges, invoicing expenses and legal procedures that are charged from clients after the change has been made.

Fee and commission expenses consist of service charges collected by banks, reinsurance fees related to export credit guarantees and expenses related to funding.

Gains and losses from financial instruments carried at fair valueand other comprehensive income statement items

Gains and losses (both realised and unrealised) from derivative contracts, liabilities encompassed by fair value hedge accounting, liabilities and venture capital investments, shares and participations measured at fair value through profit and loss as well as exchange rate differences are presented under the comprehensive income statement item Gains and losses from financial instruments carried at fair value.

The change of the credit risk portion of the fair value change of liabilities carried at fair value through profit and loss as well as the fair value change of investments carried at fair value through other comprehensive income are presented under other comprehensive income in the income statement.

Government grants and other income

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

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

In 2018 Finnvera has received grants from the State for development of SME and midcap-financing. In previous years, Finnvera has received grants to be used as capital for Seed Fund Vera Ltd (now called Innovestor Kasvurahasto I Ky).

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

A6 INTANGIBLE AND TANGIBLE ASSETS

Intangible assets

Intangible assets include licences and user rights for IT applications and software and their development costs, provided that their cost can be measured reliably and it is probable that the Group will gain economic benefit from the assets.
In 2018, Finnvera continued the digitalisation project that aims to improve productivity and efficiency through possible digitalisation of business and support processes. Digitalisation will be developed in stages over several years.

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

Tangible assets

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

Impairment of intangible assets and property, plant and equipment

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

A7 COSTS OF POST-EMPLOYMENT BENEFITS

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

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

A8 INCOME TAXES

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

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

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

A9 FINANCIAL ASSETS AND LIABILITIES

Determination of fair value

Financial assets are classified as financial assets at fair value through profit or loss, which include derivatives, shares and participations. Items at fair value through comprehensive income include investments in bonds. Receivables from credit institutions and clients, short-term debt securities and the State's debt obligations that belong to financial assets are recognised at amortised cost plus any costs directly attributable to the acquisition. After initial recognition, loan and other receivables were measured at amortised cost using the effective interest rate method.

The Group has shares and participations that are not publicly quoted, with their acquisition value presented as their fair value. The shares and participations owned by the Group are, among other things, strategic investments or involve special contractual terms that are dependent on the shares' acquisition cost so that in practice, the acquisition value of investments equals their fair value.

In addition, the Group has venture capital investments that are classified, upon initial recognition, as items to be recognised at fair value through profit or loss. The investments are measured at fair value, and the change in the value is carried through profit or loss and presented in the income statement under the item Gains/losses from items carried at fair value through profit or loss.

Financial liabilities carried at fair value through profit and loss include debt securities in issue that fall outside hedge accounting, and derivative contracts. Other financial liabilities, including liabilities to credit institutions, liabilities to other institutions and intra-group liabilities, are recognised at amortised cost. 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.

State subsidies and grants received for the purpose of acquisition of subsidiaries are also classified as other financial liabilities because of their repayment obligation. Other financial liabilities are recorded on the balance sheet at the amount of the consideration received, adjusted for any transaction costs incurred, and are measured at amortised cost using the effective interest rate method.

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

Finnvera has no financial assets or liabilities held for trading.

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

- Level 1: The fair value of quoted shares, fund investments and other financial instruments is determined on the basis of published price quotations on an active market.
- Level 2: If a published price quotation on an active market does not exist for a financial instrument in its entirety, but an active market exists for its components, fair value is determined on the basis of relevant market prices for the components using an applicable valuation technique. The valuation techniques used may vary by financial instrument.
- Level 3: If the market is not active or the financial instrument is unlisted, the value is determined by using generally applied valuation techniques. If reliable determination of fair value is not possible, the financial instrument is measured at cost less any impairment losses..

The Notes on Group financial assets and liabilities describe in greater detail the principles for determining fair value by financial instrument, the valuation techniques used in various situations, and the classification of the fair value of financial

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instruments according to whether they were obtained by public listing (Level 1), using valuation techniques that use verifiable data (Level 2), or using valuation techniques based on unverifiable data (Level 3).

Recognition and derecognition of financial assets and liabilities

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

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

Impact of negative interest rates

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

Negative reference rates have affected the credit agreements of Finnvera's clients: Finnvera compensates its clients for the negative interest rates of credit agreements. Finnvera started to pay negative interest rate compensations to its clients in autumn 2018 when the software updates associated with the processing of negative credit agreement reference rates were successfully completed. The compensation is taken directly into account in clients' future interest payments or paid in cash. The negative interest rate compensation in cash is still partly ongoing, and the unpaid share is recorded under accruals and deferred income in the consolidated financial statements.

A10 LEASES

Leases are classified as finance leases and operating leases. The classification is based on whether the substantial risks and rewards incidental to ownership are transferred to the lessee. At the end of 2018, Finnvera had no leases classified as finance leases.

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

The IFRS 16 Leases standard will enter into force on 1 January 2019. Finnvera has assessed that the adoption of the standard will not have a significant impact on the Group's financial statements in the financial period 2019.

A11 ACCOUNTING PRINCIPLES REQUIRING THE MANAGEMENT'S JUDGMENT AND THE KEY SOURCES OF ESTIMATION UNCERTAINTY

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

At Finnvera, the essential judgments concern the assessment of expected credit 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, and the determination of the fair value of financial instruments and venture capital investments made through Finnvera's subsidiaries engaged in venture capital investment. At the end of 2018, only the subsidiary ERDF-Seed Fund Ltd had investments related to venture capital investment activities.

More information about the management's estimates related to IFRS 9 can be found in the section Adoption of the IFRS 9 Financial Instruments standard and its effects in the Finnvera Group.

Provisions outside the scope of the IFRS 9 standard

Finnvera records counselling cost provisions related to receivables from export credit and special guarantee operations in export financing. These provisions fall outside the scope of the IFRS 9 standard.

Recording provisions for existing obligations requires the management's best estimate of expenses that the fulfilment of the existing obligation requires on the end date of the reporting period. Actual expenses and their realisation date may differ considerably from these estimates.

Determination of the fair value of venture capital investments

In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments. In 2018, this process did not progress significantly due to reasons beyond the Group's control. Measures carried out in previous financial periods to give up Finnvera's venture capital investments include Finnvera selling a 78.9 per cent holding in Seed Fund Vera Ltd. In 2017, the remaining holding was transferred to a capital input (19.7 per cent) for Innovestor Kasvurahasto I Ky as Seed Fund Vera Ltd merged with Innovestor Kasvurahasto I Ky. In addition, in 2017 Finnvera bought the holdings of ERDF-Seed Fund Ltd's minor shareholders. As a result, Finnvera is the sole owner of the fund. The Group is conducting negotiations with the Ministry of Economic Affairs and Employment to agree on the schedule and model for giving up its venture capital investments.

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The fair value of venture capital investments of the subsidiary involved in venture capital investment, ERDF-Seed Fund Ltd, is determined using a valuation technique approved by the Board of Directors that complies with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines and recommendations for early stage ventures. In this technique, the determination of the investment's fair value is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund's Board of Directors. The starting point of the valuation is the value determined on the basis of the previous round of investments. If necessary, this value can be adjusted in accordance with change factors in the portfolio company, its performance and its operating environment. When the value of the holding is determined, the effect of any options and conversion options on the value of the ownership is also taken into consideration. Fund investments are also valued using the IPEV Valuation Guidelines.

Determination of the fair value of liabilities and derivative contracts

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

B Risk management

IFRS CONSOLIDATED FINANCIAL STATEMENTS, NOTES RELATED TO RISK MANAGEMENT

The principles, role and responsibilities of risk management

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

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

In internal control and risk management, Finnvera applies a "three lines of defence" model. According to the model, business areas and other operations at the first line of defence own risks and are primarily responsible for risk management. The second line of defence is Risk Control, working independently of Finnvera's business areas and responsible for the development of the methods and guidelines of risk management and for the monitoring of the Group's risk position. Together with the business units, Risk Control is responsible for the development and maintenance of risk management systems and monitoring their functioning. Risk Control reports to the Chief Executive Officer. The third line of defence is internal auditing which reports directly to the Board of Directors.

Risk appetite and risk policies

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

The State compensates Finnvera for some of the losses incurred in SME financing. During the economic cycle, the company must cover its share of domestic credit and guarantee losses incurred with cash flow financing. Apart from the buffer of accumulated equity, the State Guarantee Fund and the State of Finland secure the foreign country, bank and enterprise risks associated with export credit guarantee operations. In the long term, profits from operations must cover the expenses and guarantee losses arising from operations. Finnvera takes credit risks in a controlled manner and hedges against other risks or minimises them.

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

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

Credit and guarantee risks and risk classification systems

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

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

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

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

The taking of enterprise risks is based on an analysis of the enterprise's management, business and finances. The scope of the analysis is proportional to the project's estimated risk level and scope. The enterprise analysis is conducted for domestic projects by the account manager and for export credit guarantee projects by an analysis team independent of business operations. The analysis results in internal risk classification, which is updated when new projects are introduced or otherwise at least once a year. The aim has been to calibrate the risk classification scale so that it is consistent with the scales used by international risk rating agencies.

The credit rating of enterprises is based on the Probability of Default (PD), the Loss Given Default (LGD) and the exposure at default. Finnvera's financial products are mainly loans, loan guarantees and export credit guarantees. Owing to the nature of the products, it is justified to assume that the disbursed exposure is fully in use at the time of default. In the model for SME financing, the Loss Given Default is the exposure minus the value of collateral pledged, whereas in the model used for export credit guarantees, losses are estimated empirically. In the model for SME financing, the Probability of Default is based on Finnvera's own historical data, accumulated for over 20 years, on the probabilities of default in various risk categories. There are considerably fewer loss events in export credit guarantee operations, so the probabilities of default have been derived from the data published by international credit rating agencies. Risk Control monitors the functioning of the risk classification models regularly, and amendments improving them are made whenever necessary.

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

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

In connection with the proposal for financing, the account manager or the credit risk analyst conducts credit rating using a rating tool suited for assessing the qualitative and financial factors of the risk object. The model generates a risk score (0–100) for the object, and that score determines the risk category. In addition to the model, SME financing uses, for minor risks and as a control, a mechanical risk category that is based on financial key indicators and the client's earlier payment behaviour with Finnvera. The risk category determined when a proposal for financing is made is confirmed in connection with the financing decision. Whenever necessary, Risk Control gives its opinion on the risk ratings of the largest exposures.

The account manager is responsible for updating the risk rating. The system sends an update request automatically on the basis of certain criteria or when the validity of the rating has expired.

Correspondence between Finnvera's rating categories and the rating used by S&P[1]

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

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

Financing decisions are made by the Board of Directors and according to the authorisations delegated by the Board so that the amount of exposure and risk have an impact on the decision-making level. Finnvera's Credit Committee makes decisions under its own authority, discusses proposals submitted to the Board of Directors for decision-making, and handles issues requiring a specific policy. The Credit Committee is chaired by the CEO. The Credit Committee is chaired by the CEO. The Head of the Credit Decision Unit serves as the Vice Chair. Risk Control takes part in the Credit Committee's work.

Monitoring of credit risks

Client monitoring takes place through annual analysis of the client enterprise's financial statements, regular contacts with the client and through monitoring of the client's payment behaviour and operations. In its monitoring, Finnvera utilises data from its own control systems, from beneficiaries of domestic guarantees and export credit guarantees, and from public registers on payment defaults. Elevated client risks are taken under special monitoring, and a special monitoring report on the most elevated client risks is drawn up every six months. In 2018, Finnvera adopted the IFRS 9 compliant impairment procedure.

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

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

Risk Control provides the Board of Directors and the management with quarterly reports on the risk-taking realised in relation to risk appetite and goals. In addition, the company's reporting system generates constant reporting based partly on daily data and month-specific data. The main indicators in Finnvera's risk management are the distribution of the current credit and guarantee exposure and the change in exposure by risk category, payment delays and non-performing receivables.

In SME financing, the LGD estimate is largely based on the value of collateral, whereas in export credit guarantees, it is based on a separate estimate of recoveries. The level of risk-taking in relation to outstanding exposure, financing granted, and export credit guarantees is described by using the anticipated statistical value of credit losses (anticipated loss), the total loss and the credit losses realised. These are reported quarterly. When estimating the total loss, Finnvera uses a VaR confidence interval of 99.5%.

Liquidity risk

Liquidity risk refers to a situation where the company does not have enough funds to fulfil the its payment obligations. To mitigate liquidity risk Finnvera maintains sufficient liquidity that must cover expected financing needs of next 12 months in a stressed scenario. Liquidity is invested in assets with low credit risk.

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

Finnvera's long-term funding is mainly done under its EMTN programme. The programme is guaranteed by the State and has the same credit rating as the State of Finland. The company aims to fund itself in such a way that no significant funding deficit is created in the long term and that the need for refinancing in future years is distributed fairly evenly. The company also seeks to ensure a large investor base and to diversify it's funding geographically and by investor type.

Market risk

Relevant market risks in Finnvera's operations are interest rate risk, currency risk, and spread risk related to investment assets and funding costs.

Interest rate risk means the effect of changes in interest rate levels on the net interest margin and economic value of equity. Interest rate risk is mitigated by matching the interest rate base of interest-bearing assets and liabilities. Most of the company's lending is based on 6-month reference rate. Finnvera's fixed rate debt is also swapped into 6-month reference rate.

Currency risk means the effect of exchange rate changes on the company's performance. Currency risk is eliminated by matching balance sheet items and through derivative contracts. Finnvera's lending is in Euros and US dollars. Funding is obtained in these currencies or converted by using cross currency swaps based on the estimated lending.

Spread risk means change in market value of investment assets as a result of increase in credit spreads, or increase in Finnvera's future cost of debt due to increase in credit spread or change in basis spreads. Spread risk is managed by investing the liquidity in high quality assets and matching maturity and currency of long-term funding with the lending commitments.

Finnvera's Treasury is responsible for execution of company's funding and management of liquidity and market risks in accordance with the Asset and Liability Management Policy approved by the Board of Directors and the Treasury Guidelines approved by the Asset and Liability Management Committee.t and Liability Management Committee.

Operational risks

An operational risk is a risk of loss caused by insufficient or inoperable internal processes, systems, human resources or external events. Operational risks also include legal risks and the risk of damage to reputation. Loss resulting from an operational risk may materialise as higher costs, lower profits or lost reputation, for instance.

The management of operational risks has been developed systematically since 2006, and events caused by operational risks have been registered since the beginning of 2007. Risk Control is responsible for developing the management of operational risks. In practice, the process teams, units and the Information Security Group are responsible for implementing practical measures. Finnvera has a full-time Security Manager who is also responsible for information security. Potential risks have been charted and the severity of any consequences they might involve has been assessed for all business areas and support units. In addition, Finnvera has drawn up risk scenarios that, if realised, would have serious consequences for the company's operations. Responsibility for the implementation of actions to avert the risk scenarios and other severe risks has been divided between the various organisational units in line with their tasks. The management of operational risks is closely linked to Finnvera's continuous improvement of quality. Finnvera has an ISO 9001 quality certificate and meets the requirements set by central government for the increased level of information security. Safeguards are taken against operational risks, for instance, by introducing internal control mechanisms, developing processes, information systems and the quality of operations as well as by taking out insurance against risks.

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

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

Venture capital investments

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

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

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

Capital management, capital adequacy and external risk weight

Finnvera calculates its capital adequacy for SME financing according to the principles of the Basel III standard method even though Finnvera is not officially required to apply this method. Owing to the nature of its business, Finnvera must ensure that the amount of equity is sufficient in relation to the credit risks taken. The Ministry of Economic Affairs and Employment has set a minimum target of 15 per cent for Finnvera's capital adequacy. Finnvera assesses the adequacy of capital through an internal process that includes, among other things, stress tests and scenario analyses, aimed at anticipating unfavourable circumstances.

Economic capital is calculated using a credit risk model that corresponds to the models generally used by banks. The model considers the probability of default for the risk objects and the loss resulting from the exposure should the default be realised. Internally, Finnvera's aim is to attain as much economic capital as is needed to cover the annual losses arising from credit risks and counterparty risks with a certainty of 99.5 per cent. In addition, capital is reserved for operational risks.

Equity and retained earnings are allocated to the reserve for domestic operations and to the reserve for export credit guarantee and special guarantee operations. The State provides direct support for Finnvera's domestic financing by paying credit and guarantee loss compensation for some of the credit losses incurred by Finnvera. The compensation for credit and guarantee losses is 50 per cent of the outstanding credit and guarantee exposure. In export credit guarantee operations, the State of Finland is responsible, through bodies such as the State Guarantee Fund, for the losses that may arise during the financial period and exceed the assets in the reserve for export credit guarantee operations.

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

B1 Credit risks

	Finnvera Group			
(EUR 1,000)		31 Dec 2018		31 Dec 2017
Receivables				
Loans to and receivables from credit institutions - payable on demand		1,028,060		1,036,499
Loans to and receivables from credit institutions - other		80,017		28,279
Loans to and receivables from customers		6,876,292		5,846,190
Loans to and receivables from customers	6,730,888		5,692,490	
Guarantee receivables	19,984		31,884	
Fee and commission receivables, export financing	1,091		723	
Receivables from export credit guarantee and special guarantee operations	3,643		6,320	
Other receivables from export credit guarantees	120,685		114,774	
Debt securities		2,645,970		3,059,716
Derivatives [1]		10,115		919
Credit and Guarantee loss receivables from the State		10,951		7,212
Interest receivables		99,087		59,673
Fee and commission receivables		3,806		3,479
Trade receivables of venture capital investments		11,710		14,271
Total		**10,766,007**		**10,056,238**
Contingent liabilities [2]		**18,884,094**		**19,008,094**

The format of the disclosure has been changed from the previous year. The line items shown in the table have been updated to conform with the line items presented on the balance sheet. Comparative figures have been adjusted to reflect the new disclosure format.
1 The figure presented is the sum of net receivables from derivatives per derivative counterparty. The figure presented is the net receivables adjusted with cash collateral received. Accrued interest is not included in the market value of derivatives. The net receivable before the effect of cash collateral received was EUR 71.8 million (EUR 34 million), and cash collateral received was EUR 61.7 million (EUR 33.1 million).
2 A more detailed analysis in Contingent liabilities

Debt securities by credit rating grades and sector

	Finnvera Group 31 Dec 2018				Finnvera Group 31 Dec 2017			
(EUR 1,000)	Credit institutions	Corporates	Governments/ Municipalities	Total[1]	Credit institutions	Corporates	Governments/ Municipalities	Total[1]
Risk class								
A1	777,520	7,999	511,435	**1,296,953**	957,592	34,492	466,843	**1,458,927**
A2	1,072,713	19,991		**1,092,703**	1,244,830	30,489		**1,275,319**
A3	3,003	11,000		**14,003**	60,350	5,999		**66,349**
B1	39,991	186,955		**226,946**	62,033	168,455		**230,488**
Total	**1,893,226**	**225,944**	**511,435**	**2,630,605**	**2,324,804**	**239,435**	**466,843**	**3,031,083**

1 SME-debt securities EUR 15.4 million (EUR 28.6 million) are excluded from the figures presented as they are included in the "SME and midcap Financing" section.

SME AND MIDCAP FINANCING

B2 Receivables from customers and guarantees whose value has not impaired

(EUR 1,000)	31 Dec 2018	%	31 Dec 2017	%
Risk class				
A1	369	0	1,140	0
A2	6,605	0	7,355	0
A3	58,104	3	66,102	3
B1	302,541	14	316,535	14
B2	1,196,533	57	1,239,986	57
B3	423,417	21	453,753	21
C	32,819	2	49,409	2
D	44,802	2	49,394	2
Total	**2,065,190**	**100**	**2,183,674**	**100**

B3 Receivables from customers and guarantees by industry

(EUR 1,000)	31 Dec 2018	31 Dec 2017
Rural trades	39,758	42,966
Industry	1,060,137	1,150,514
Tourism	176,367	175,120
Services to business	451,935	478,343
Trade and consumer services	336,993	336,731
Total	**2,065,190**	**2,183,674**

B4 Loans and guarantees by area

(EUR 1,000)	31 Dec 2018	31 Dec 2017
Finland	2,065,160	2,183,674
Total	**2,065,160**	**2,183,674**

B5 Loans and guarantees, collateral shortage

(EUR 1,000)	31 Dec 2018 Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	2,065,190	393,543	1,671,647	81

(EUR 1,000)	31 Dec 2017 Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	2,183,674	441,102	1,742,572	80

B6 Impaired loans and guarantees for which a guarantee provision has been made according to IAS 39[1]

(EUR 1,000)	31 Dec 2018 Total	31 Dec 2017 Total
Impairment losses on individually assessed loans and guarantee provisions		
Loans		
– Commitment before the impairment		67,645
– Impairment loss		22,412
– Commitment after the impairment		45,233
Export guarantees		
– Commitment before expert guarantee provision		6,837
– Export guarantee provision		6,422
– Commitment after export guarantee provision		415
Guarantees		
– Commitment before the guarantee provision		57,594
– Guarantee provision		19,554
– Commitment after the guarantee provision		38,040
Impairment losses on collectively assessed loans and guarantee provisions		
Loans		
– Commitment before the impairment		58,471
– Impairment loss		21,937
– Commitment after the impairment		36,535
Guarantees		
– Commitment before the guarantee provision		35,158
– Guarantee provision		12,679
– Commitment after the guarantee provision		22,479

1 Expected credit losses according to IFRS 9 have been stated in Notes D10 and E25.

B7.1 Non-performing receivables

(EUR 1,000)	31 Dec 2018	31 Dec 2017
Receivables that are more than 90 days overdue	91,817	109,903
Classified as insolvent	27,174	118,509
Individually and collectively assessed impairment losses in accordance with IAS 39	0	-85,760
Non-performing receivables net	118,991	142,652
0-interest credits	20,055	15,006

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

B7.2 Past due receivables

(EUR 1,000)	31 Dec 2018	31 Dec 2017
1 day–3 months	29,787	18,016
3–6 months	11,958	15,825
6–12 months	13,789	11,746
Over 12 months	35,503	46,940
Total	**91,037**	**92,527**

Past due receivables comprise any interest payments, loan instalments, guarantee commissions and outstanding guarantee receivables that are unpaid at the balance sheet date for all current commitments, including loans subject to any impairment.
Past due receivables that are more than 90 days overdue are included in non-performing receivables.

EXPORT FINANCING

B8 Exposure, export credit guarantees and special guarantees

	31 Dec 2018	31 Dec 2017
(EUR 1,000)	Total	Total
Risk category		
A1	**685,316**	619,870
A2	**507,374**	505,952
A3	**4,420,067**	4,614,940
B1	**10,496,270**	8,875,548
B2	**5,897,916**	6,412,158
B3	**823,721**	781,286
C	**139,941**	166,945
D	**6,065**	7,883
No classification	**495,975**	445,961
Total	**23,472,645**	**22,430,542**

B9 Enterprise, sovereign and bank commitments by country category

(EUR 1,000)	31 Dec 2018	31 Dec 2017
0	18,666,857	16,644,526
1	45	45
2	973,752	862,505
3	904,246	1,213,366
4	1,159,009	1,706,086
5	1,349,021	1,606,088
6	405,712	326,346
7	14,004	71,580
Total	**23,472,645**	**22,430,542**

B10 Bank, enterprise, sovereign and political commitments by sector

(EUR 1,000)	31 Dec 2018	31 Dec 2017
Telecommunications	4,487,129	4,092,485
Cruise shipping	12,834,770	12,814,165
Pulp and paper	2,242,783	1,939,847
Mining and metals	478,283	310,331
Energy	492,296	666,827
Other industries	497,068	610,629
Others	2,440,317	1,996,258
Total [1]	**23,472,645**	**22,430,542**

1 The maximum indemnity amount of reinsurance arrangements valid at the end of the year was EUR 1,402,595 thousand (EUR 928,190 thousand).

B11 Liquidity risk, maturity of assets and liabilities

(EUR 1,000)	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total	Carrying amount
	Finnvera Group						
31 Dec 2018							
Assets							
Loans to and receivables from credit institutions – Payable on demand	1,028,060					1,028,060	1,028,060
Loans to and receivables from credit institutions – Investment accounts and deposits	43,730					43,730	43,668
Loans to and receivables from credit institutions – Export credit loand	1,097	1,541	14,518	17,883	3,286	38,326	32,349
Receivables from customers – Loans	338,752	960,065	3,967,011	1,846,398	111,578	7,223,804	6,730,888
Debt securities	895,434	680,068	1,033,081			2,608,582	2,645,970
Total assets	**2,307,073**	**1,641,674**	**5,014,610**	**1,864,282**	**114,864**	**10,942,502**	**10,480,937**
Velat							
Liabilities		-30,246	-112,584	-51,235		-194,065	-171,943
Liabilities to credit institutions	-8,985	-8,844	-66,667	-23,077		-107,573	-96,958
Liabilities to others		-1,051,203	-3,830,489	-2,478,636	-2,107,500	-9,467,828	-8,782,823
Debt securities in issue				-7,500		-7,500	-7,500
Subordinated liabilities	**-8,985**	**-1,090,293**	**-4,009,740**	**-2,560,448**	**-2,107,500**	**-9,776,965**	**-9,059,224**
Total liabilities							
Derivatives – receivables	-708	38,073	98,966	83,638	132,655	352,624	101,741
Derivatives – liabilities	-10,479	-63,051	-102,085	-125,000	-27,337	-327,952	-81,288
Derivatives, net	**-11,187**	**-24,978**	**-3,119**	**-41,362**	**105,318**	**24,672**	**20,454**
Assets, liabilities and derivatives, net:	**2,286,901**	**526,404**	**1,001,751**	**-737,528**	**-1,887,318**	**1,190,209**	**1,442,166**
Credit commitments[1]	-1,277,987	-1,314,127	-3,800,746	-1,205,947		-7,598,807	
Assets, liabilities, derivatives and credit commitments, net:	**1,008,913**	**-787,724**	**-2,798,995**	**-1,943,475**	**-1,887,318**	**-6,408,598**	**1,442,166**
Guarantees and export credit guarantees[2]							
Guarantees	-115,538	-369,630	-612,478	-4,839	-417	-1,102,902	
Export credit guarantees	-92,342	-180,335	-1,341,727	-2,276,940	-468,031	-4,359,375	
Total guarantees and export credit guarantees	**-207,880**	**-549,965**	**-1,954,205**	**-2,281,779**	**-468,448**	**-5,462,277**	

(EUR 1,000)	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total	Carrying amount
	Finnvera Group						
31 Dec 2017							
Assets							
Loans to and receivables from credit institutions – Payable on demand	302,192					302,192	302,192
Loans to and receivables from credit institutions – Investment accounts and deposits	642,964	91,888				734,852	734,307
Loans to and receivables from credit institutions – Export credit loand	1,117	1,104	8,463	9,621	3,550	23,855	20,659
Receivables from customers – Loans	255,423	904,374	3,442,453	1,357,620	128,368	6,088,238	5,692,490
Debt securities	1,041,935	618,227	1,399,173			3,059,335	3,059,716
Total assets	**2,243,631**	**1,615,592**	**4,850,089**	**1,367,242**	**131,918**	**10,208,472**	**9,809,364**
Velat							
Liabilities		-27,593	-105,043	-73,157		-205,793	-187,609
Liabilities to credit institutions	-76,778	-298,312	-1,149,429	-364,103		-1,888,622	-1,773,680
Liabilities to others		-274,880	-3,715,023	-1,551,869	-1,418,595	-6,960,367	-6,483,055
Debt securities in issue				-7,500		-7,500	-7,500
Subordinated liabilities	**-76,778**	**-600,784**	**-4,969,495**	**-1,996,630**	**-1,418,595**	**-9,062,283**	**-8,451,845**
Total liabilities							
Derivatives – receivables	1,047	24,162	57,844	-2,323	32,118	112,848	79,792
Derivatives – liabilities	-10,467	-32,142	71,450	101,965	68,906	199,712	-138,321
Derivatives, net	**-9,420**	**-7,980**	**129,294**	**99,642**	**101,024**	**312,561**	**-58,529**
Assets, liabilities and derivatives, net:	**2,157,433**	**1,006,828**	**9,888**	**-529,746**	**-1,185,653**	**1,458,750**	**1,298,990**
Credit commitments[1]	-577,542	-1,526,936	-4,465,217	-1,205,947		-7,775,642	
Assets, liabilities, derivatives and credit commitments, net:	**1,579,891**	**-520,108**	**-4,455,329**	**-1,735,693**	**-1,185,653**	**-6,316,892**	**1,298,990**
Guarantees and export credit guarantees[2]							
Guarantees	-109,250	-324,184	-554,610	-107,435	-2,367	-1,097,846	
Export credit guarantees	-74,162	-163,547	-1,668,862	-2,596,827	-576,779	-5,080,177	
Total guarantees and export credit guarantees	**-183,412**	**-487,731**	**-2,223,472**	**-2,704,262**	**-579,146**	**-6,178,023**	

The table does not include the ERDF assets deposited, EUR 4.0 million (EUR 7.6 million). Their use is regulated separately.
1 Undrawn binding credit commitments are presented in the period when the loans are expected to be drawn.
2 The guarantees in the table have been broken down according to their due dates. An individual guarantee may give rise to indemnity at any time during its period of validity. There is no historical information as to when such indemnities have been realised during the life cycle of a guarantee. Export credit guarantees do not include export credit guarantees for binding credit commitments (binding credit commitments are presented as a separate line in the table), guarantees for the subsidiary's drawn export credits (drawn loans are included in receivables from clients), or offer-stage guarantees (guarantee offers).

B12 Total commitments from financing operations

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Domestic operations				
Contingent liabilities, drawn	1,102,902	1,097,846	1,102,902	1 097,846
Credits included in the balance sheet, gross [1]	856,139	1,002,581	856,139	1 002,581
Investments in SME bonds included in the balance sheet	15,365	28,634	15,365	28,634
Total drawn commitments	**1,974,405**	**2,129,061**	**1,974,405**	**2,129,061**
Contingent liabilities, undrawn	115,340	105,703	115,340	105,703
Total, domestic operations	**2,089,745**	**2,234,764**	**2,089,745**	**2,234,764**
Export credit and special guarantees, financing				
Contingent liabilities, drawn [2]	3,794,624	4,014,284	10,275,405	9,136,713
Items included in the balance sheet, gross [1,2]	5,980,625	4,757,673	0	0
Total drawn commitments	**9,775,249**	**8,771,957**	**10,275,405**	**9,136,713**
Contingent liabilities, undrawn	12,005,540	12,162,430	13,355,132	13,425,505
Total export credit and special guarantees, financing	**21,780,789**	**20,934,388**	**23,630,537**	**22,562,218**
Total commitments from financing operations	**23,870,534**	**23,169,152**	**25,720,282**	**24,796,982**

1 The figures presented do not take into account expected credit losses according to the IFRS 9 standard / loss allowances according to the IAS 39 standard.
2 The risk associated with the repayment of export credits granted by Finnish Export Credit Ltd, part of Finnvera Group, is covered by an export credit guarantee granted by the parent company. When the parent company finances export credits granted by Finnish Export Credit Ltd, the parent company's balance sheet also includes a receivable from Finnish Export Credit Ltd. The parent company's contingent liabilities include EUR 5,907.6 million (EUR 3,026.0 million) in export credit guarantees financed by the parent company.

B13 Market risk sensitivities

(EUR 1,000)	31 Dec 2018	31 Dec 2017
Interest rate risk		
Market interest increase 1%		
– Change in net interest income during the next 12 months	16,613	17,160
– Changes in items carried at fair value	21,662	14,332
Market interest decrease 0,1%		
– Change in net interest income during the next 12 months	-1,661	-1,716
– Changes in items carried at fair value	-2,166	-1,433
Currency risk		
The USD strengthens by 10% against the euro	-25	536
The USD weakens by 10% against the euro	31	-439

C Segment information

Finnvera's segment information is based on the company's internal division into business areas and on the organisational structure. Client enterprises have been divided into business areas according to their size and the need for financing at their development stage. A service concept has been devised for each business area. Finnvera's segments are locally operating small enterprises, enterprises on the domestic market, enterprises seeking growth and internationalisation, export financing, export credit financing, and venture capital investments.

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

The clients of the SMEs focusing on the domestic markets are SMEs and, on special grounds, large corporates. The clientele includes companies engaged in production and in services. In cooperation with other providers of financing, financial solutions are provided especially for the development and growth needs of companies and for transfers of business to the next generation.

The clients of the SMEs seeking growth and internationalisation segment are SMEs and midcap enterprises[1] that have a growth strategy based on internationalisation. Some clients already engage in exports on the international market, while others are still starting out on this development path. In general, these companies also use the services of other organisations providing services for growth enterprises (Business Finland and Centres for Economic Development, Transport and the Environment) and make use of the services offered by Finnvera for export financing.

The export financing segment consists of financing for export credit guarantees and export credits. The clients are exporters operating in Finland, generally classified as large corporates, as well as domestic and foreign providers of financing for these. In addition, the segment includes Finnvera's subsidiary Finnish Export Credit Ltd. The subsidiary provides financing for export credits and export financing based on tax agreements and administers the interest equalisation system for officially supported export credits and domestic ship financing in accordance with the OECD Arrangement. Finnvera has official Export Credit Agency (ECA) status.

The segment for venture capital financing consists of the Group's venture capital investment activities. Venture capital investments are disposal groups classified as assets held for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities. The companies engaged in venture capital financing are the subsidiaries Veraventure Ltd and ERDF-Seed Fund Ltd. ERDF-Seed Fund Ltd is considered to be among disposal groups classified as held for sale. Veraventure Ltd no longer has any actual business operations. In addition, Finnvera still has a 19.71 per cent holding in Innovestor Kasvurahasto I Ky, and the company is not included in the consolidated financial statements. The capital input invested in Innovestor Kasvurahasto I Ky are stated as disposal groups classified as held for sale on the parent's company's balance sheet. Income and expenses are allocated to each segment when they are deemed to fall within that segment, or allocation is carried out on the basis of internal accounting rules. All income and expenses have been allocated to segments.

There is no notable intra-segment business. Assessment of the profitability of Finnvera's segments is based on the operating profit. The assets and liabilities of segments are valued according to the principles for drawing up the financial statements.

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

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

A B C D E F G H

C1 Segment information [1]

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Export financing	Venture capital financing	Group total
Group						
1–12/2018						
Net interest income	6,519	18,511	9,159	7,587	181	**41,958**
Net fee and commission income	5,800	19,078	12,937	97,011	-1	**134,824**
Gains and losses from financial instruments carried at fair value	25	91	-1,592	-7,578	508	**-8,546**
Net income from investments	0	0	89	324	5	**418**
Other operating income	1,155	1,511	1,467	96	-82	**4,147**
Administrative expenses	-8,616	-13,369	-10,396	-13,063	-409	**-45,853**
Depreciation and amortization on tangible and intangible assets	-228	-1,192	-581	-778	0	**-2,779**
Other operating expenses	-752	-928	-604	245	0	**-2,039**
Total expected credit losses and realised credit losses	-12,500	-16,348	-13,497	20,781	-244	**-21,808**
– Realised credit losses	-10,099	-21,710	-16,861	-2,065	-307	-51,041
– The State's compensation for credit losses	5,948	9,960	7,715	0	0	23,624
– Expected credit losses (increase - / decrease +)	-8,349	-4,599	-4,352	22,845	63	5,609
Operating profit	-8,597	7,353	-3,018	104,625	-41	**100,321**
Income tax expense				-1,900	39	**-1,861**
Profit for the period	**-8,597**	**7,353**	**-3,018**	**102,725**	**-2**	**98,460**
1–12/2017						
Net interest income	8,715	21,214	9,435	6,719	343	**46,426**
Net fee and commission income	6,080	19,911	12,951	88,163	-1	**127,105**
Gains and losses from financial instruments carried at fair value	383	183	445	-6,921	6,434	**524**
Net income from investments	0	198	0	0	0	**198**
Other operating income	105	144	84	82	243	**657**
Administrative expenses	-8,725	-13,138	-9,375	-11,299	-537	**-43,073**
Depreciation and amortization on tangible and intangible assets	-158	-739	-328	-573	-2	**-1,800**
Other operating expenses	-817	-898	-553	222	0	**-2,044**
Total expected credit losses and realised credit losses	-1,930	-4,671	-8,312	-4,194	-181	**-19,288**
– Realised credit losses	-8,067	-27,639	-4,278	700		-39,284
– The State's compensation for credit losses	6,297	15,252	1,284	0		22,833
– Expected credit losses (increase - / decrease +)	-160	7,716	-5,318	-4,894	-181	-2,836
Operating profit	3,654	22,205	4,347	72,199	6,299	**108,705**
Income tax expense	0	0	0	-1,118	-993	**-2,111**
Profit for the period	**3,654**	**22,205**	**4,347**	**71,081**	**5,305**	**106,593**

1 The presentation method of segment information has been changed to be similar to profit of each segment thus that each profit and loss item includes group consolidations. Also the figures of the comparison year have been corrected in this respect.

A B C D E F G H

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Export financing	Venture capital financing	Finnvera plc total
Finnvera plc						
1–12/2018						
Net interest income	6,519	18,511	9,159	392		**34,581**
Net fee and commission income	5,800	19,078	12,937	96,354		**134,168**
Gains and losses from financial instruments carried at fair value	25	91	-1,592	382		**-1,095**
Net income from investments	0	0	89	324		**413**
Other operating income	1,155	1,511	1,467	2,496		**6,630**
Administrative expenses	-8,616	-13,369	-10,396	-12,955		**-45,336**
Depreciation and amortization on tangible and intangible assets	-228	-1,192	-581	-778		**-2,779**
Other operating expenses	-752	-928	-604	-11,853		**-14,138**
Total expected credit losses and realised credit losses	-12,500	-16,348	-13,497	20,780		**-21,565**
– Realised credit losses	-10,099	-21,710	-16,861	-2,065		-50,734
– The State's compensation for credit losses	5,948	9,960	7,715	0		23,624
– Expected credit losses (increase - / decrease +)	-8,349	-4,599	-4,352	22,844		5,545
Operating profit	-8,597	7,353	-3,018	95,140		**90,878**
Income tax expense	0	0	0	0		**0**
Profit for the period	**-8,597**	**7,353**	**-3,018**	**95,140**	**0**	**90,878**
1–12/2017						
Net interest income	8,715	21,214	9,435	147		**39,512**
Net fee and commission income	6,080	19,911	12,951	87,499		**126,442**
Gains and losses from financial instruments carried at fair value	383	245	445	-102		**972**
Net income from investments	0	135	0	63		**198**
Other operating income	105	144	84	2,482		**2,814**
Administrative expenses	-8,725	-13,138	-9,375	-11,186		**-42,424**
Depreciation and amortization on tangible and intangible assets	-158	-739	-328	-573		**-1,798**
Other operating expenses	-817	-898	-553	-6,083		**-8,350**
Total expected credit losses and realised credit losses	-1,930	-4,671	-8,312	-4,194		**-19,107**
– Realised credit losses	-8,067	-27,639	-4,278	700		-39,285
– The State's compensation for credit losses	6,297	15,252	1,284	0		22,833
– Expected credit losses (increase - / decrease +)	-159	7,716	-5,318	-4,894		-2,655
Operating profit	3,654	22,205	4,347	68,052		**98,260**
Income tax expense						**0**
Profit for the period	**3,654**	**22,205**	**4,347**	**68,052**		**98,260**

D Notes to the income statement

D1 Interest income and -expenses

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Interest income				
Interests from loans passed on to the customers	**124,848**	**114,650**	**90,044**	**64,500**
– Domestic financing	31,601	36,000	31,601	62,296
– Export financing	93,244	78,483	225	2,204
– Venture capital financing	3	167	0	0
– Group internal interest income	0	0	58,218	26,295
Subsidies passed on to customers	**356**	**767**	**356**	**767**
– Regional interest subsidy	0	1	0	1
– Interest subsidy to special loans	356	765	356	765
Other interest income	**-1,558**	**-1,523**	**-2,326**	**-2,236**
– Interest on export credit guarantee and special guarantee receivables	1,559	495	1,559	495
– Interest on guarantee receivables	1,179	1,641	1,179	1,641
– On receivables from credit institutions	5,805	2,333	5,221	1,804
– On debt securities, available-for-sale	3,992	461	3,992	461
– On items carried at fair value through profit or loss	-14,277	-6,638	-14,277	-6,638
– On other	184	185	0	0
Total	**123,646**	**113,894**	**88,074**	**63,030**
Interest expenses				
On liabilities to credit institutions	-4,946	-3,761	-4,946	-3,761
On liabilities to other institutions	-28,320	-44,211	0	0
On debt securities in issue and hedges of debt securities in issue	-45,419	-16,585	-45,419	-16,585
Intra-group interest expenses	0	0	-191	-320
Other interest expenses	-3,004	-2,911	-2,937	-2,852
Total	**-81,689**	**-67,468**	**-53,493**	**-23,518**
Net interest income	**41,958**	**46,426**	**34,581**	**39,512**
Interest income on financial assets which are not carried at fair value	135,946	111,195	100,374	62,569
Interest expenses on financial liabilities which are not carried at fair value[1]	-94,846	-67,576	-66,650	-23,626
Interest income include interest accrued on impaired loans	2,206	1,752	2,206	1,752

1 The figures for the comparison year have been updated so that they meet the requirements of the IFRS standards more precisely.

Interest subsidy from the state and the European Regional Development Fund

The interest subsidy passed on to customers is calculated on the basis of the passage of time, similar to interest, and is presented as a separate item under interest income in the income statement. In 2001 the Group began to grant investment and working capital loans that include interest subsidy from the European Regional Development Fund (ERDF), as well as national interest subsidy granted by the State of Finland. New interest-subsidised credits have not been granted after 2013.

Interest-subsidised loans and guarantees in total	**14,199**	**63,906**	**14,199**	**63,906**

D2 Fee and commission income and expenses by income statement item and function

D2.1 Fee and commission income and expenses by income statement item

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Fee and commission income				
From export credit guarantees and special guarantees	110,208	106,210	110,208	106,210
From other guarantees	27,897	27,678	27,897	27,678
From credit operations	20,854	17,114	5,913	6,491
Group internal fee and comission income	0	0	14,854	10,482
From other	572	510	2	-12
Total	**159,530**	**151,513**	**158,873**	**150,849**
Fee and commission expenses				
From reinsurance	-23,573	-21,720	-23,573	-21,720
From borrowing	-820	-710	-820	-710
From payment transactions	-313	-251	-312	-250
From other	0	-1,727	0	-1,727
Total	**-24,706**	**-24,408**	**-24,705**	**-24,407**
Net fee and commission income	**134,824**	**127,105**	**134,168**	**126,442**
Fee and commission income from financial assets not carried at fair value	159,530	151,513	158,873	150,849
Fee and commission expenses from financial assets which are not carried at fair value [1]	-24,706	-24,408	-24,705	-24,407

1 The figures for the comparison year have been updated so that they meet the requirements of the IFRS standards more precisely.

D2.2 Income and commission fees by operations according to the IFRS 15 standard

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Commitment and other fee and commission income from export credits	15,512	11,146	14,854	10,482
Service and handling fees from export credit guarantees	1,619	867	1,619	867
Service and handling fees from domestic financing	4,108	4,488	4,108	4,488
Other fees	1,953	2,002	1,953	2,002
Total	**23,192**	**18,504**	**22,535**	**17,840**

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

	Finnvera Group			Finnvera plc		
(EUR 1,000)	Gains and losses from sales	Changes in fair value	Total	Gains and losses from sales	Changes in fair value	Total
31 Dec 2018						
From financial instruments carried at fair value through profit or loss						
Derivatives		80,270	80,270		-5,816	-5,816
Debt securities in issue		-88,088	-88,088		5,920	5,920
Investments in debt securities (SME-financing)	-1,617		-1,617	-1,617		-1,617
Shares and participations	164	381	545	37		37
Total for financial instruments carried at fair value through profit or loss	**-1,453**	**-7,437**	**-8,890**	**-1,580**	**104**	**-1,477**
By categories of financial instruments, IFRS 9						
Liabilities carried at amortised cost (fair value hedging)		-81,240	-81,240			0
Liabilities carried at fair value trhough profit and loss (fair value option)		-6,847	-6,847		5,920	5,920
Liabilities carried at fair value trhough profit and loss (mandatory)	-1,453	80,650	79,197	-1,580	-5,816	-7,397
Total	**-1,453**	**-7,437**	**-8,890**	**-1,580**	**104**	**-1,477**
Foreign exchange gains(+) and losses (-)			**344**			**382**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**-8,546**			**-1,095**

	Finnvera Group			Finnvera plc		
(EUR 1,000)	Gains and losses from sales	Changes in fair value	Total	Gains and losses from sales	Changes in fair value	Total
31 Dec 2017						
From financial instruments carried at fair value through profit or loss						
Derivatives		-36,922	-36,922		-4,030	-4,030
Liabilities carried at fair value		31,041	31,041		5,045	5,045
Shares and participations	-1,469	7,903	6,434			
Total for financial instruments carried at fair value through profit or loss	**-1,469**	**2,022**	**553**	**0**	**1,015**	**1,015**
By categories of financial instruments, IAS 39						
Liabilities carried at amortised cost (fair value hedging)		17,927	17,927			
Liabilities carried at fair value trhough profit and loss	-1,469	-15,904	-17,373		1,015	1,015
Total for financial instruments carried at fair value through profit or loss	**-1,469**	**2,022**	**553**	**0**	**1,015**	**1,015**
Foreign exchange gains(+) and losses (-)			**-29**			**-43**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**524**			**972**

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

D4 Net income from investments

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera plc 31 Dec 2018
Net income from debt securities carried at fair value through comprehensive income	**413**	**413**
– Gains/losses	413	413
– Impairment losses	0	0
Dividends	**5**	**0**
Total	**418**	**413**

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2017
Shares and participations	**8**	**8**
– Gains/losses	0	0
– Impairment losses	8	8
Debt securities	**176**	**176**
– Gains/losses	176	176
– Impairment losses	0	0
Dividends	**15**	**15**
Total	**198**	**198**

D5 Other operating income

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Fee for the management of the old liability	102	282	102	282
Management fees from subsidiaries (internal charging)	0	0	2,454	2,449
Rental income	28	6	28	6
Rental income fees from subsidiaries (internal charging)	0	0	28	49
Sales profit/loss	0	-124	0	-124
Profit on the sale of a subsidiary (Note E23)	0	303	0	0
Grants received from the State	3,108	0	3,108	0
Cancellation of the ERDF interest subsidy provision	700	0	700	0
Other	208	189	208	152
Total	**4,147**	**657**	**6,630**	**2,814**

D6 Employee expenses

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Wages and salaries	-23,003	-23,243	-22,687	-22,883
Pension costs				
– Defined contribution plans	-4,395	-4,002	-4,371	-3,967
– Defined benefit plans	-108	-291	-108	-291
Other social security costs	-930	-1,172	-941	-1,156
Total	**-28,436**	**-28,707**	**-28,107**	**-28,297**

D7 Auditor's fees

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Fees for auditing	-99	-72	-84	-59
Fees for expert services provided by auditors	-86	-97	-86	-97
Total	**-185**	**-170**	**-170**	**-156**

D8 Depreciation and amortisation on tangible and intangible assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Depreciation and amortisation				
Intangible assets	**-2,472**	**-1,516**	**-2,472**	**-1,514**
Property, plant and equipment	**-307**	**-284**	**-307**	**-284**
– Properties	0	0	0	0
– Machinery and equipment	-307	-284	-307	-284
– Other tangible assets	0	0	0	0
Total	**-2,779**	**-1,800**	**-2,779**	**-1,798**

D9 Other operating expenses

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Rental expenses	-2,341	-2,497	-2,341	-2,497
Expenses from property in own use	-479	-247	-479	-247
Return of the surplus in export credit financing to FEC	0	0	-12,098	-6,305
Change of the cost provision associated with the collection of export credit guarantee receivables	780	700	780	700
Total	**-2,039**	**-2,044**	**-14,138**	**-8,350**

A B C D E F G H

D10 Expected credit losses from financial assets and off balance sheet items as well as realised credit losses from financial assets, guaranteees, special guarantees and export credit guarantees (IFRS 9)

Realised and expected credit losses [1]	Finnvera Group				Finnvera plc			
(EUR 1,000)	31 Dec 2018		31 Dec 2017		31 Dec 2018		31 Dec 2017	
Total realised and expected credit losses		-21,808		-19,288		-21,565		-19,107
Realised credit losses Toteutuneet luottotappiot		-51,041		-39,284		-50,734		-39,285
– Loans	-24,639		-23,649		-24,332		-23,649	
– Guarantees	-21,601		-14,175		-21,601		-14,175	
– Export credit guarantees and special guarantees	-4,801		-1,460		-4,801		-1,460	
The State's compensation received		23,624		22,833		23,624		22,833
Change in expected credit losses		5,609		-2,836		5,545		-2,655
– Expected credit losses 1 Jan	141,602		84,125		141,248		84,125	
– Expected credit losses 31 Dec	135,993		86,960		135,703		86,780	

1 The State compensates Finnvera for 50 per cent of the realised credit and guarantee losses in SME and midcap financing. The credit loss compensation has been considered when calculating expected credit losses according to the IFRS 9 standard.

10.1 Change in expected credit losses 31 Dec 2018

	Group		
Fincancial assets (EUR 1,000)	**Expected credit losses (ECL) 1 Jan**	**Expected credit losses (ECL) 31 Jan**	**Change in expected credit losses (ECL) 31 Jan**
Loans and receivables from credit institutions	168	176	-8
Loans and receivables from customers	101,394	90,068	11,326
Other assets	285	239	46
Prepayments and accrued income	1,492	1,418	74
Assets of disposal groups classified as held for sale:	62	43	18
– Loans and receivables from credit institutions	1	0	
– Loans and receivables from customers	57	43	
– Prepayments and accrued income	4	0	
Change in expected credit losses: decrease (+) / increase (-)	**103,401**	**91,944**	**11,456**

	Group		
Fincancial liabilities (EUR 1,000)	**Expected credit losses (ECL) 1 Jan**	**Expected credit losses (ECL) 31 Jan**	**Change in expected credit losses (ECL) 31 Jan**
Provisions	37,395	43,415	-6,020
Equity – Fair Value Reserve	807	633	174
Change in expected credit losses: decrease (+) / increase (-)	**38,202**	**44,048**	**-5,847**
Change in expected credit losses: decrease (+) / increase (-), net			**5,609**

	Finnvera plc		
Fincancial assets (EUR 1,000)	**Expected credit losses (ECL) 1 Jan**	**Expected credit losses (ECL) 31 Jan**	**Change in expected credit losses (ECL) 31 Jan**
Loans and receivables from credit institutions	148	154	-6
Loans and receivables from customers	53,644	60,325	-6,681
Prepayments and accrued income	1,492	1,418	74
Change in expected credit losses: decrease (+) / increase (-)	**55,284**	**61,897**	**-6,613**

	Finnvera plc		
Fincancial liabilities (EUR 1,000)	**Expected credit losses (ECL) 1 Jan**	**Expected credit losses (ECL) 31 Jan**	**Change in expected credit losses (ECL) 31 Jan**
Provisions	85,157	73,172	11,984
Equity – Fair Value Reserve	807	633	174
Change in expected credit losses: decrease (+) / increase (-)	**85,964**	**73,806**	**12,158**
Change in expected credit losses: decrease (+) / increase (-), net			**5,545**

A B C D E F G H

10.2 Movements of expected credit losses between stages 31 Dec 2018[1]

10.2.1 Movements of expected credit losses from SME and midcap financing between stages

	Group/Finnvera plc			
SME and micdap financing (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected credit losses (ECL), SME and midcap financing 1 Jan 2018	**13,134**	**12,734**	**43,524**	**69,392**
Changes in ECL during the reporting period	1,194	701	720	**2,615**
Transfers to stage 1 from stages 2 and 3	0	-2,012	-614	**-2,626**
Transfers to stage 2 from stages 1 and 3	-558	0	-1,120	**-1,678**
Transfers to stage 3 from stages 1 and 2	-306	-1,731	0	**-2,036**
Additions from stage 1	0	4,333	11,055	**15,388**
Additions from stage 2	335	0	5,686	**6,022**
Additions from stage 3	36	352	0	**389**
Expected credit losses from new rahoituksista	9,782	1,520	14,125	**25,427**
Repayments/Expirations of guarantees	-4,523	-2,341	-23,514	**-30,378**
Change in PD	1,155	-49	-2	**1,104**
Expected credit losses (ECL), SME and midcap financing 31 Jan 2018	**20,251**	**13,509**	**49,859**	**83,619**

1 Transfers between stages are only presented for the most business-critical items.

10.2.2 Movements of expected credit losses from export credit guarantees and export credit loans between stages

	Group/Finnvera plc				
Large corporates [1] (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Reinsurance**	**Total**
Expected credit losses (ECL) 1 Jan 2018	**26,247**	**47,246**	**2,038**	**-4,278**	**71,253**
Changes in ECL during the reporting period	-3,427	1,297	-1,672	4,278	**476**
Transfers to stage 1 from stages 2 and 3	-	455	0	0	**455**
Transfers to stage 2 from stages 1 and 3	-115	-	0	0	**-115**
Transfers to stage 3 from stages 1 and 2	-82	0	-	0	**-82**
Additions from stage 1	-	940	2,781	0	**3,721**
Additions from stage 2	135	-	0	0	**135**
Additions from stage 3	0	0	-	0	**0**
New export credit guarantees or new export credit loans	993	-	-	0	**993**
Expired export credit guarantees or repayments of export credit loans	-3,178	0	0	0	**-3,178**
Changes in ECL parametres[2]	-6,835	-16,430	866	0	**-22,398**
Expected credit losses (ECL) 31 Dec 2018	**13,738**	**33,508**	**4,014**	**0**	**51,260**

1 The provisions and impairments associated with the Large Corporates business include both provisions related to the parent company's export credit guarantees and expected credit losses related to credits granted by Finnish Export Credit Ltd. The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee.
2 The impact of PIT-PD changes is EUR -10,155,000.

10.3 Expected credit losses by balance sheet items 31 Dec 2018

10.3.1 Expected credit losses from loans and receivables from credit institutions

(EUR 1,000)	Group 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1				
A2	485,042			**485,042**
A3	591,464			**591,464**
B1	18,938			**18,938**
B2	13,426			**13,426**
B3				
C				
D				
Total [1]	**1,108,869**			**1,108,869**
Expected credit losses (ECL) [1]	-176			**-176**
Realised credit losses	0			**0**

1 Table 10.3.1 does not include Finnish Export Credit Ltd's drawn export credits or expected credit losses related to them. Expected credit losses related to export credit guarantee operations are included in their entirety in Table 10.2.2 and, for receivables from export credit and special guarantee operations in export financing, in Table 10.3.3.

10.3.2 Expected credit losses from loans and receivables from credit institutions

(EUR 1,000)	Finnvera plc 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1				
A2	444,643			**444,643**
A3	579,055			**579,055**
B1				
B2				
B3				
C				
D				
Total	**1,023,698**			**1,023,698**
Expected credit losses (ECL)	-154			**-154**
Realised credit losses	0			**0**

10.3.3 Expected credit losses from loans and receivables from customers measured at amortised cost

(EUR 1,000)	Group/Finnvera plc 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	19	0	0	**19**
A2	2,536	0	0	**2,536**
A3	23,639	403	91	**24,133**
B1	132,774	2,819	156	**135,749**
B2	402,932	22,169	21,571	**446,672**
B3	96,003	75,827	18,460	**190,290**
C	511	14,837	7,713	**23,061**
D	0	695	189,901	**190,596**
Total[1]	**658,414**	**116,751**	**237,892**	**1,013,056**
Expected credit losses (ECL) [1]	-5,689	-8,823	-45,814	**-60,325**
Realised credit losses				**-24,332**

1 Table 10.3.3 does not include Finnish Export Credit Ltd's credits, totalling EUR 5,980,625,000 (EUR 4,757,673,000) or expected credit losses related to the credits, amounting to EUR -29,757,000 (EUR -47,762,000) at the reporting date. Expected credit losses related to Finnish Export Credit Ltd's credit are included in Table 10.3.5. Expected credit losses related to venture capital investment operations are included Tables 10.3.8 and 10.3.6.

10.3.4 Expected credit losses from investments and SME and midcap financing loans measured at fair value through other comprehensive income (OCI)

(EUR 1,000)	Group/Finnvera plc 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	0			**0**
A2	1,291,944			**1,291,944**
A3	1,090,524			**1,090,524**
B1	238,000			**238,000**
B2	9,818			**9,818**
B3	5,000			**5,000**
C				
D				
Total	**2,635,286**			**2,635,286**
Expected credit losses (ECL)	-633			**-633**
Realised credit losses	0			**0**

10.3.5 Expected credit losses from guarantees, export credit guarantees, special guarantees, binding credit commitments and guarantee offers

(EUR 1,000)	Group/Finnvera plc 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	350	0	0	**350**
A2	33,980	0	0	**33,980**
A3	4,004,658	0	0	**4,004,658**
B1	6,909,191	0	0	**6,909,191**
B2	6,607,525	0	0	**6,607,525**
B3	841,849	54,208	0	**896,056**
C	751	150,350	0	**151,101**
D	14	0	12,823	**12,836**
No credit rating	220,820	0	0	**220,820**
Total	**18,619,137**	**204,558**	**12,823**	**18,836,518**
Expected credit losses from guarantees and export credit guarantees and special guarantees and offers given [1]	-28,012	-38,174	-6,986	-73,172
– of which reinsurance				0
Realised credit losses [2]				-26,402

1 Table 10.3.5 includes the provisions related to SME and midcap financing and the parent company's export credit guarantees, expected credit losses related to credits granted by Finnish Export Credit Ltd, and provisions related to export credit guarantees.
2 Realised credit losses are based on the parent company's realised credit losses, which also include loss items other than credit losses from guarantee principal.

10.3.6 Expected credit losses from prepaymenets and accrued income and other assets

(EUR 1,000)	Group 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	0	0	0	**0**
A2	7	0	0	**7**
A3	68	2	1	**71**
B1	423	4	6	**433**
B2	1,590	103	64	**1,757**
B3	477	314	268	**1,058**
C	18	97	227	**342**
D	26	0	2,923	**2,949**
No credit rating	11,949	0	0	**11,949**
Total[1]	**14,558**	**519**	**3,488**	**18,566**
Expected credit losses	-287	-20	-1,350	-1,657
Realised credit losses [2]				

1 Table 10.3.6 only includes receivables included in expected credit loss calculation.
2 Realised credit losses from interest receivables and fee and commission income receivables are included in realised losses presented in Tables 10.3.3 and 10.3.5.

10.3.7 Expected credit losses from prepaymenets and accrued income

(EUR 1,000)	Finnvera plc 31 Dec 2018			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A1	0	0	0	**0**
A2	7	0	0	**7**
A3	68	2	1	**71**
B1	423	4	6	**433**
B2	1,590	103	64	**1,757**
B3	477	314	268	**1,058**
C	18	97	227	**342**
D	26	0	2,923	**2,949**
No credit rating	0	0	0	**0**
Total	**2,610**	**519**	**3,488**	**6,617**
Expected credit losses	-48	-20	-1,350	**-1,418**
Realised credit losses				

10.3.8 Expected credit losses from disposal groups classified as held for sale [1]

(EUR 1,000)	Finnvera Group 31 Dec 2018			
Balance sheet item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to and receivables from credit institutions	2,564			**2,564**
Loans to and receivables from customers	495			**495**
Prepayments and accrued income	0			**0**
Deferred tax receivables due to expected credit losses (IFRS 9)	9			**9**
Total	**3,067**	**0**	**0**	**3,067**
Expected credit losses form disposal groups classified as held for sale	-43			**-43**
Realised credit losses				**-307**

1 ERDF-Seed Fund Ltd's available-for-sale assets in Table 10.3.8 above only include those items that have an expected credit loss according to the IFRS 9 standard recorded for them. Table 10.3.8 does not include ERDF-Seed Fund Ltd's investments in shares and participations, EUR 34,516,000 (EUR 34,372,000), capital input owned by the parent company, EUR 13,365,000 (EUR 12,517,000), or the parent company ERDF's shareholding, EUR 15,256,000 (EUR 15,256,000), that also belong to assets held for sale.

D11 Impairment losses on receivables, guarantee losses and impairment losses on other financial assets (IAS 39)

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2017
Realised credit losses ja impairment losses according to IAS 39 standard, total		
Realised credit losses	**-39,284**	**-39,285**
– Loans	-23,649	-23,649
– Guarantees	-14,175	-14,175
– Export credit guarantee and special guarantee losses	-1,460	-1,460
Change on impairments and provisions 31 Dec 2017 including guarantees, export credit guarantees and special guarantee losses	**-2,836**	**-2,655**
– Impairments and provisions 1 Jan	84,125	84,125
– Impairments and provisions 31 Dec	86,960	86,780
Total, gross	**-42,120**	**-41,940**
Received compensation from credit and guarantee losses from the State		
Total, net	**-19,287**	**-19,107**

D12 Income tax expense

(EUR 1,000)	Finnvera Group 31 Dec 2018	31 Dec 2017
Current period tax[1]	-3,490	-2,459
Adjustment for prior periods	0	0
Deferred taxes (Note E8) [1]	1,629	348
Total	**-1,861**	**-2,111**

1 The comparison period figues have been adjusted between the items presented.

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

E Notes to the balance sheet

E1 Loans to and receivables from credit institutions

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Payable on demand	1,030,624	305,824	975,261	251,034
Payable on demand, reclassified to assets of disposal groups held for sale (Note E23)	-2,563	-3,632	0	0
Investment accounts and deposits	43,668	734,307	43,668	734,307
Export credit loand	32,349	20,659	0	0
Escrow accounts	4,000	7,620	4,000	7,620
Total	**1,108,078**	**1,064,778**	**1,022,929**	**992,961**

E2 Loans to and receivables from customers

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Loans	**6,730,888**	**5,692,490**	**6,721,413**	**3,997,194**
– Subordinated loans	9,783	11,198	9,783	11,198
– Other loans	6,795,112	5,729,625	846,356	991,383
– Expected credit losses / Impairment losses	-73,554	-47,105	-43,768	-47,105
– Reclassified to assets of disposal groups held for sale (Note E23)	-452	-1,228		
– Loans to Group companies			5,909,042	3,041,718
Guarantee receivables	**19,984**	**31,884**	**19,984**	**31,884**
Receivables from export credit guarantee and special guarantee operations[1]	**125,419**	**121,816**	**125,419**	**121,816**
– Fee and commission receivables	1,091	723	1,091	723
– Book value of recovery receivables on 31 Dec	120,685	114,774	120,685	114,774
– Nominal value of recovery receivables	207,378	204,075	207,378	204,075
– Impairment losses on recovery receivables	-86,693	-89,301	-86,693	-89,301
– Other export and recovery receivables	3,643	6,320	3,643	6,320
Total	**6,876,292**	**5,846,190**	**6,866,816**	**4,150,895**

1 The parent company Finnvera plc has a significant receivable from export credit and special guarantee operations related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. On 31 December 2018, the carrying amount of receivables from Finnvera's export credit and special guarantee operations was EUR 125 million, the majority of which was receivables from Oi S.A.

For 2018, expected losses according to the IFRS 9 standard that are recognised as provisions in accounting are presented in Notes D10 and E25.

E3 Investments

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Debt securities				
Certificates of deposits and bonds	1,893,226	2,324,804	1,893,226	2,324,804
Commercial papers	225,944	239,435	225,944	239,435
Local authority papers	511,436	466,843	511,436	466,843
Investments in SME bonds	15,365	28,634	15,365	28,634
Total	**2,645,970**	**3,059,716**	**2,645,970**	**3,059,716**
Investments in Group companies				
Acquisition cost at 31 Dec			**129,006**	**129,006**
– Acquisition cost at 1 Jan			129,006	128,404
– Investments			0	603
Accumulated impairment losses at 31 Dec			**-44,935**	**-44,935**
– Accumulated impairment losses at 1 Jan			-44,935	-44,935
– Impairment losses during the period			0	0
Reclassified to assets of disposal groups held for sale (Note E23)			**-15,256**	**-15,256**
Total			**68,815**	**68,815**
Investments in assosiated companies[1]				
Acquisition cost at 31 Dec	**7,929**	**7,340**		
– Acquisition cost at 1 Jan	7,340	23,748		
– Investments	1,273	1,048		
– Sales and transfers between groups	-684	-15,205		
Change in fair value at 31 Dec	**9,008**	**7,533**		
Reclassified to assets of disposal groups held for sale (Note E23)	**-16,937**	**-14,873**		
Total	**0**	**0**		
Other shares and participations[2]				
At fair value through profit or loss	**18,752**	**0**	**13,723**	
– At fair value through profit or loss	49,697	18,386	27,088	
– Reclassified to assets of disposal groups held for sale (Note E23)	-30,944	-18,386	-13,365	
Available-for-sale		**24,092**		**14,068**
– Available-for-sale		36,608		26,585
– Reclassified to assets of disposal groups held for sale (Note E23)		-12,517		-12,517
Total	**18,752**	**24,092**	**13,723**	**14,068**
Investments total	**2,664,722**	**3,083,807**	**2,728,508**	**3,142,599**

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

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
– Other shares, publicly quoted	5,030	10,023	0	0

E4 Intangible assets

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Carrying amount at 1 Jan	**8,511**	**7,062**	**8,511**	**7,059**
Acquisition cost at 31 Dec	**49,815**	**46,945**	**49,696**	**46,826**
– Acquisition cost at 1 Jan	46,945	43,982	46,826	43,860
– Additions	2,875	3,117	2,875	3,117
– Disposals	-5	-154	-5	-152
Accumulated amortisation and impairment losses at 31 Dec	**-40,974**	**-38,434**	**-40,855**	**-38,315**
– Accumulated amortisation and impairment losses at 1 Jan	-38,434	-36,920	-38,315	-36,801
– Amortisation for the period	-2,540	-1,514	-2,540	-1,514
Carrying amount at 31 Dec	**8,841**	**8,511**	**8,841**	**8,511**

E5 Property, plant and equipment

(EUR 1,000)	Finnvera Group Other tangible	Finnvera plc Other tangible
31 Dec 2018		
Carrying amount at 1 Jan	**1,192**	**1,192**
Acquisition cost at 31 Dec	**13,038**	**13,038**
– Acquisition cost at 1 Jan	12,838	12,838
– Additions	262	262
– Disposals	-119	-119
– Transfers between items	57	57
Accumulated amortisation and impairment losses at 31 Dec	**-11,954**	**-11,954**
– Accumulated amortisation and impairment losses at 1 Jan	-11,647	-11,647
– Amortisation for the period	-307	-307
Carrying amount at 31 Dec	**1,084**	**1,084**
31 Dec 2017		
Carrying amount at 1 Jan	**1,431**	**1,431**
Acquisition cost at 31 Dec	**12,838**	**12,838**
– Acquisition cost at 1 Jan	12,794	12,794
– Additions	46	46
– Disposals	-1	-1
Accumulated amortisation and impairment losses at 31 Dec	**-11,647**	**-11,647**
– Accumulated amortisation and impairment losses at 1 Jan	-11,362	-11,362
– Amortisation for the period	-284	-284
Carrying amount at 31 Dec	**1,192**	**1,192**

E6 Other assets

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Credit loss receivables from the state [1]	10,951	7,212	10,951	7,212
Internal other receivables from subsidiaries [2]	0	0	21,200	16,178
Transaction price receivable associated with venture capital investment activities	11,710	13,706	0	0
Other	471	1,916	471	1,916
Total	**23,132**	**22,834**	**32,622**	**25,306**

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

2 In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. At the end of the financial period 2018, the accumulated fair value receivable from Finnish Export Credit Ltd amounted to EUR 21.2 million (EUR 16.2 million).

E7 Prepayments and accrued income

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Interest and interest subsidy receivables	99,087	59,673	43,147	35,296
Group internal interest receivables	0	0	23,964	4,986
Fee and commission receivables	3,806	3,479	3,806	3,479
Group internal fee and commission receivables	0	0	3,340	3,174
Reinsurance premiums paid in advance	27,335	25,743	27,335	25,743
Cash collateral given for derivatives	62,260	79,100	62,260	79,100
Prepayments and other accrued income	7,097	7,131	3,678	3,232
Reclassified to assets of disposal groups held for sale (Note E23)	0	-48	0	0
Total	**199,585**	**175,077**	**167,530**	**155,009**

E8 Tax assets and liabilities

(EUR 1,000)	Finnvera Group 31 Dec 2018	31 Dec 2017
Deferred tax assets at 1 Jan	3,235	2,145
Increase/decrease to income statement during the period	1,571	1,090
Increase/decrease to other items in comprehensive income during the period	72	0
Deferred tax assets at 31 Dec	4,878	3,235
Deferred tax assets, Reclassified to assets of disposal groups held for sale (Note E23)	-9	0
Total deferred tax	4,869	3,235
Current income tax assets	0	947
Total tax assets	4,869	4,182
Deferred tax liabilities at 1 Jan	2,797	2,047
Increase/decrease to income statement during the period	-58	742
Increase/decrease to other items in comprehensive income during the period	0	7
Deferred tax liabilities at 31 Dec	2,739	2,797
Deferred tax liabilities, Reclassified to liabilities of disposal groups held for sale (Note E23)	-2,692	-2,749
Total deferred tax[1]	48	48
Current income tax liabilities [1]	329	251
Total tax liabilities	376	299
Deferred tax, net 31 Dec	2,139	438

1 The specification of tax liabilities and deferred tax liabilities have been corrected from the year of comparison.

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

E9 Liabilities to credit and other institutions

(EUR 1,000)	Finnvera Group 2018 Nominal value	Finnvera Group 2018 Carrying amount	Finnvera plc 2018 Nominal value	Finnvera plc 2018 Carrying amount
Liabilities to credit and other institutions				
1 Jan 2018	1,961,097	1,961,290	270,128	270,128
Loans withdrawn	0	0	229,073	229,073
Repayments at maturity	-276,925	-276,925	-271,839	-271,839
Early repayments to the Finnish State [1]	-1,461,474	-1,461,474	0	0
Fair value changes		-193		0
Foreign exchange differences	46,204	46,204	9,581	9,581
31 Dec 2018	268,902	268,902	236,943	236,943

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

(EUR 1,000)	Finnvera Group 2018 Nominal value	Finnvera Group 2018 Carrying amount	Finnvera plc 2018 Nominal value	Finnvera plc 2018 Carrying amount
Liabilities to credit and other institutions				
1 Jan 2017	2,551,038	2,551,995	289,245	289,245
Loans withdrawn	0	0	243,558	243,558
Repayments at maturity	-395,853	-395,853	-232,364	-232,364
Fair value changes		-764		0
Foreign exchange differences	-194,088	-194,088	-30,311	-30,311
31 Dec 2017	1,961,097	1,961,290	270,128	270,128

E10 Debt securities in issue

Issuer and ISIN Rahoitusvarat (EUR 1,000)	Interest	Nominal	Currency	Issue date	Maturity date	Finnvera plc/ Finnvera Group Carrying amount 31 Dec 2018	31 Dec 2017
Finnvera Oyj - XS1062104978	0.875%	500,000	EUR	29/04/2014	29/04/2019	502,203	509,315
Finnvera Oyj - XS1140297000	0.625%	750,000	EUR	19/11/2014	19/11/2021	769,991	771,150
Finnvera Oyj - XS1294518318	0.625%	1,000,000	EUR	22/09/2015	22/09/2022	1,029,615	1,027,245
Finnvera Oyj - XS1392927072	0.500%	1,000,000	EUR	13/04/2016	13/04/2026	993,000	975,800
Finnvera Oyj - XS1613374559	1.125%	750,000	EUR	17/05/2017	17/05/2032	755,400	741,900
Finnvera Oyj - XS1613374559	1.125%	100,000	EUR	03/07/2017	17/05/2032	100,720	98,920
Finnvera Oyj - XS1613374559	1.125%	150,000	EUR	06/09/2017	17/05/2032	151,080	148,380
Finnvera Oyj - XS1791423178	1.250%	1,000,000	EUR	14/03/2018	14/07/2033	1,025,300	0
Finnvera Oyj - XS1904312318	0.750%	500,000	EUR	07/11/2018	07/08/2028	502,075	0
Finnvera Oyj - XS0981865065	3M STIBOR +0.1%	2,000,000	SEK	17/10/2013	17/08/2018	0	203,443
Finnvera Oyj - XS1538285807	1.910%	1,500,000	SEK	20/12/2016	20/12/2028	151,400	155,211
Finnvera Oyj - XS1538285807	1.910%	1,500,000	SEK	23/01/2017	20/12/2028	151,400	155,211
Finnvera Oyj - XS1538285807	1.910%	500,000	SEK	23/01/2017	20/12/2028	50,467	51,737
Finnvera Oyj - XS1110448138	1.875%	500,000	USD	16/09/2014	16/09/2019	433,880	414,963
Finnvera Oyj - XS1241947768	2.375%	500,000	USD	04/06/2015	04/06/2025	421,664	404,082
Finnvera Oyj - XS1692488262	1.875%	1,000,000	USD	05/10/2017	05/10/2020	860,568	825,698
Finnvera Oyj - XS1845379152	3.000%	1,000,000	USD	27/06/2018	27/06/2023	884,061	0
Total						**8,782,823**	**6,483,055**

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

(EUR 1,000)	Finnvera Group 2017 Nominal value	Finnvera Group 2017 Carrying amount	Finnvera plc 2017 Nominal value	Finnvera plc 2017 Carrying amount
Debt securities in issue				
1 Jan 2017	**4,849,676**	**4,891,873**	**4,849,676**	**4,891,873**
Debt securities issued	2,062,008	2,051,682	2,062,008	2,051,682
Repayments at maturity	-258,844	-259,471	-258,844	-259,471
Fair value changes		-30,276		-30,276
Valuuttakurssimuutokset	-176,474	-174,633	-176,474	-174,633
Other changes		3,881		3,881
31 Dec 2017	**6,476,367**	**6,483,055**	**6,476,367**	**6,483,055**
Average interest rate[1]		0.8235%		0.4703%

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

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

E11 Derivative

(EUR 1,000)	Finnvera Group Fair value Positive	Finnvera Group Fair value Negative	Finnvera Group Nominal value Total	Finnvera plc Fair value Positive	Finnvera plc Fair value Negative	Finnvera plc Nominal value Total
31 Dec 2018						
Fair value hedges[1]						
– Interest rate swaps	42,845	19,790	4,746,725	42,845	19,790	4,746,725
Hedging derivatives not designated in hedge accounting relationships[2]						
– Interest rate swaps	37,977	15,997	4,123,362	37,977	15,997	4,123,362
– Cross-currency interest rate swaps	16,587	44,456	1,892,561	16,587	44,456	1,892,561
– Forward foreign exchange contracts	4,332	1,045	996,267	4,332	1,045	996,267
Total	**101,741**	**81,288**	**11,758,915**	**101,741**	**81,288**	**11,758,915**
31 Dec 2017						
Fair value hedges[1]						
– Interest rate swaps	0	43,681	2,833,820	0	43,681	2,833,820
Hedging derivatives not designated in hedge accounting relationships[2]						
– Interest rate swaps	35,191	8,456	3,083,820	35,191	8,456	3,083,820
– Cross-currency interest rate swaps	44,533	81,514	868,259	44,332	81,514	831,225
– Forward foreign exchange contracts	69	4,671	255,907	69	4,671	255,907
Total	**79,792**	**138,321**	**7,041,805**	**79,591**	**138,321**	**7,004,771**

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

E12 Other liabilities

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Grants under repayment obligation	24,252	24,252	24,252	24,252
Grant from the Ministry of Employment and the Economy to Seed Fund Vera Ltd for venture capital investments	14,653	14,653	14,653	14,653
Prepayments received for ERDF financing	4,000	7,598	4,000	7,598
Accounts payable for investments in debt securities	48,501	0	48,501	0
Other	1,986	3,159	1,899	3,133
Group internal other liabilities	0	0	12,099	6,305
Reclassified to assets of disposal groups held for sale (Note E23)	0	-3	0	0
Total	**93,392**	**49,659**	**105,404**	**55,942**

E13 Provisions [1]

Provisions according to IAS 39 standard

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Provisions for export credit guarantee losses at 1 Jan		**9,754**		**9,754**
Provisions made during the period		856		856
Provisions used during the period		-4,888		-4,888
Other change		700		700
Provisions for export credit guarantee losses at 31 Dec		**6,422**		**6,422**
Impairment losses on guarantees at 1 Jan		**32,180**		**32,180**
– of which individually assessed guarantees		17,302		17,302
– of which collectively assessed guarantees		14,878		14,878
Guarantee losses realised during the period on which an impairment loss has been earlier recognized		1,837		1,837
Individually assessed impairment losses recognized during the period		4,492		4,492
Collectively assessed impairment losses recognized during the period		-2,199		-2,199
Reversal of impairment losses		715		715
Other change		-4,792		-4,792
Impairment losses on guarantees at 31 Dec		**32,233**		**32,233**
– of which individually assessed guarantees		19,554		19,554
– of which collectively assessed guarantees		12,679		12,679

Other than IFRS 9 standard provision

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Provision for pension at 1 Jan (Defined benefit pension plans, note F5)	**0**	**53**	**0**	**53**
Provisions made during the period				
Provisions used during the period				
Reversal of provisions		-53		-53
Provisions for pension at 31 Jan	**0**	**0**	**0**	**0**
Provisions for negative interest rates at 1 Jan	**3,100**	**2,600**	**3,100**	**2,600**
Provisions made during the period		500		500
Provisions used during the period		0		0
Reversal of provisions	-3,100		-3,100	
Provisions for negative interest rates at 31 Dec	**0**	**3,100**	**0**	**3,100**

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Provisions for legal advising at 1 Jan	**1,500**	**2,200**	**1,500**	**2,200**
Provisions made during the period				
Provisions used during the period				
Reversal of provisions	-780	-700	-780	-700
Provisions for legal advising at 31 Dec	**720**	**1,500**	**720**	**1,500**

Provisions according to IFRS 9 standard

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Provisions for IFRS 9 at 1 Jan	**37,395**	**0**	**85,157**	**0**
Provisions made during the period	6,020			
Reversal of provisions			-11,984	
Provisions for IFRS 9 at 31 Dec	**43,415**	**0**	**73,172**	**0**
Provisions total at 31 Dec	**44,135**	**43,255**	**73,892**	**43,255**

1 The note has been clarified concerning the year of comparison and thus the figures of the year of comparison have been corrected to be similar to the current manner of representation.

The recognition principles of the IFRS 9 standard are presented under accounting principles. According to the IAS 39 standard, the principles for recognising provisions in the comparison year are as follows.

According to the IAS 39 standard, the principles for recognising provisions in the comparison year are as follows. A provision for export credit guarantee losses is recognised when the Group has a constructive and legal obligation to pay a guarantee indemnity, the realisation of the obligation is probable and it can be measured reliably.

A provision for domestic guarantee losses is recognised when objective evidence exists of the probability of the realisation of the guarantee obligation. The objective evidence of a client's ability to fulfil its obligations is based on the clients' risk classification as well as on the company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

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

E14 Operating leases

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Finnvera as the lessee, premises				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	2,009	2,149	2,009	2,149
Between one and five years	5,024	7,016	5,024	7,016
Later than five years	-	791	-	791
Total	**7,033**	**9,956**	**7,033**	**9,956**
Finnvera as the lessor, premises				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	4	1	9	16
Between one and five years	-	-	-	-
Later than five years	-	-	-	-
Total	**4**	**1**	**9**	**16**

E15 Accruals and deferred income

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017	Finnvera plc 31 Dec 2018	Finnvera plc 31 Dec 2017
Interest	81,033	50,302	50,943	31,808
Interest liabilities to subsidiaries	0	0	-24	80
Advance interest payments received	550	477	550	477
Guarantee premiums paid in advancet [1]	236,135	234,216	236,135	234,216
Cash collateral received for derivatives	61,700	34,130	61,700	34,130
Other accruals and deferred income	4,906	5,022	4,849	4,836
Total	**384,324**	**324,147**	**354,153**	**305,546**

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

E16 Subordinated liabilities, Finnvera plc

Loan	Purpose of use	Interest rate %	Loan period	Finnvera Group Ballance (EUR 1,000) 31 Dec 2018	Finnvera Group Ballance (EUR 1,000) 31 Dec 2017
Subordinated loan 2009-2	Increase in the share capital of Veraventure Ltd [1]	0	15 years	7,500	7,500
Subordinated loan 2014	Increase in the share capital of Seed Fund Vera Ltd [2]	0	15 years	0	2,525
Subordinated loan 2015	Increase in the share capital of Seed Fund Vera Ltd [2]	0	15 years	0	5,000
Subordinated loan 2016	Increase in the share capital of Seed Fund Vera Ltd [2]	0	15 years	0	5,000
Subordinated loan 2018	Innovestor Kasvurahasto I Ky investment[3]	0	15 years	15,867	0

1 The loan have been granted to Finnvera for raising the share capital of Veraventure Ltd. The loan will be repaid in one instalment at maturity, provided that the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeds the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements.
2 The loans have been granted to Finnvera for raising the share capital of Seed Fund Vera Ltd. During the financial period 2017, Seed Fund Vera Ltd was turned into a limited partnership company and merged with Innovestor Kasvurahasto I Ky.
3 The loan has been granted to Finnvera for converting the subordinated loans granted for raising the share capital of Seed Fund Vera Ltd into a new subordinated loan as well as for executing Finnvera's investment commitments that were agreed in connection with Seed Fund Vera Ltd's merger with Innovestor Kasvurahasto I Ky. The loan will be repaid in one instalment in connection with Innovestor Kasvurahasto I Ky's dissolution or Finnvera plc's withdrawal from the ownership of the fund, provided that the sum of Finnvera plc's non-tied capital and all subordinated loans at the time of payment exceed the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements. The loan repayment amount is dependent on the value of the Innovestor Kasvurahasto I Ky investment at the time of the withdrawal.

The Innovestor Kasvurahasto I Ky investment and the related subordinated loan are associated with items held for sale (Note E23).

E17 Financial instruments classification and fair values

Group, IFRS 9

(EUR 1,000) Financial assets	Amortised cost (AC)	Fair value through profit and loss (FVTPL) Mandatorily	Fair value through profit and loss (FVTPL) Derivatives	At fair value through OCI (FVOCI)	Total	Fair value[3]
31 Dec 2018						
Loans and receivables from credit institutions	1,108,078				**1,108,078**	1,108,332
Loans and receivables from customers	6,876,292				**6,876,292**	6,969,621
Debt securities – Commercial papers and papers	1,077,708				**1,077,708**	1,077,708
Debt securities – Bonds				1,568,262	**1,568,262**	1,568,262
Derivatives			101,741		**101,741**	101,741
Shares and participants [1]		18,752			**18,752**	18,752
Assets of disposal groups classified as held for sale [2]	3,015	47,881			**50,896**	50,896
Other financial assets	189,404				**189,404**	189,404
Total	**9 254 496**	**66 634**	**101 741**	**1 568 262**	**10 991 133**	**11 084 717**

1 The Group's and the parent company's shares and participations include EUR 13.7 million in investments in unlisted companies outside the Group. The measurement of the shares is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.
2 The Group's assets held for sale include EUR 13.4 million in venture capital investments, carried at fair value, in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.
3 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).

(EUR 1,000) Financial liabilities	Amortised cost (AC)	Fair value through profit and loss (FVTPL) Fair value option	Derivatives	Total	Fair value[3]
31 Dec 2018					
Liabilities to credit institutions	171,943			**171,943**	174,985
Liabilities to other institutions	96,958			**96,958**	105,840
Debt securities in issue	4,770,129	4,012,694		**8,782,823**	8,803,176
Derivatives			81,288	**81,288**	81,288
Other financial liabilities	171,470			**171,470**	171,470
Subordinated liabilities	7,500			**7,500**	7,500
Liabilities of disposal groups held for sale	15,867			**15,867**	15,867
Total	**5,233,867**	**4,012,694**	**81,288**	**9,327,849**	**9,360,126**

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

Group, IAS 39

(EUR 1,000) Financial assets	Loans and receivables	Financial instruments carried at fair value	Available for sale	Total	Fair value[3]
31 Dec 2017					
Loans and receivables from credit institutions	1,064,778			**1,064,778**	1,065,080
Loans and receivables from customers	5,846,190			**5,846,190**	5,952,258
Debt securities – Commercial papers and papers			1,007,414	**1,007,414**	1,007,414
Debt securities – Bonds			2,052,302	**2,052,302**	2,052,302
Derivatives		79,792		**79,792**	79,792
Shares and participants[1]			24,092	**24,092**	24,092
Assets of disposal groups classified as held for sale[2]	4,908	33,259	12,517	**50,683**	50,683
Other financial assets	180,654			**180,654**	180,654
Total	**7,096,531**	**113,051**	**3,096,324**	**10,305,906**	**10,412,276**

1 The Group's shares and participations include EUR 14.1 million in investments in unlisted companies outside the Group. These have been measured at acquisition cost as fair value cannot be determined reliably.
2 The Group's assets held for sale include EUR 12.5 million in venture capital investments, carried at fair value, in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.
3 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).

(EUR 1,000) Financial liabilities	Financial instruments carried at fair value	Other financial liabilities	Total	Fair value[3]
31 Dec 2017				
Liabilities to credit institutions		187,609	**187,609**	191,265
Liabilities to other institutions	37,227	1,736,453	**1,773,680**	1,826,166
Debt securities in issue	3,692,357	2,790,698	**6,483,055**	6,516,005
Derivatives	138,321		**138,321**	138,321
Other financial liabilities[4]		116,916	**116,916**	116,916
Subordinated liabilities		7,500	**7,500**	7,500
Liabilities of disposal groups held for sale		12,525	**12,525**	12,525
Total	**3,867,906**	**4,851,702**	**8,719,608**	**8,808,699**

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

Finnvera plc, IFRS 9

(EUR 1,000) Financial assets	Amortised cost (AC)	Fair value through profit and loss (FVTPL) Mandatorily	Derivatives	At fair value through OCI (FVOCI)	Total	Fair value[3]
31 Dec 2018						
Loans and receivables from credit institutions	1,022,929				**1,022,929**	1,022,929
Loans and receivables from customers	6,866,816				**6,866,816**	6,866,664
Debt securities – Commercial papers and papers	1,077,708				**1,077,708**	1,077,708
Debt securities – Bonds				1,568,262	**1,568,262**	1,568,262
Derivatives			101,741		**101,741**	101,741
Investments in group companies [1]		68,815			68,815	68,815
Shares and participants[1]		13,723			**13,723**	13,723
Assets of disposal groups classified as held for sale[2]		28,621			**28,621**	28,621
Other financial assets	145,456				**145,456**	145,456
Total	**9,112,909**	**111,158**	**101,741**	**1,568,262**	**10,894,071**	**10,893,919**

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

A B C D E F G H

(EUR 1,000) Financial liabilities	Amortised cost (AC)	Fair value through profit and loss (FVTPL) Fair value option	Derivatives	Total	Fair value[3]
31 Dec 2018					
Liabilities to credit institutions	171,943			**171,943**	174,985
Liabilities to other institutions	65,000			**65,000**	65,000
Debt securities in issue	4,770,129	4,012,694		**8,782,823**	8,803,176
Derivatives			81,288	**81,288**	81,288
Other financial liabilities	141,252			**141,252**	141,252
Subordinated liabilities	7,500			**7,500**	7,500
Liabilities of disposal groups held for sale	15,867			**15,867**	15,867
Total	**5,171,691**	**4,012,694**	**81,288**	**9,265,672**	**9,289,068**

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

Finnvera plc, IAS 39

(EUR 1,000) Financial assets	Loans and receivables	Financial instruments carried at fair value	Available for sale	Total	Fair value[3]
31 Dec 2017					
Loans and receivables from credit institutions	992,961			**992,961**	992,961
Loans and receivables from customers	4,150,895			**4,150,895**	4,150,601
Debt securities – Commercial papers and papers			1,007,414	**1,007,414**	1,007,414
Debt securities – Bonds			2,052,302	**2,052,302**	2,052,302
Derivatives		79,591		**79,591**	79,591
Investments in group companies [1]			68,815	**68,815**	68,815
Shares and participants [1]			14,068	**14,068**	14,068
Assets of disposal groups classified as held for sale [2]			27,772	**27,772**	27,662
Other financial assets	146,105			**146,105**	146,105
Total	**5,289,962**	**79,591**	**3,170,371**	**8,539,925**	**8,539,520**

1 The parent company's shares and participations include EUR 14.1 million in investments in unlisted companies outside the Group. The measurement of the shares is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.
2 The Group's assets held for sale include EUR 12.5 million in venture capital investments, carried at fair value, in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.
3 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term liabilities is based on discounted cash flows (Level 2).

(EUR 1,000) Financial liabilities	Financial instruments carried at fair value	Other financial liabilities	Total	Fair value[3]
31 Dec 2017				
Liabilities to credit institutions		187,609	**187,609**	191,265
Liabilities to other institutions		82,519	**82,519**	82,519
Debt securities in issue	3,692,357	2,790,698	**6,483,055**	6,516,005
Derivatives	138,321		**138,321**	138,321
Other financial liabilities [4]		98,213	**98,213**	98,213
Subordinated liabilities		7,500	**7,500**	7,500
Liabilities of disposal groups held for sale		12,525	**12,525**	12,525
Total	**3,830,678**	**3,179,065**	**7,009,744**	**7,046,349**

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

Fair value measurement principles for items recognised at fair value in accounting

1. Debt securities

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

2. Derivative contracts

The fair values of interest rate and currency swaps and currency futures are specified using a method based on the current value of cash flows, in which the market interest rates on the end date of the financial period and other market information serve as the accounting principle. The Group uses common valuation techniques in determining the fair value of these instruments. Fair values are equivalent to average market prices in situations where the Group would transfer or sell derivative contracts in the course of normal business under market conditions on the end date of the financial period.

The credit risk related to derivative contracts is mitigated by means of collateral arrangements. Fair values are monitored on a daily basis using calculations from counterparties and those made in-house.

3. Investments in associated companies

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

4. Shares and participations

IFRS 9: The shares are recognised at fair value at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares. Reserve shares are measured at the exchange rate on the date of the financial statements. The most significant investment in shares outside the Group is the Finnish Fund for Industrial Cooperation Ltd, with shares amounting to EUR 13.67 million (EUR 13.67 million).

IAS 39: Unlisted shares classified as available-for-sale shares and participations are measured using the effective interest method because their measurement using fair value measurement models has not been possible. Reserve shares are measured at the exchange rate on the date of the financial statements.

5. Financial liabilities at fair value through profit or loss

The fair values of bonds in issue that fall outside hedge accounting are based on the prices at the closing of the financial period, determined by a third party.

E18 Hierarchy for financial instruments carried at fair value

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets 31 Dec 2018								
Financial instruments carried at fair value through profit and loss								
– Derivatives		101,741		101,741		101,741		101,741
– Shares and participations	5,030		13,723	18,752			13,723	13,723
– Assets of disposal groups held for sale			47,881	47,881			28,621	28,621
Financial instruments carried at fair value through other comperehensive income (OCI)								
- Bonds		1,568,262		1,568,262		1,568,262		1,568,262
Total	**5,030**	**1,670,003**	**61,604**	**1,736,637**		**1,670,003**	**42,343**	**1,712,347**
Financial liabilities 31 Dec 2018								
Financial instruments carried at fair value through profit and loss								
– Debt securities in issue		4,012,694		4,012,694		4,012,694		4,012,694
– Derivatives		81,288		81,288		81,288		81,288
Total		**4,093,981**		**4,093,981**		**4,093,981**		**4,093,981**
Financial assets 31 Dec 2017								
Financial instruments carried at fair value								
– Derivatives		79,792		79,792		79,591		79,591
– Associated companies								
– Assets held for sale			33,259	33,259				
Available-for-sale								
– Bonds		2,052,302		2,052,302		2,052,302		2,052,302
– Shares and holdings	10,023							
Total	**10,023**	**2,132,094**	**33,259**	**2,165,353**		**2,131,893**		**2,131,893**
Financial liabilities 31 Dec 2017								
Financial instruments carried at fair value through profit and loss								
– Liabilities to other institutions		37,227		37,227				
– Debt securities in issue		3,692,357		3,692,357		3,692,357		3,692,357
– Derivatives		138,321		138,321		138,321		138,321
Total		**3,867,906**		**3,867,906**		**3,830,678**		**3,830,678**

'The table shows items that are repeatedly measured at fair value in accounting. The fair values of financial assets and liabilities measured at amortised cost and the fair value hierarchy levels are presented in Note E17.

Hierarchy levels

Level 1:
Investments in quoted shares and funds traded on the active market are valued at market price.

Level 2:
The fair values of interest rate and currency swaps and currency futures are specified using a method based on the current value of cash flows, in which the market interest rates on the end date of the period and other market information serve as the accounting principle. The fair values of bonds in issue that fall outside hedge accounting are based on the prices at the closing of the financial period, determined by a third party.

The fair values of investments in bonds are based on the prices at the closing of the financial period, determined by a third party, or on the value discounted using the market interest rate at the closing of the financial period.

Level 3:
The fair value of venture capital investments made by subsidiaries involved in venture capital investment is determined on the basis of the International Equity and Venture Capital Valuation (IPEV) Guidelines and recommendations for early stage ventures. In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments to a significant extent.

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

E19 Specification of events at hierarchy level 3

LEVEL 3, Financial assets	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial assets carried at fair value				
Balance at 1 Jan	**33,259**	**40,687**	**0**	**0**
Profits and losses entered in the income statement, total	590	6,434	37	0
Acquisitions	3,512	2,395	849	0
Sales	-2,342	-16,235	-382	0
Transfers to level 3	26,585	0	41,840	0
Transfers from level 3	0	0	0	0
Other	0	-22	0	0
Balance at 31 Dec	**61,604**	**33,259**	**42,343**	**0**
Profits and losses entered in the income statement for the instruments held by Finnvera.	383	2,575	0	0

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

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

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Financial assets				
Derivatives				
– Encompassed by hedge accounting	42,845	0	42,845	0
– Other	58,896	79,792	58,896	79,591
Total	**101,741**	**79,792**	**101,741**	**79,591**
Financial liabilities				
Debt securities in issue				
– Encompassed by hedge accounting	4,770,129	2,790,698	4,770,129	2,790,698
– Other	4,012,694	3,692,357	4,012,694	3,692,357
Total	**8,782,823**	**6,483,055**	**8,782,823**	**6,483,055**
Derivatives				
– Encompassed by hedge accounting	19,790	43,681	19,790	43,681
– Other	61,498	94,641	61,498	94,641
Total	**81,288**	**138,321**	**81,288**	**138,321**
Net result of hedge accounting				
Gains (+) / losses (-) from items carried at fair value				
– Derivatives encompassed by hedge accounting	81,830	-17,872	81,830	-17,872
– Debts encompassed by hedge accounting	-81,240	17,927	-81,240	17,927
Total	**589**	**54**	**589**	**54**

	Finnvera Group		Finnvera plc	
Debts encompassed by hedge accounting (fair value hedging)	Nominal value		Nominal value	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Debt securities in issue	4,746,725	2,833,820	4,746,725	2,833,820

Accumulated fair value adjustments on the hedged items	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Debt securities in issue, carried at amortised cost	4,713,466	2,815,322	4,713,466	2,815,322
Accumulated fair value adjustments	56,663	-24,624	56,663	-24,624
Total	**4,770,129**	**2,790,698**	**4,770,129**	**2,790,698**

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

	Finnvera Group/Finnvera plc						
(EUR 1,000)	Gross recognised financial assets	Gross recognised financial liabilities set of in the balance sheet	Net carrying amount in the balance sheet	Financial instruments[1]	Financial instruments received/given as collateral[1]	Cash received/ given as collateral[1]	Net amount [1]
Financial assets 31 Dec 2018							
Derivatives	101,741	0	101,741	-29,927	0	-61,700	10,115
Total	**101,741**	**0**	**101,741**	**-29,927**	**0**	**-61,700**	**10,115**
Financial liabilities 31 Dec 2018							
Derivatives	81,288	0	81,288	-29,927	0	-62,260	10,899
Total	**81,288**	**0**	**81,288**	**-29,927**	**0**	**-62,260**	**10,899**
Financial assets 31 Dec 2017							
Derivatives	79,591	0	79,591	-45,745	0	-33,130	716
Total	**79,591**	**0**	**79,591**	**-45,745**	**0**	**-33,130**	**716**
Financial liabilities 31 Dec 2017							
Derivatives	138,352	0	138,352	-45,745	0	-78,100	14,507
Total	**138,352**	**0**	**138,352**	**-45,745**	**0**	**-78,100**	**14,507**

1 Amounts not subject to netting but included in the main netting agreements and similar arrangements.

E22 Equity

	Finnvera Group				Finnvera plc			
(EUR 1,000)	31 Dec 2018		31 Dec 2017		31 Dec 2018		31 Dec 2017	
Parent company's equity		**196,605**		**196,605**		**196,605**		**196,605**
Share premium reserve		**51,036**		**51,036**		**51,036**		**51,036**
Fair value reserve		**-15,886**		**4,534**		**-937**		**4,342**
– Changes in investment values	-1,125		4,534		-1,125		4,342	
– Expected credit losses of investments	633				633			
– Change in the credit risk associated with liabilities carried at fair value	-15,394				-445			
Restricted equity		**231,755**		**252,175**		**246,704**		**251,983**
Non-restricted reserves		**1,015,078**		**916,667**		**1,015,078**		**916,667**
– Reserve for domestic operations	244,152		213,734		244,152		213,734	
– Reserve for export credit guarantee and special guarantees	755,674		687,681		755,674		687,681	
– Other	15,252		15,252		15,252		15,252	
Retained earnings		**111,119**		**145,403**		**39,041**		**98,914**
– Profit/loss for previous periods	12,602		38,659		-51,894		504	
– Profit/loss for the period	98,517		106,744		90,935		98,411	
Non-restricted equity		**1 126 197**		**1,062,071**		**1,054,119**		**1,015,582**
Total Equity		**1 357 952**		**1,314,245**		**1,300,823**		**1,267,565**
Equity attributable to the parent company's shareholders		1,357,952		1,314,245		1,300,823		1,267,565

Share capital and ownership	31 Dec 2018			31 Dec 2017		
Owner	Share capital (EUR 1,000)	Shares nb	Ownership	Share capital (EUR 1,000)	Shares nb	Ownership
The Finnish state	196,605	11,565	100%	196,605	11,565	100%

Reserves:

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

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

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

Fair value reserve
Under the IFRS 9 rules, the fair value reserve consists of the change in the fair value of investments and the change in the credit risk associated with liabilities carried at fair value through profit or loss.

Change in the fair value of investments: The reserve includes the changes in the fair value of investment items that have been classified as recognised at fair value through comprehensive income. These items include investments in bonds as well as certain SME financing bonds. The items recognised in the reserve are taken to the income statement when a financial asset is disposed of or an impairment loss on such an asset is recognised.

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

2017 (IAS 39): The reserve includes the fair value change of available-for-sale financial assets. The items recognised in the fair value reserve are taken to the income statement when an available-for-sale financial asset is disposed of or an impairment loss on such an asset is recognised.

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

E23 Disposal groups classified as held for sale

As a whole, venture capital financing belongs to disposal groups classified as held for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital financing activities.

The Group's figures include ERDF-Seed Fund Ltd's assets and liabilities as disposal groups classified as held for sale, as well as the capital input invested in Innovestor Kasvurahasto I Ky. Veraventure Ltd's venture capital financing held for sale was sold during 2017, and the company no longer has any actual business operations.

In 2017, Finnvera bought the holdings of ERDF-Seed Fund Ltd's minor shareholders, and Finnvera is still the sole owner of the fund. The Group has a 19.7 per cent holding in Innovestor Kasvurahasto I Ky at the end of 2018, and the company is not included in the consolidated financial statements.

Each year Finnvera conducts an impairment test on the investments of its subsidiaries, as laid down by IAS 36. The valuation principles of disposal groups classified as held for sale items have been presented in re-classification of financial assets and liabilities to the accounting principles.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Assets				
Loans to and receivables from credit institutions – payable on demand	2,563	3,632	0	0
Loans to and receivables from customers – credits	452	1,228	0	0
Investments in Group companies	0	0	15,256	15,256
Investments in associated companies	16,937	14,873	0	0
Investments in other shares and participations	30,944	30,902	13,365	12,517
Prepayments and accrued income	0	48	0	0
Deferred tax assets	9	0	0	0
Total	**50,905**	**50,683**	**28,621**	**27,772**
Liabilities				
Other liabilities	0	3	0	0
Subordinated liabilities	15,867	12,525	15,867	12,525
Deferred tax liabilities	2,692	2,749	0	0
Total	**18,558**	**15,277**	**15,867**	**12,525**

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E24 Reclassification and remeasurement of financial assets and liabilities 1 Jan 2018 (IFRS 9)

E24.1 Financial assets 1 Jan 2018

Group

Financial assets (EUR 1,000)	Amortised cost (AC)	Fair value through profit and loss (FVTPL): Mandatorily	Fair value through profit and loss (FVTPL): Designed at (FVTPL)	Fair value through profit and loss (FVTPL): Derivatives used for hedging	At fair value through OCI (FVOCI)	Available for sale at cost less impairment	Total financial assets	Non-financial assets	Total balance sheet
Loans and receivables from credit institutions [4]	1,064,778						**1,064,778**	0	**1,064,778**
Loans and receivables from customers [3,4]	5,846,1						**5,846,143**	0	**5,846,143**
Debt securities – Commercial papers and papers	1,007,414						**1,007,414**	0	**1,007,414**
Debt securities – Bonds[1]					2,052,302		**2,052,302**	0	**2,052,302**
Other shares and participants[2]					10,023	14,068	**24,092**	0	**24,092**
Derivatives				79,792			**79,792**	0	**79,792**
Intangible assets							**0**	8,511	**8,511**
Property and equipment							**0**	1,192	**1,192**
Other assets [4]	22,834						**22,834**	0	**22,834**
Prepayments and accrued income [3,4]	157,820						**157,820**	17,257	**175,077**
Deferred tax assets [5]							**0**	4,182	**4,182**
Assets of disposal groups classified as held for sale [2,4]	4,908	33,259				12,517	**50,683**		**50,683**
Balance 31 Dec 2017 (IAS 39)	**8,103,945**	**33,259**	**0**	**79,792**	**2,062,325**	**26,585**	**10,305,905**	**31,142**	**10,337,048**
[1] Required reclassification from FVOCI to FVTPL		1,800			-1,800		**0**		**0**
[2] Required reclassification from AFS at cost or FVOCI to FVTPL		36,608			-10,023	-26,585	**0**		**0**
[3] IAS 39 reversal entry 1 Jan 2018	47,105						**47,105**	1,019	**48,125**
[4] ECL (IFRS 9) impact on opening balance 1 Jan 2018	-101,623						**-101,623**	-1,777	**-103,401**
[5] Deferred tax assets due to IFRS 9	12						**12**	59	**71**
Balance 1 Jan 2018 (IFRS 9)	**8,049,439**	**71,667**	**0**	**79,792**	**2,050,502**	**0**	**10,251,399**	**30,385**	**10,281,843**

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Financial assets (EUR 1,000)	Amortised cost (AC)	Fair value through profit and loss (FVTPL): Mandatorily	Fair value through profit and loss (FVTPL): Designed at (FVTPL)	Fair value through profit and loss (FVTPL): Derivatives used for hedging	At fair value through OCI (FVOCI)	Available for sale at cost less impairment	Total financial assets	Non-financial assets	Total balance sheet
Loans and receivables from credit institutions [4]	992,961						**992,961**	0	**992,961**
Loans and receivables from customers [3,4]	4,150,895						**4,150,895**	0	**4,150,895**
Debt securities – Commercial papers and papers	1,007,414						**1,007,414**	0	**1,007,414**
Debt securities – Bonds [1]					2,052,302		**2,052,302**	0	**2,052,302**
Investments in group companies [2]						68,815	**68,815**	0	**68,815**
Other shares and participants [2]						14,068	**14,068**		**14,068**
Derivatives				79,591			**79,591**	0	**79,591**
Intangible assets							**0**	8,511	**8,511**
Property and equipment							**0**	1,192	**1,192**
Other assets	25,306						**25,306**	0	**25,306**
Prepayments and accrued income [3,4]	120,799						**120,799**	34,210	**155,009**
Assets of disposal groups classified as held for sale [2]						27,772	**27,772**	0	**27,772**
Balance 31 Dec 2017 (IAS 39)	**6,297,376**	**0**	**0**	**79,591**	**2,052,302**	**110,656**	**8,539,925**	**43,913**	**8,583,838**
[1] Required reclassification from FVOCI to FVTPL		1,800			-1,800		**0**		**0**
[2] Required reclassification from AFS at cost to FVTPL		110,656				-110,656	**0**		**0**
[3] IAS 39 reversal entry 1 Jan 2018	47,105						**47,105**	1,019	**48,125**
[4] ECL (IFRS 9) impact on opening balance 1 Jan 2018	-54,249						**-54,249**	-1,035	**-55,284**
Balance 1 Jan 2018 (IFRS 9)	**6,290,232**	**112,456**	**0**	**79,591**	**2,050,502**	**0**	**8,532,781**	**43,897**	**8,576,678**

E24.2 Financial liabilities 1 Jan 2018

Group

Financial liabilities (EUR 1,000)	Amortised cost (AC)	Fair value through profit and loss (FVTPL): Mandatorily	Fair value through profit and loss (FVTPL): Designed at (FVTPL)	Fair value through profit and loss (FVTPL): Derivatives used for hedging	At fair value through OCI (FVOCI)	Available for sale at cost less impairment	Total financial liabilities	Non-financial liabilities	Total balance sheet
Liabilities to credit institutions	187,609						**187,609**	0	**187,609**
Liabilities to other institutions	1,736,453		37,227				**1,773,680**	0	**1,773,680**
Debt securities in issue [3]	2,790,698		3,692,357				**6,483,055**	0	**6,483,055**
Derivatives				138,321			**138,321**	0	**138,321**
Provisions [1,2]							**0**	43,255	**43,255**
Other liabilities	27,370						**27,370**	22,289	**49,659**
Accruals and deferred income	89,546						**89,546**	234,601	**324,147**
Tax liabilities							**0**	299	**299**
Subordinated liabilities	7,500						**7,500**	0	**7,500**
Liabilities of disposal groups classified as held for sale	12,525						**12,525**	2,752	**15,277**
Balance 31 Dec 2017 (IAS 39)	**4,851,702**	**0**	**3,729,584**	**138,321**	**0**	**0**	**8,719,608**	**303,196**	**9,022,803**
1 IAS 39 reversal entry 1 Jan 2018								-38,655	**-38,655**
2 ECL (IFRS 9) impact on opening balance 1 Jan 2018								37,395	**37,395**
Balance 1 Jan 2018 (IFRS 9)	**4,851,702**	**0**	**3,729,584**	**138,321**	**0**	**0**	**8,719,608**	**301,936**	**9,021,542**

3 The company has reconsidered the use of hedge accounting and decided to continue to apply it in the connection of the adoption of the IFRS 9 standard with regard to liabilities previously covered by hedge accounting. Consequently, the re-classification or re-measurement of liabilities has not been carried out on the opening balance sheet of the financial statements on 1 January 2018. When compared to H1/2018, the decision had the following impact on the Group's opening IFRS 9 balance: debt securities in issue EUR -33.6 million and the fair value reserve EUR 33.6 million. The decision does not have an impact on the Group's actual result for H1/2018. Of the Group's H1/2018 balance sheet items, the decision had an impact on debt securities in issue EUR -44.5 million and the fair value reserve EUR 44.5 million. Impact of the change in the fair value reserve on the Group's comprehensive income for H1/2018 was EUR 10.9 million positive (the change in the credit risk associated with liabilities carried at fair value).

Finnvera plc

Financial liabilities (EUR 1,000)	Amortised cost (AC)	Fair value through profit and loss (FVTPL): Mandatorily	Fair value through profit and loss (FVTPL): Designed at (FVTPL)	Fair value through profit and loss (FVTPL): Derivatives used for hedging	At fair value through OCI (FVOCI)	Available for sale at cost less impairment	Total financial liabilities	Non-financial liabilities	Total balance sheet
Liabilities to credit institutions	187,609						**187,609**	0	**187,609**
Liabilities to other institutions	82,519						**82,519**	0	**82,519**
Debt securities in issue	2,790,698		3,692,357				**6,483,055**	0	**6,483,055**
Derivatives				138,321			**138,321**	0	**138,321**
Provisions [1,2]							**0**	43,255	**43,255**
Other liabilities	27,360						**27,360**	28,581	**55,942**
Accruals and deferred income	70,853						**70,853**	234,693	**305,546**
Subordinated liabilities	7,500						**7,500**	0	**7,500**
Liabilities of disposal groups classified as held for sale	12,525						**12,525**	0	**12,525**
Balance 31 Dec 2017 (IAS 39)	**3,179,065**	**0**	**3,692,357**	**138,321**	**0**	**0**	**7,009,744**	**306,529**	**7,316,272**
[1] IAS 39 reversal entry 1 Jan 2018								-38,655	-38,655
[2] ECL (IFRS 9) impact on opening balance 1 Jan 2018								85,157	**85,157**
Balance 1 Jan 2018 (IFRS 9)	**3,179,065**	**0**	**3,692,357**	**138,321**	**0**	**0**	**7,009,744**	**353,031**	**7,362,774**

E24.3 Financial assets by balance sheet item 1 Jan 2018
Group

Financial assets (EUR 1,000)	Ending balance 31 Dec 2017 (IAS 39)	Remeasurement of assets	IAS 39 reversal entry	1.1.2018 IFRS 9 ECL	Deferred tax assets	Opening balance 1 Jan 2018 (IFRS 9)
Loans and receivables from credit institutions	1,064,778			-168		**1,064,610**
Loans and receivables from customers	5,846,190		47,105	-101,394		**5,791,901**
Debt securities – Commercial papers and T-bills	1,007,414					**1,007,414**
Debt securities – Bonds	2,052,302					**2,052,302**
Investments – Other shares and participations	24,092					**24,092**
Derivatives	79,792					**79,792**
Intangible assets	8,511					**8,511**
Property and equipment	1,192					**1,192**
Other assets	22,834			-285		**22,549**
Prepayments and accrued income	175,077		1,019	-1,492		**174,605**
Deferred tax assets	4,182				59	**4,241**
Assets of disposal groups classified as held for sale	50,683			-62	12	**50,634**
Total assets	**10,337,048**	**0**	**48,125**	**-103,401**	**71**	**10,281,843**

E24.4 Financial liabilities by balance sheet item 1 Jan 2018
Group

Financial liabilities (EUR 1,000)	Ending balance 31 Dec 2017 (IAS 39)	Credit risk of liabilities	Changes in fair value reserve due to reclassification	IAS 39 reversal entry	IFRS 9 ECL and impact on equity 1 Jan 2018	Opening balance 1 Jan 2018 (IFRS 9)
Liabilities to credit institutions	187,609					**187,609**
Liabilities to other institutions	1,773,680					**1,773,680**
Debt securities in issue [1]	6,483,055					**6,483,055**
Derivatives	138,321					**138,321**
Provisions	43,255			-38,655	37,395	**41,995**
Other liabilities	49,659					**49,659**
Accruals and deferred income	324,147					**324,147**
Tax liabilities	299					**299**
Subordinated liabilities	7,500					**7,500**
Liabilities of disposal groups classified as held for sale	15,277					**15,277**
Equity – Share capital	196,605					**196,605**
Equity – Share premium	51,036					**51,036**
Equity – Fair value reserve	4,534	-20,352	-191		807	**-15,203**
Equity – Non-restricted reserves	916,667					**916,667**
Equity – Retained earnings	145,403	20,352	191	86,780	-141,531	**111,195**
Total liabilities	**10,337,048**	**0**	**0**	**48,125**	**-103,330**	**10,281,843**
Total retained earnings	145,403	20,352	191	86,780	-141,531	**111,195**
of which IFRS 9 effect		**20,352**	**191**	**86,780**	**-141,531**	**-34,208**

1 The company has reconsidered the use of hedge accounting and decided to continue to apply it in the connection of the adoption of the IFRS 9 standard with regard to liabilities previously covered by hedge accounting. Consequently, the re-classification or re-measurement of liabilities has not been carried out on the opening balance sheet of the financial statements on 1 January 2018. When compared to H1/2018, the decision had the following impact on the Group's opening IFRS 9 balance: debt securities in issue EUR -33.6 million and the fair value reserve EUR 33.6 million. The decision does not have an impact on the Group's actual result for H1/2018. Of the Group's H1/2018 balance sheet items, the decision had an impact on debt securities in issue EUR -44.5 million and the fair value reserve EUR 44.5 million. Impact of the change in the fair value reserve on the Group's comprehensive income for H1/2018 was EUR 10.9 million positive (the change in the credit risk associated with liabilities carried at fair value).

24.5 Financial assets by balance sheet item 1 Jan 2018
Finnvera plc

Financial assets (EUR 1,000)	Ending balance 31 Dec 2017 (IAS 39)	Remeasurement of assets	IAS 39 reversal entry	1.1.2018 IFRS 9 ECL	Deferred tax assets	Opening balance 1 Jan 2018 (IFRS 9)
Loans and receivables from credit institutions	992,961		0	-148		**992,813**
Loans and receivables from customers	4,150,895		47,105	-53,644		**4,144,356**
Debt securities – Commercial papers and T-bills	1,007,414					**1,007,414**
Debt securities – Bonds	2,052,302					**2,052,302**
Investments in group companies	68,815					**68,815**
Other shares and participations	14,068					**14,068**
Derivatives	79,591					**79,591**
Intangible assets	8,511					**8,511**
Property and equipment	1,192					**1,192**
Other assets	25,306					**25,306**
Prepayments and accrued income	155,009		1,019	-1,492		**154,537**
Assets of disposal groups classified as held for sale	27,772					**27,772**
Total assets	**8,583,838**	**0**	**48,125**	**-55,284**	**0**	**8,576,679**

24.6 Financial liabilities by balance sheet item 1 Jan 2018
Finnvera plc

Financial liabilities (EUR 1,000)	Ending balance 31 Dec 2017 (IAS 39)	Credit risk of liabilities	Changes in fair value reserve due to reclassification	IAS 39 reversal entry	IFRS 9 ECL and impact on equity 1 Jan 2018	Opening balance 1 Jan 2018 (IFRS 9)
Liabilities to credit institutions	187 609					**187 609**
Liabilities to other institutions	82 519					**82 519**
Debt securities in issue	6 483 055					**6 483 055**
Derivatives	138 321					**138 321**
Provisions	43 255			-38 655	85 157	**89 757**
Other liabilities	55 942					**55 942**
Accruals and deferred income	305 546					**305 546**
Subordinated liabilities	7 500					**7 500**
Liabilities of disposal groups classified as held for sale	12 525					**12 525**
Equity – Share capital	196 605					**196 605**
Equity – Share premium	51 036					**51 036**
Equity – Fair value reserve	4 342	-2 070			807	**3 079**
Equity – Non-restricted reserves	916 667					**916 667**
Equity – Retained earnings	98 914	2 070		86 780	-141 248	**46 516**
Total liabilities	**8 583 838**	**0**	**0**	**48 125**	**-55 284**	**8 576 679**
Total retained earnings	98,914	2,070		86,780	-141,248	**187,764**
of which IFRS 9 effect		**2,070**	**0**	**86,780**	**-141,248**	**-52,398**

E25 Expected credit losses according to IFRS 9 -standard 31 Dec 2018 [1]

Group

Assets (EUR 1,000)	Balance 31 Dec 2018 before expected credit losses (ECL)	Expected credit losses (ECL) 31 Dec 2018	Balance 31 Dec 2018 after expected credit losses (ECL)
Loans and receivables from credit institutions	1,108,254	-176	**1,108,078**
Loans and receivables from customers [2]	6,966,360	-90,068	**6,876,292**
Other assets	23,371	-239	**23,132**
Prepayments and accrued income	201,003	-1,418	**199,585**
Assets of disposal groups classified as held for sale	50,949	-43	**50,905**
Total assets	**8,349,936**	**-91 944**	**8,257,991**

1 The Table E25 are stated the balance sheet items to which are under IFRS 9 standard's expected credit loss calculation.
2 The parent company Finnvera plc has a significant receivable from export credit and special guarantee operations related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. 2 On 31 December 2018, the carrying amount of receivables from Finnvera's export credit and special guarantee operations was EUR 125 million, the majority of which was receivables from Oi S.A.

Liabilities (EUR 1,000)	Expected credit losses (ECL) 31 Dec 2018
Provisions	43,415
Equity – Fair value reserve [3]	633
Total liabilities	**44,048**

3 The table E25 Equity - Fair value reserve only includes expected credit losses concerning investments and loans of the SME and midcap financing which are stated under FVOCI.

Finnvera plc

Assets (EUR 1,000)	Balance 31 Dec 2018 before expected credit losses (ECL)	Expected credit losses (ECL) 31 Dec 2018	Balance 31 Dec 2018 after expected credit losses (ECL)
Loans and receivables from credit institutions	1,023,083	-154	**1,022,929**
Loans and receivables from customers	6,927,142	-60,325	**6,866,816**
Prepayments and accrued income	168,948	-1,418	**167,530**
Total assets	**8,119,172**	**-61,897**	**8,057,275**

1 The Table E25 are stated the balance sheet items to which are under IFRS 9 standard's expected credit loss calculation.
2 The parent company Finnvera plc has a significant receivable from export credit and special guarantee operations related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. 2 On 31 December 2018, the carrying amount of receivables from Finnvera's export credit and special guarantee operations was EUR 125 million, the majority of which was receivables from Oi S.A.

Liabilities (EUR 1,000)	Expected credit losses (ECL) 31 Dec 2018
Provisions	73,172
Equity – Fair value reserve [3]	633
Total liabilities	**73,806**

3 The table E25 Equity - Fair value reserve only includes expected credit losses concerning investments and loans of the SME and midcap financing which are stated under FVOCI.

F Notes on personnel and management

F1 Number of employees

	Finnvera Group		Finnvera plc	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Number of employees				
– Permanent	338	357	335	353
– Temporary	22	26	22	26
Total	**360**	**383**	**357**	**379**
Personnel as person-years	339	367	335	363

F2 Key management personnel in the Group

In the Group, key management personnel are members of the parent company's Board of Directors, members of the Supervisory Board, CEO Pauli Heikkilä, Deputy CEO Topi Vesteri as well as the Management Group, which is comprised of the CEO and Deputy CEO, along with Executive Vice President Jussi Haarasilta, CFO Ulla Hagman, Senior Vice President, Legal Affairs and Administration Risto Huopaniemi, Executive Vice President Katja Keitaanniemi (until 5 August 2018), Executive Vice President Juuso Heinilä (as of 1 September 2018), Senior Vice President, Corporate Communications and HR Tarja Svartström, and Senior Vice President, Risk and Quality Control Merja Välimäki.

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

F3 Key personnel benefit expenses

The table below shows the employment benefits received by key management personnel. Employment benefits include the performance bonus paid to the Chief Executive Officer and the other members of the Management Group in 2018. Post-employment benefits are dealt with as voluntary pension plans, which include both defined contribution and defined benefit pension plans.

	Finnvera Group	
(EUR 1,000)	31 Dec 2018	31 Dec 2017
Salaries and other short-term employee benefits	1,691	1,748
Supplementary pension commitments	194	125
Remuneration of the Board of Directors and Supervisory Board members	199	205
Total	**2,084**	**2,078**

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

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

The CEO has a notice period of six months. In addition, the CEO is entitled to a severance compensation corresponding to 18 months' pay if he is dismissed by the company. The Deputy CEO has a notice period of six months. In addition, the Deputy CEO is entitled to a severance compensation corresponding to 12 months' pay if he is dismissed by the company.

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

The attendance allowances for members of the Supervisory Board are: EUR 800 per meeting for the Chairman, EUR 600 per meeting for the Vice Chairman and EUR 500 per meeting for members.

F4 Salaries, remunerations and pension commitments for the key personnel

Finnvera Group

	31 Dec 2018			31 Dec 2017		
		Pension commitments			Pension commitments	
(EUR 1,000)	Salaries	Voluntary	Statutory	Salaries	Voluntary	Statutory
Management salaries (incl. social security costs) as well as applicable pension commitments						
CEO Pauli Heikkilä	399	46	73	413	39	68
Deputy CEO Topi Vesteri	266	54	48	284	77	46
Other members of the Management Group	1,026	22	188	1,051	19	186
Members of the Board of Directors:						
Markku Pohjola, chairman until 7 April 2017	0	No	-	9	No	-
Pentti Hakkarainen, chairman as of 7 April 2017	28	No	-	21	No	-
Pekka Timonen, I vice chairman until 31 May 2018	11	No	-	23	No	-
Marianna Uotinen, II vice chairman until 7 April 2017	0	No	-	7	No	-
Terhi Järvikare, II vice chairman as of 7 April 2017	19	No	-	14	No	-
Kirsi Komi, member	20	No	-	21	No	-
Pirkko Rantanen-Kervinen, member	17	No	-	19	No	-
Harri Sailas, member until 7 April 2017	0	No	-	6	No	-
Ritva Laukkanen, member as of 7 April 2017	18	No	-	13	No	-
Antti Zitting, member	17	No	-	18	No	-
Tomi Lounema, member and I vice chairman as of 15 June 2018	9	No	-			
Members of the Supervisory Board (total)	**60**	**No**	**-**	**54**	**No**	**-**

F5 Defined benefit pension plans

The Group has several defined benefit group pension insurance plans, which cover personnel who transferred to Finnvera from previous organisations. Additionally, there are supplementary pension insurance plans for Management Group members and Regional Directors appointed before 2 April 2009. At the end of 2018, there were total of 106 people covered by the plans.

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

The obligation is shown as the pledge made to all insurees and the asset is shown as the share of this obligation assumed by the insurance provider. The amount of assets is calculated using the same discount interest rate as an equivalent obligation. As a result, the risk posed by changes in the discounted interest rate only affects the net liabilities. As pensions rise with the credit issued by the insurance provider, the company has no risk with regard to these. A hypothetical 0.25% increase in salary would increase the obligation 0.9% (1.4%) and, correspondingly, an equivalent decrease would have the opposite effect.

Balance sheet items arising from the defined benefit:

	Finnvera Group			
(EUR 1,000)	**31 Dec 2018**		**31 Dec 2017**	
Pension obligation				
Present value of funded obligations 1 Jan		**3,983**		**4,004**
Total change		**-928**		**-21**
Unrecognised actuarial gains or losses	54		52	
Interest on obligation	60		60	
Effect of fulfilling the plan and reducing the obligation	-738		-399	
Revaluation of defined benefit pension plans				
– Caused by changes in financial assumptions	576		13	
– Caused by changes in demographic assumptions	0		0	
– Based on experience	-880		253	
Present value of funded obligations 31 Dec				**3,983**
Fair value of assets		**3,055**		**3,983**
Fair value of plan assets 1 Jan		**4,086**		**3,952**
Total change		**-890**		**134**
Interest income on assets	63		61	
Effect of fulfilling the obligation	-738		-399	
Return on plan assets, excluding items contained in interest expenses or income	-247		416	
Contributions paid to the plan	32		56	
Fair value of plan assets 31 Dec		**3,196**		**4,086**

	Finnvera Group	
(EUR 1,000)	**31 Dec 2018**	**31 Dec 2017**
Net liabilities+/Net receivables- (difference between obligations and assets)	**-141**	**-103**
Consolidated comprehensive income statement – pension costs		
Unrecognised actuarial gains or losses	54	52
Effect of fulfilling the obligation	0	0
Net interest expenses	-3	-1
Consolidated income statement defined benefit pension costs	**51**	**51**
Items resulting from revaluation	**-57**	**-150**

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

	Finnvera Group	
(EUR 1,000)	**31 Dec 2018**	**31 Dec 2017**
Defined benefit net liabilities		
Pension debt (+) / Pension receivable (-) 1 Jan	-103	53
Expenses recognised in the income statement	51	51
Paid pension contributions	-32	-56
Other items recognised in the consolidated statement of comprehensive income	-57	-151
Pension debt (+) / Pension receivable (-) 31 Dec	**-141**	**-103**

The plan assets include 100% qualifying insurance policies.

	Finnvera Group	
Actuarial assumptions	**31 Dec 2018**	**31 Dec 2017**
Discount rate	1,75 %	1,50 %
Future salary increases	2,05 %	2,25 %
Future pension increases	1,65 %	1,65 %

The duration based on the weighted obligation average is 18,1 years. Finnvera estimates that it will pay EUR 50,000 for defined benefit arrangements in 2018.

G Shares and holdings

G1 Shares and holdings in Group companies

Finnvera plc

Name and domicile of the company	Sector	31 Dec 2018 Holding of all shares	31 Dec 2018 Share of votes	31 Dec 2018 Book value EUR 1,000	31 Dec 2017 Holding of all shares	31 Dec 2017 Share of votes	31 Dec 2017 Book value EUR 1,000
Subsidiaries (holding over 50%)							
ERDF-Seed Fund Ltd, Kuopio	Development and investment company	100.00%	100.00%	15,256	100.00%	100.00%	15,256
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalisation	100.00%	100.00%	20,182	100.00%	100.00%	20,182
Veraventure Ltd, Kuopio	Development and investment company	100.00%	100.00%	48,634	100.00%	100.00%	48,634

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

Name and domicile of the company		Sector	31 Dec 2018 Holding of all shares	31 Dec 2018 Share of votes	31 Dec 2017 Holding of all shares	31 Dec 2017 Share of votes
ERDF-Seed Fund Ltd						
Airmodus Oy	Helsinki	Research and development on other natural sciences	20.13%	20.13%	20.13%	20.13%
Aranda Pharma Oy	Kuopio	Research and development on medical sciences	36.09%	36.09%	40.00%	40.00%
Bone Index Finland Oy	Kuopio	Research and development on medical sciences	37.65%	37.65%	35.70%	35.70%
GlowWay Oy Ltd	Pieksämäki	Manufacture of electric lighting equipment	26.44%	26.44%	26.44%	26.44%
Hapella Oy	Kiuruvesi	Wholesale of other machinery for use in industry	0.00%	0.00%	21.69%	21.69%
Injeq Oy	Tampere	Manufacture of irradiation, electromedical and electrotherapeutic equipment	21.22%	21.22%	26.51%	26.51%
Netled Oy	Honkajoki	Electrical engineering design	23.44%	23.44%	25.00%	25.00%
Norsepower Oy Ltd	Rauma	Building of ships and floating structures	22.90%	22.90%	25.17%	25.17%
Proxion Solutions Oy	Varkaus	Manufacture of other electrical equipment	0.00%	0.00%	30.89%	30.89%
Savroc Oy	Kuopio	Manufacture of products not listed elsewhere	20.11%	20.11%	22.84%	22.84%
Silvergreen Oy Ltd	Tampere	Manufacture of other chemical products not listed elsewhere	0.00%	0.00%	26.61%	26.61%
Traplight Oy	Ylöjärvi	Design and manufacture of software	20.46%	20.46%	20.46%	20.46%

G3 Related party transactions, loans and receivables

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

(EUR 1,000)	Finnvera Group 31 Dec 2018	Finnvera Group 31 Dec 2017
Related party transactions, loans and receivable		
Services purchased	3,304	3,310
Interest subsidies, compensation for losses and other items from the State	27,337	23,370
Interest income	26,316	25,269
Interest expenses	27,922	43,740
Related party transactions, loans and receivables		
Loans	5,909,042	3,036,473
Receivables	125,579	113,242
Long-term liabilities	82,042	1,435,125
Short-term liabilities	21,606	319,581
Guarantees	13,540,754	12,503,395

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

(EUR 1,000)	Finnvera plc's profit 31 Dec 2018		Activities referred to in the Fund Act and their share of the profit 31 Dec 2018		Finnvera plc's profit 31 Dec 2017		Activities referred to in the Fund Act and their share of the profit 31 Dec 2017	
Net interest income		**34,581**		**2,414**		**39,512**		**842**
– Interest income	88,074		1,567		63,030		499	
– Interest expences	-53,493		848		-23,518		343	
Palkkiotuotot ja -kulut, netto		**134,168**		**86,530**		**126,442**		**82,725**
– Fee and commission income	158,873		110,229		150,849		106,230	
– Fee and commission expenses	-24,705		-23,700		-24,407		-23,505	
Gains and losses from financial instruments carried at fair value through profit or loss		**-1,095**		**-12**		**1,035**		**400**
Net income from investments		**413**		**0**		**135**		**0**
Other operating income		**6,630**		**273**		**2,814**		**92**
Administrative expenses		**-45,336**		**-14,309**		**-42,424**		**-12,618**
– Wages and salaries	-28,107		-8,177		-28,297		-7,774	
– Other administrative expenses	-17,229		-6,132		-14,127		-4,844	
Depreciation and amortisation from intangible assets, property, plant and equipment		**-2,780**		**-973**		**-1,798**		**-579**
Other operating expenses		**-14,138**		**169**		**-8,350**		**-578**
Total realised and expected credit losses		**-21,565**		**14,027**		**-18,743**		**-2,291**
– Realised credit losses	-50,734		-5,078		-39,285			
– Credit loss compensation from the state	23,624				22,833			
– Expected credit losses	5,545		19,105		-2,291		-2,291	
Impairment losses on other financial assets		**0**		**0**		**0**		**0**
Operating profit		**90,878**		**88,120**		**98,624**		**67,993**

H Key financial performance indicators

H1 Key Figures

	Finnvera Group		Finnvera plc	
Key P&L figures	**2018**	**2017**	**2018**	**2017**
Net interest income, MEUR	42	46	35	40
Net fee and commission income, MEUR	135	127	134	126
Administrative expenses, MEUR	46	43	45	42
– of which salaries including social security costs, MEUR	28	29	28	28
Realised and excpected credit losses	45	41	45	41
Credit loss compensation from the State, MEUR	24	23	24	23
Operating profit or loss, MEUR	100	109	91	98
Profit for the year, MEUR	98	107	91	98
Key Balance sheet figures				
Loans to and receivables from customers, MEUR	6,876	5,846	6,867	4,151
Investments, MEUR	2,665	3,084	2,729	3,143
Liabilities, MEUR	9,681	9,023	9,658	7,316
– of which debt securities in issue, MEUR	8,783	6,483	8,783	6,483
Shareholders' equity, MEUR	1,358	1,314	1,301	1,268
– of which non-restricted equity, MEUR	1,126	1,062	1,054	1,016
Balance sheet total, MEUR	11,039	10,337	10,959	8,584
Key ratios				
Return on equity, ROE, %	7,4	8.5	7,1	8.1
Return on assets, ROA, %	0,9	1.1	0,9	1.2
Equity ratio, %	12,3	12.7	11,9	14.8
Expense-income ratio, %	29,3	27.2	36,1	32.4
Average number of employees [1]	360	383	357	379

1 Based on monthly average for the whole period.

H2 Formulas for the key indicators

Return on equity % (ROE)

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

Return on assets %, (ROA)

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

Equity ratio, %

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

Expense-income ratio, %

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

Signatures

In Helsinki on 25 February 2019

Pentti Hakkarainen
Chairman of the Board of Directors

Tomi Lounema
First Vice Chairman

Terhi Järvikare
Second Vice Chairman

Kirsi Komi

Ritva Laukkanen

Pirkko Rantanen-Kervinen

Antti Zitting

Pauli Heikkilä
CEO

Our audit report was submitted on 25 February 2019.

KPMG Oy Ab

Juha-Pekka Mylén
Authorised Public Accountant, KHT

Auditor’s report

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

To the Annual General Meeting of Finnvera plc
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Finnvera plc (business identity code 1484332-4) for the year ended 31 December 2018. The financial statements comprise both the consolidated and the parent company’s balance sheet, comprehensive income statement, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies.

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

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

- Guarantee fees are recognized over the maturity of a contract. These fees are charged using various methods and in different currencies based on the guarantee contracts.
- Income from guarantee premiums charged in advance is recognized over the guarantee period based on the recognition criteria entered into the system.
- Guarantee contracts entered into are client-specific and may be amended during the contract period.
- Due to the significance of income from export credit and special guarantees (fee and commission income), reinsurance expenses (fee and commission expenses) and guarantee premiums paid in advance, as well as various bases on which they are determined, the related internal control and accounting are considered a key audit matter.

- We assessed the adequacy and functionality of application controls in the IT system and other internal controls in respect of the accounting for guarantee premiums.
- We tested on a sample basis unrecognized guarantee-specific premiums paid in advance.
- We assessed and tested the control environment of the IT system, emphasizing change management.
- Furthermore, we considered the appropriateness of the disclosures in respect of fee and commission income and guarantee premiums paid in advance.

Expected credit losses on receivables from customers and on contingent liabilities (A Accounting principles, B Risk management, Contingent liabilities, note D10 to the income statement and notes E24 and E25 to the balance sheet)

- The company has applied IFRS 9 Financial Instruments as from 1 January 2018. The adoption resulted in shift from the calculation of impairment on an individual and collective basis, including guarantee losses, to that of the expected credit loss (ECL) calculated using models in accordance with IFRS 9.
- Calculation of expected credit losses involves assumptions, estimates and management judgment, for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk.
- In particular, the export credit guarantee portfolio includes significant individual guarantees which may bear risks and involve loss provisions that are material for the financial statements.
- The risk rating of clients plays an essential role in the accounting for expected credit losses.
- Due to the significance of the carrying amounts involved, the adoption of IFRS 9, complexity of the accounting methods used for measurement purposes and management judgement involved, the ECL accounting is addressed as a key audit matter.

- We assessed risk management, monitoring systems and ECL accounting in respect of doubtful receivables and guarantees, and tested related internal controls.
- Concerning significant individual loss provisions and recovery receivables we assessed the appropriateness of the assumptions and methods used for accounting purposes, the financial status of the counterparty and coverage of the company's reinsurance protection.
- As regard to the adoption of IFRS 9, we assessed the models and the key assumptions for calculating expected credit losses, as well as tested the controls over the calculation process and credit risk models. Our IFRS and financial instruments specialists were involved in the audit.
- Finally, we considered the appropriateness of the disclosures provided in respect of expected credit losses, including the notes on the adoption of IFRS 9.

Debt securities, debt securities in issue and derivatives (A Accounting principles and notes E3, E10, E11, E18 , E20, E24 and E25 to the balance sheet)

- At the financial year-end the amount of debt securities of the Group was in total EUR 2.6 billion out of which EUR 1.6 billion carried at fair value.
- Debt securities in issue carried at fair value through profit or loss totaled EUR 4.0 billion and debt securities in issue carried at amortized cost totaled EUR 4.8 billion in the balance sheet as at 31 December 2018.
- Derivatives are used to hedge the Group's funding-related currency and interest rate risks and they are measured at fair value in preparing financial statements.
- The company applies hedge accounting to fixed interest rate bonds and to related interest rate and currency swap derivatives when the criteria for hedge accounting are fulfilled.

- We evaluated the company's principles for treasury operations, monitoring systems for investments and derivatives, related internal controls, risk management and valuation principles applied to financial assets and financial liabilities.
- In respect of the hedge accounting we evaluated the appropriateness of the procedures and documentation by reference to the applicable international financial reporting standards
- As regard to the adoption of IFRS 9, we assessed the classification principles for financial instruments.
- As part of our year-end audit procedures we compared the fair values used in measurement of debt securities, debt securities in issue and derivatives to market quotations and other external price references.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Debt securities, debt securities in issue and derivatives (A Accounting principles and notes E3, E10, E11, E18 , E20, E24 and E25 to the balance sheet)	
- The adoption of IFRS 9 Financial Instruments as at 1 January 2018 resulted in changes to the classification and measurement of financial instruments. - Due to the significance of debt securities, debt securities in issue and derivatives, the related internal control and accounting are considered a key audit matter.	- In addition we considered the appropriateness of the disclosures provided in respect of debt securities, debt securities in issue and derivatives, including the notes on the adoption of IFRS 9.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 1999, and our appointment represents a total period of uninterrupted engagement of 20 years.

Other Information

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

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

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

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

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit for the financial year is in compliance with the Limited Liability Companies Act. We support that the members of the Supervisory Board and of the Board of Directors as well as the CEO of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 25 February 2019

JUHA-PEKKA MYLÉN

Authorised Public Accountant, KHT

Statement by the Supervisory Board

We have reviewed the financial statements of Finnvera plc, including the consolidated financial statements, for the period 1 January–31 December 2018, as well as the auditors' report issued on 25 February 2019.

We propose to the Annual General Meeting that the financial statements, in which the consolidated income statement shows a profit of EUR 98,460,355.02 and the parent company's income statement shows a profit of EUR 90,878,355.61 be adopted and that the parent company's profit be used in accordance with the proposal made by the Board of Directors.

In Helsinki on 25 February 2019

Antti Rantakangas	Krista Kiuru
Pia Björkbacka	Eeva-Johanna Eloranta
Lasse Hautala	Laura Huhtasaari
Timo Kalli	Pia Kauma
Leila Kurki	Anne Louhelainen
Kari Luoto	Veli-Matti Mattila
Ville Niinistö	Carita Orlando
Olli Rantanen	Timo Saranpää
Eero Suutari	Tommi Toivola

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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