H1/2016
Half-Year Report
1 January–30 June 2016

FINNVERA

Finnvera Group, Stock Exchange Release 11 August 2016, Half-Year Report

The Finnvera Group Half Year Report 1 January–30 June 2016

A marked rise in Finnvera's authorisations – performance slightly negative

During the period under review, the maximum amounts of export credits and export credit guarantees that Finnvera is authorised to grant were raised through legislative amendments. The main reasons behind the need to raise the authorisations were the steep rise in ship financing within the past few years and the increase in the volume of export projects undertaken for telecommunications and the forest industry. The Group's performance for the first six months of the year was EUR 7 million in the red, owing to losses and provisions for losses in export credit guarantees. The negative result for the first six months of the year does not affect the realisation of the cumulative self-sustainability of Finnvera's export credit guarantee activities.

The need for funding increased alongside the greater demand for export financing services. The fixed-rate bond of EUR one billion issued by Finnvera in April was the company's first euro-denominated bond with a maturity of ten years.

In April, Finnvera and enterprise organisations launched a joint campaign to speed up transfers of ownership in SMEs. Various activation measures are applied to increase enterprises' awareness of issues such as valuation and taxation. During the first half of the year, transfers of ownership financed by Finnvera showed a rise of 17 per cent when measured in euros.

In line with the Government Programme, Finnvera introduced a new debt-based mezzanine financing product onto the market: the Growth Loan. The new product is intended for financing SMEs and midcap companies in major growth and internationalisation projects.

Business operations and the financial trend

During the period under review, demand for Finnvera's export and special guarantees and export credits rose steeply on the previous year: 50 per cent and 90 per cent, respectively. In contrast, demand for SME and midcap financing fell by 17 per cent on the previous year.

Although the demand for export and special guarantees rose, the offers given by Finnvera for export credit and special guarantees and for export credits fell by 76 per cent and 87 per cent, respectively. The reason for this was that some of the projects or their credit agreements were still being negotiated at the end of June. The amount of loans and guarantees granted to SMEs and midcap companies fell by 11 per cent when compared against the first half of 2015.

Finnvera Group	1 Jan–30 June 2016	1 Jan–30 June 2015	Change %
Offered financing, MEUR			
Loans and guarantees	483	541	-11%
Export credit guarantees and special guarantees	1,226	5,124	-76%
Export credits	477	3,601	-87%

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Finnvera Group	**30 June 2016**	**31 Dec 2015**	**Change %**
Outstanding commitments, MEUR			
Loans and guarantees	2,322	2,285	2%
Export credit guarantees and special guarantees	16,896	17,436	-3%
Export credits	4,718	4,240	11%

	1 Jan–30 June 2016	**1 Jan–30 June 2015**	**Change %**
Net Interest income both fee and commission income and expenses, MEUR	93	102	-8%
Operating profit, MEUR	-7	56	-113%
Profit for the period, MEUR	-7	55	-113%

	30 June 2016	**31 Dec 2015**	**Change %**
Balance sheet total, MEUR	9,166	8,418	9%
Equity; MEUR	1,116	1,121	0%
- of which non-restricted reserves, MEUR	865	871	-1%

	30 June 2016	**31 Dec 2015**	**Change % points**
Equity ratio, %	12.2%	13.3%	-1.1%
Capital adequacy, Tier 2, %	18.9%	19.6%	-0.7%
Cost-income ratio, %	30.6%	28.3%	2.3%

The Finnvera Group's financial performance for January–June showed a loss of EUR 7 million, as against a profit of EUR 55 million the year before. The result was EUR 62 million less than for the first six months of 2015.

The principal factors affecting the negative result during the first half of the year were the increased losses and provisions for losses recognised by the parent company, Finnvera plc, for export credit guarantees. Losses on export credit guarantees and provisions for losses together amounted to EUR 66 million (2 million). During the period under review it emerged that the Brazilian Oi S.A. Group poses a risk that, if realised, might cause a loss that is currently estimated at about EUR 55 million. In consequence, the provisions for losses were increased during the period. Provisions for losses are current estimates. Their amount may still change considerably as more detailed information is obtained.

The result of EUR -7 million recorded for the parent company, Finnvera plc, during the first half of the year (56 million), was broken down as follows: Large Corporates, EUR -17 million (48 million); SMEs, EUR 10 million (8 million).

During the 17 years that the company has been in operation, the Group's performance has been positive for all financial periods and, since the early 2009, for all six-month periods, until the recently ended period of January–June 2016. The parent company's export credit guarantee activities have also been cumulatively self-sustainable throughout the company's operations, even considering the negative result for January–June.

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Finnvera Group	H1/2016 MEUR	H1/2015 MEUR	Change MEUR	Change %	2015 MEUR
Net Interest income	27	28	-2	-6	56
Fee and commission income and expenses (net)	67	73	-7	-9	141
Gains/losses from items carried at fair value	-10	-6	4	63	-21
Administrative expenses	-22	-22	0	1	-44
Other operating expenses	-3	-3	0	-5	-6
Impairment losses, guarantee losses	-65	-14	51	352	-15
Loans and domestic guarantees	-15	-72	-57	-79	-87
Credit loss compensation from the State	15	60	-45	-74	83
Export credit guarantees and special guarantees	-66	-2	64	-	-10
Operating profit	-7	56	-63	-113	114
Profit for the period	-7	55	-62	-113	111

Outlook for financing

It is expected that demand for export credit guarantees and financing provided by Finnvera will continue to increase. Measured in euros, demand will probably continue to focus on cruise vessels, telecommunications and forestry. An internationally competitive export financing system plays an important role in these sectors, owing to the large scale of individual investments.

New export markets have opened up, for instance, in Iran and Argentina. With opening markets, public financing sources, such as Finnvera's export credit guarantees, are important for the realisation of export transactions. Among countries where Finnvera is exposed to risk, the situation in Brazil, Turkey and Russia is expected to remain uncertain. This will pose challenges to enterprises operating in these countries. On the other hand, Brazil's and Russia's weakened local currencies reinforce the operating conditions of export companies active in these countries. This may boost interest in investments and may provide export opportunities for Finnish businesses. The result of the British referendum on exiting the EU is likely to cause uncertainty in Europe for several years.

During the first half of 2016, demand for Finnvera's SME financing was slower than a year ago. The financing granted was also at a lower level than the year before. During the first half of the year, Finnvera prepared the adoption of the Growth Loan, a new mezzanine financing product, and was getting ready to serve as an intermediary organisation for the European Fund for Strategic Investments. Together with the recently adopted programme on transfers of ownership, these developments are likely to increase the demand for and granting of financing in the latter half of the year.

According to the estimate made in early 2016, the financial performance for the current year is likely to fall below that for 2015. The negative result for the first six months of the year does not affect the realisation of the cumulative self-sustainability of Finnvera's export credit guarantee activities.

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CEO Pauli Heikkilä:

“Finnvera’s exposure figures have risen higher than ever before, and it is expected that demand for export credit guarantees and financing provided by Finnvera will continue to increase. It is important to ensure the functioning of our export financing system so that Finnish companies can compete over export deals on equally good financing terms as their competitors.

With respect to SME financing, the growth in the volume of enterprise acquisitions has been gratifying. We shall continue our efforts to encourage transfers of ownership; the greater the number of companies that continue their operations, the better it is for the overall economy of Finland. New owners often bring development ideas and the wish to grow.

The Team Finland network is under intense development. Improvement of the joint domestic service model will continue for the rest of the year. So far the feedback from customers within the scope of the service has been positive. Team Finland cooperation will get a boost in practice with the impending move of Finnvera, Finpro, Tekes and Finnish Industry Investment to joint premises in Team Finland House, in the Ruoholahti district of Helsinki.

Finnvera’s statutory mission is to bear some of the credit risks that are inevitable in all export transactions. Some of these risks were realised during the first six months of the current year.”

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The half-year review is available in Finnish and English at www.finnvera.fi/eng/Finnvera/Publications/Annual-Reports-and-Interim-Reports. As of the start of 2016, Finnvera will publish its interim reports semi-annually.

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Contents

Aside from the parent company, Finnvera plc, the Finnvera Group comprises the following subsidiaries: Seed Fund Vera Ltd and Veraventure Ltd, engaged in venture capital investments, and Finnish Export Credit Ltd, which provides export credits and administers interest equalisation.

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The Group's financial trend

The Finnvera Group's January-July 2016

The Finnvera Group's financial performance for January–June showed a loss of EUR 7 million, as against a profit of EUR 55 million the year before. The result was EUR 62 million less than for the first six months of 2015.

The principal factors affecting the negative result during the first half of the year were the increased losses and provisions for losses recognised by the parent company, Finnvera plc, for export credit guarantees. Losses on export credit guarantees and provisions for losses together amounted to EUR 66 million (2 million). During the period under review it emerged that the Brazilian Oi S.A. Group poses a risk that, if realised, might cause a loss that is currently estimated at about EUR 55 million. In consequence, the amount of provisions for losses were increased during the period under review. Provisions for losses are current estimates. Their amount may still change considerably as more detailed information is obtained.

The Group's impairment losses on loans, as well as guarantee losses and provisions, were EUR 51 million more than during the corresponding period the year before.

In addition to impairment losses, guarantee losses and provisions, the Group's negative result for the first half of the year derived in particular from fee and commission income, where the net sum of EUR 67 million (73 million) was 9 per cent less than during the first half of 2015. The main reasons for the decline in the net value of fee and commission income were the fall in fee and commission income from export credit guarantees and special guarantees and the increase in fee and commission expenses from reinsurance.

Losses of EUR 10 million from items carried at fair value (6 million) also contributed to the negative result. The losses from items carried at fair value were EUR 4 million more than during the reference period. The principal reason behind the increase in items carried at fair value was the change in the fair value of debts and interest rate and currency swaps.

During the 17 years that the company has been in operation, the Group's performance has been positive for all financial periods and, since the early 2009, for all six-month periods, until the recently ended period of January–June 2016. The parent company's export credit guarantee activities have also been cumulatively self-sustainable throughout the company's operations, even considering the negative result for January–June. Self-sustainability means that, in the long run, the income received from the company's operations cover the company's operating expenses, and the State does not incur any costs because of the operations.

Financial performance of Finnvera plc, the subsidiaries and the associated companies

The result of EUR -7 million recorded for the parent company, Finnvera plc, during the first half of the year (56 million), was broken down as follows: Large Corporates, EUR -17 million (48 million); SMEs, EUR 10 million (8 million).

The subsidiaries and associated companies had an impact of EUR 0.1 million on the Group's performance during the period (-1 million). Venture capital investments accounted for EUR -2 million (-6 million) of this impact. Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 2 million (5 million).

Analysis of the financial performance for January-June 2016

Interest income and expenses and interest subsidies

In January–June, the Group's interest income totalled EUR 58 million (62 million), and interest expenses were EUR 31 million (33 million). The net interest income came to EUR 27 million (28 million). Both interest income and interest expenses were 6 per cent lower than in the reference period. Outstanding loans in SME financing provided by the parent company, Finnvera plc, decreased by EUR 26 million during the period under review. This and the lower interest rates were the most important factors behind the declining interest income and the fall in the net interest income.

Out of the Group's net interest income of EUR 27 million, the parent company's net interest income accounted for EUR 23 million (25 million) and the subsidiaries' net interest income for EUR 4 million (3 million).

During the period under review, the interest subsidies paid by the State and by the European Regional Development Fund (ERDF), and passed on directly to clients, totalled EUR 1 million (2 million). Interest subsidies were about 50 per cent less than during the corresponding period in 2015. The granting of interest-subsidised financing ceased at the beginning of 2014. In consequence, the amount of interest subsidies during the period under review was smaller than before. The accumulation of interest subsidies will end completely in the coming years when all interest-subsidised financing has been repaid.

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses came to EUR 67 million (73 million). The fee and commission income and expenses were EUR 7 million, or 9 per cent, less than during the reference period.

The gross amount of the fee and commission income totalled EUR 77 million (79 million). The parent company's fee and commission income from export credit guarantees and special guarantees accounted for EUR 53 million of the total (59 million), while SME financing accounted for EUR 22 million (20 million). Fee and commission income from export credit guarantees and special guarantees accounted for 70 per cent (75) of the total, while SME financing accounted for 29 per cent (25). The relative share of fee and commission income from export credit guarantees and special guarantees diminished by 5 percentage points when compared against the first six months of the previous year.

Finnish Export Credit Ltd's fee and commission income from interest equalisation and export credit financing amounted to EUR 1 million (0.4 million). The increase in interest equalisation and outstanding credits contributed to the rise in fee and commission income.

Fee and commission expenses totalled EUR 10 million (6 million). The fee and commission expenses consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc. The company increased the volume of reinsurance in 2015, which also had an impact on the increase in fee and commission expenses for the period under review. The fee and commission expenses for reinsurance were about 80 per cent greater than in the reference period.

Gains/losses from items carried at fair value

The Group's losses from items carried at fair value totalled EUR 10 million (6 million), of which the change in the fair value of debts and interest rate and currency swaps accounted for EUR 7 million (1 million). The change in the fair value of venture capital investments and exchange rate differences together accounted for EUR 3 million (5 million).

During the reporting period, the parent company Finnvera plc adopted hedge accounting. Its purpose is to hedge against the impact of fair value changes caused by changes in market interest rates. The subsidiaries have no corresponding need for hedge accounting. Hedge accounting pertains to the fixed-rate bonds issued by the parent company and to the interest rate swaps that are used to hedge them. Hedge accounting is applied from the date when debt instruments encompassed by hedge accounting are issued to the date of their maturity. During the reporting period, the items hedged consisted of fixed-rate debts issued by Finnvera after 31 December 2015.

Operating expenses and depreciation

The Group's operating expenses during the period under review totalled EUR 25 million (25 million). Of this, expenses including personnel and other administrative expenses totalled EUR 22 million (22 million) while other business expenses amounted to EUR 3 million (3 million). The operating expenses were at the same level as in the corresponding period the year before. Personnel expenses accounted for 68 per cent of administrative expenses (70). Depreciation for the period amounted to EUR 1 million (0.5 million).

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Impairment losses on receivables, guarantee losses

The Group's impairment losses on loans, as well as guarantee losses and provisions, were EUR 81 million in January–June (75 million). After the compensation for credit losses by the State and the European Regional Development Fund (ERDF), the Group's liability for impairment losses and other losses during the period under review amounted to EUR 65 million (14 million).

Impairment losses and losses on loans and guarantees, and the change in impairment losses and provisions for losses, totalled EUR 15 million (72 million). The compensation for losses paid by the State and the European Regional Development Fund totalled EUR 15 million (60 million). Compensation for losses was 58 per cent of the losses realised (68). Some large individual losses that were realised during the reference period had an impact on the total compensation for credit losses during the corresponding period the year before.

Losses on export credit guarantees and special guarantees, including the change in the provisions for losses, were EUR 66 million during the period under review (2 million). Provisions for losses in export credit guarantee activities were raised during the reporting period owing to the risks transpired. During the period under review it emerged that the Brazilian Oi S.A. Group poses a risk that, if realised, might cause a loss that is currently estimated at about EUR 55 million. The provisions for losses are current estimates; their amount may still change considerably as more detailed information is obtained.

Finnvera Group	H1/2016 MEUR	H1/2015 MEUR	Change MEUR	Change %	2015 MEUR
Impairment losses on receivables, guarantee losses	-65	-14	51	352	-15
Loans and domestic guarantees	-15	-72	-57	-79	-87
Credit loss compensation from the State	15	60	-45	-74	83
Export credit guarantees and special guarantees	-66	-2	64	-	-10

Doubtful receivables

Calculated according to the method harmonised at EU level, the net amount of doubtful receivables in SME financing stood at EUR 177 million at the end of June. When the impairment losses recognised are considered, doubtful receivables accounted for 7.2 per cent of total exposure. This was 1.1 percentage points lower than the amount of doubtful receivables at the end of 2015 (8.3 per cent). The ratio of doubtful receivables to total exposure was 2.6 per cent (3.3) when the compensation for credit losses received from the State for SME financing is taken into account.

Long-term economic self-sustainability

According to the goal of economic self-sustainability set for Finnvera's operations, the income received from the company's operations must, in the long run, cover the company's operating expenses. The review period for self-sustainability is 10 years in SME financing and 20 years in export financing.

Self-sustainability in Finnvera's SME financing has been attained over a period of ten years when the cumulative result is calculated up to the end of June 2016. Correspondingly, export financing has been economically self-sustainable during Finnvera's history of more than 15 years of operation. If the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, for its last years of operation is taken into account when reviewing the self-sustainability of export financing, economic self-sustainability is also realised over a 20-year period.

The extent and risk level of Finnvera's outstanding commitments will have a significant impact on its financial performance and long-term economic self-sustainability in the coming years. In examining the financial performance, it is important to note that, at the end of June 2016, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 16.9 billion and the exposure for loans and guarantees in SME financing, as well as guarantee receivables, stood at EUR 2.3 billion. Seen against these exposures, the net profit building a loss buffer on the balance sheet has in recent years averaged about 0.6 per cent at the annual level. Correspondingly, the equity has been about 6 per cent.

Balance sheet 30 June 2016

At the end of June, the consolidated balance sheet total was EUR 9,166 million (8,418 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 6,714 million (5,784 million). During the period under review, the consolidated balance sheet total increased by EUR 748 million. The main factors contributing to this trend were increases in receivables from customers and increases in debt securities.

At the end of June, the Group's outstanding credits came to EUR 5,803 million (5,347 million), or EUR 456 million more than at the start of the year. The outstanding credits of the parent company, Finnvera plc, came to EUR 3,442 million (2,772 million), of which the receivables from the subsidiaries totalled EUR 2,334 million (1,641 million).

The parent company's outstanding domestic guarantees increased slightly during early 2016 and totalled EUR 1,068 million on 30 June (1,003 million). The exposure, as defined in the Act on the State's Export Credit Guarantees, totalled EUR 13,994 million at the end of June (14,236 million). Total exposures arising from export credit guarantees and special guarantees (current commitments and offers given at the exchange rate on 30 June 2016, including export guarantees) totalled EUR 16,896 million (17,436 million).

In accordance with the government's policy outlines, Finnvera will give up a major proportion of its venture capital investments. In consequence, the shares of Finnvera's subsidiary Seed Fund Vera Ltd in the parent company's financial statements of 2015 and, correspondingly, the assets and liabilities of Seed Fund Vera Ltd in the consolidated financial statements were transferred to long-term assets available for sale. At the end of June, the long-term assets available for sale totalled EUR 116 million (102 million).

The parent company's long-term liabilities as per 30 June totalled EUR 4,851 million (4,046 million). Of this sum, EUR 4,757 million (3,958 million), or 98 per cent, consisted of bonds.

At the end of June, the Group's non-restricted reserves had a total of EUR 865 million (871 million), of which the reserve for domestic operations accounted for EUR 155 million (136 million), the reserve for export credit guarantees and special guarantees EUR 668 million (536 million), and the reserve for venture capital investments EUR 17 million (17 million). The retained profits were EUR 25 million (183 million). The reserve for venture capital investments is used to monitor the assets allocated by the ERDF to venture capital investments.

Finnvera Group Balance sheet	30 June 2016 MEUR	31 Dec 2015 MEUR	Change MEUR	Change %
Share capital	197	197	0	0
Share premium and fair value reserve	51	49	2	4
Non-restricted reserves, in total	865	871	-7	-1
Reserve for domestic operations	155	136	19	14
Reserve for export credit guarantees and special guarantees	668	536	132	25
Other	17	17	0	0
Retained earnings	25	183	-158	-86
Equity attributable to the parent company's shareholders	1,112	1,117	-5	0
Share of equity held by non-controlling interest	4	4	0	-2
Balance sheet total	9,166	8,418	748	9

Funding

On 6 April 2016, Finnvera issued a ten-year, fixed-rate bond of EUR one billion. Among the euro-dominated bonds issued by Finnvera so far, this one has the longest maturity.

Capital adequacy

At the end of June, the Group's capital adequacy ratio for domestic operations, Tier 2, stood at 18.9 per cent (19.6) while the capital adequacy for domestic operations, Tier 2, of the parent company, Finnvera plc, was 17.5 per cent (18.1). Capital adequacy is calculated in accordance with the principles of the Basel III standard method. The Finnvera Group's leverage ratio was 13.9 per cent at the end of June.

Capital adequacy Finnvera Group Domestic operations	30 June 2016 %	31 Dec 2015 %	Change % points
Tier 1	18.7	19.2	-0.5
Tier 2	18.9	19.6	-0.7

Capital adequacy Finnvera plc Domestic operations	30 June 2016 %	31 Dec 2015 %	Change % points
Tier 1	17.3	17.7	-0.4
Tier 2	17.5	18.1	-0.6

The Act on Finnvera (443/1998) stipulates that domestic operations must be kept separate from export credit guarantee and special guarantee operations. Pursuant to the Act, 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 commitments and assets, only for domestic operations.

At the end of June, the Finnvera Group's risk-weighted receivables totalled EUR 2,377 million (2,322 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,838 million (1,808 million), or 77 per cent of risk-weighted receivables. Most of the remaining receivables were associated with funding and the investment of cash assets.

Finnvera Group Domestic operations	**30 June 2016**	**31 Dec 2015**
Capital for calculating capital adequacy	**MEUR**	**MEUR**
Equity excl. profit for the year	1,120	954
Intangible assets	-6	-4
Reserve for export credit guarantees and special guarantees	-668	-536
Profit for the period	0	112
Profit for the period attributable to export credit guarantees	0	-79
Subordinated loan	5	10
Total	450	457

Finnvera Group Domestic operations	**30 June 2016**	**31 Dec 2015**
Risk-weighted items	**MEUR**	**MEUR**
Receivables from credit institutions	107	118
Receivables from clients	1,838	1,808
Investments and derivatives	242	216
Receivables, prepayments, interest and other receivables, other assets	26	17
Binding promises for loans	80	80
Operational risk	83	83
Total	2,377	2,322

Risk position

Credit risks in SME financing

The Finnish economy seems to be improving slightly even though the predictions for GDP growth in 2016 are only about one per cent. The low level of investments still affects the demand for SME financing. However, there has been evidence of some large investments and export deliveries when SME financing has been granted. During the first half of the year, credit risks in SME financing have remained unchanged. For instance, the number of bankruptcies has been more or less the same as the year before. The changes in outstanding credits were relatively small and, when seen as a whole, no major changes occurred in the risk level during the first half of the year.

The comparable exposure remained at the level that prevailed at the turn of the year, totalling EUR 2.7 billion at the end of June. During the first six months of 2016, the amount of new financing offers declined somewhat when compared against the same period a year earlier. Risk category changes in the distribution of outstanding credits were slight, but on the whole positive. To some extent, the improved economies of enterprises have been reflected in improved risk ratings. Altogether 50 per cent of commitments fall within the intermediate credit risk category B2. In the first half of the year, impairment losses on loans and losses, and provisions for losses on guarantees came to EUR 15 million, EUR 57 million less than the year before. During the period, some impairment losses of several million euros were recognised in order to prepare for a possible final credit loss in the future.

Venture capital investments

Finnvera's subsidiaries engaged in venture capital investment follow the risks of their own investments independently, and report on these risks separately. The investment portfolios of companies engaged in venture capital investment are valued according to the recommendations issued by the Finnish Venture Capital Association. In addition, the companies' risk-taking is followed through ownership steering conducted by the parent company.

Financing for exports by large corporates

At the end of the period under review, the commitments of Finnvera's Large Corporates division for export credit guarantees and special guarantees totalled EUR 16.5 billion. This was EUR -0.5 billion less than at the start of the year. The ten largest exposure concentrations account for about 52 per cent of all outstanding guarantees. The risk ratings of enterprises, banks and countries have remained virtually unchanged.

Altogether 87 per cent of Finnvera's total exposure falls within the credit rating category B2 or a better category. As a result of uncertainties and rapid changes associated with financial markets, the international situation and economic trends, abrupt events can lead to credit losses. Individual risk concentrations are great in relation to the size of Finnvera's total exposure; therefore, a loss arising from one counterparty alone, if realised, may be considerable.

One major credit risk was realised during the first half of the year, when the Brazilian telecommunications company the Oi S.A. Group sought debt restructuring. Finnvera expects this to lead to a loss of about EUR 55 million. Preparations for the loss are made by recognising a provision for guarantee losses.

The loan receivables of Finnvera's subsidiary Finnish Export Credit Ltd totalled EUR 4.7 billion at the end of June. Binding credit offers came to EUR 3.9 billion.

The State bears the responsibility for interest equalisation associated with fixed-rate credits; thus, the risks in interest equalisation do not affect the Finnvera Group's financial performance. The State Treasury monitors the risks and is responsible for any protective measures that may be needed.

Personnel

At the end of June, the Group had 415 employees (415 on 30 June 2015), of whom 367 (367) held a permanent post and 48 (48) a fixed-term post. Of the fixed-term personnel, 21 (24) were summer workers.

Other events during the period under review

New members to Finnvera's Supervisory Board

On 23 March 2016, Finnvera's Annual General Meeting elected new members to the company's Supervisory Board. They are the Members of Parliament Laura Huhtasaari, Timo Kalli, Krista Kiuru, Kari Kulmala, Ville Niinistö and Eero Suutari, Managing Director Kari Luoto, CEO Carita Orlando, and Christel Tjeder, Second Vice Chairman of the Finnish Business School Graduates. Antti Rantakangas, Member of Parliament, was elected Chairman of the Supervisory Board and Krista Kiuru, Member of Parliament, was elected Vice Chairman.

Finnvera's authorisation to provide export financing was raised

The ceilings for Finnvera's export credits and export credit guarantees were raised by a legislative amendment issued during the period under review. The amendment entered into force on 15 April 2016.

The authorisation to grant export credits rose from EUR 7 billion to EUR 13 billion, while the authorisation to grant export credit guarantees rose from EUR 17 billion to EUR 19 billion. The authorisation to provide interest equalisation also increased from EUR 7 billion to EUR 13 billion.

Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 16.9 billion at the end of June. The exposure for export credit guarantees in accordance with the ceiling laid down by law totalled EUR 14.0 billion.

Finnvera's billion euro bond interested dozens of investors

On 6 April 2016, Finnvera issued a ten-year, fixed-rate bond of EUR one billion. Among the euro-dominated bonds issued by Finnvera so far, this one has the longest maturity. The bond attracted much interest. Over 60 investors from 15 countries participated in the arrangement.

Finnvera's EMTN Programme and the loans issued under it are guaranteed by the State of Finland. Finnvera uses the funds both for SME financing and for financing export credits.

Growth and internationalisation with the new Growth Loan

Thanks to the Growth Loan launched by Finnvera in April, SMEs and midcap companies can apply for financing for major growth and internationalisation projects. The Growth Loan is a debt-based mezzanine financing product that combines the features of both equity and debt financing.

Finnvera began to step up financing for small export transactions

For its own part, Finnvera wants to ease the financing of smaller export transactions carried out by enterprises. To this end, Finnvera expanded its product selection early in the year by launching two new products: the Bill of Exchange Guarantee and the Export Receivables Loan. The Bill of Exchange Guarantee is best suited to transactions of less than two million euros and it protects the bank against any credit losses that might occur. The Export Receivables Loan is intended for refinancing the post-delivery export receivables of Finnish enterprises engaged in the export of capital goods.

Activating transfers of ownership

In April, Finnvera and enterprise organisations launched a joint campaign to speed up transfers of ownership in enterprises. Various activation measures are applied to increase enterprises' awareness of issues such as valuation and taxation.

The first half of the year was lively in terms of transfers of ownership: Finnvera provided EUR 83 million for ownership arrangements in 531 SMEs. The sum was 17 per cent more than the year before.

Closer cooperation within Team Finland

Finnvera is one of the actors in the Team Finland network, whose mission is to promote the international success of Finnish enterprises. Early in 2016, the network adopted a joint domestic service model, where the network draws up a joint service proposal for the client enterprise. During the first half of the year, Finnvera was involved in making 43 service proposals; the target for the whole year is 50.

In August 2016, three Team Finland actors – Finnvera, Finpro and Tekes – will move to shared premises in Ruoholahti, Helsinki. Finnish Industry Investment will also move to the same Team Finland House in early 2017. The aim is to make it even easier for the customer to benefit from Team Finland's services and to get more synergy benefits. The move has been prepared intensely since the start of the year.

Events after the period under review

During the reporting period, the General Meeting of Finnvera's subsidiary Seed Fund Vera Ltd approved the demerger plan for the establishment of a new company called EAKR-Aloitusrahasto Oy. EAKR-Aloitusrahasto Oy was entered into the Trade Register on 15 July 2016. All investments made using the assets of the European Regional Development Fund (ERDF) and other assets and liabilities associated with ERDF activities have been transferred from Seed Fund Vera Ltd to the new company. Finnvera's holding in the company is the same as for Seed Fund Vera Ltd, or 94.59 per cent. The demerger was carried out in accordance with the government's policy outlines. In consequence, Finnvera will give up a major proportion of its venture capital investments.

After the reporting period, in July, it became evident that a risk involved in export credit guarantees may be realised during 2016. According to the current estimate, the risk may cause a final loss of at most eight million euros.

Outlook for financing

It is expected that demand for export credit guarantees and financing provided by Finnvera will continue to increase. Measured in euros, demand will probably continue to focus on cruise vessels, telecommunications and forestry. An internationally competitive export financing system plays an important role in these sectors owing to the large scale of individual investments.

New export markets have opened up, for instance, in Iran and Argentina. With opening markets, public financing sources, such as Finnvera's export credit guarantees, are important for the realisation of export transactions. Among countries where Finnvera is exposed to risk, the situation in Brazil, Turkey and Russia is expected to remain uncertain. This will pose challenges to enterprises operating in these countries. On the other hand, Brazil's and Russia's weakened local currencies reinforce the operating conditions of export companies active in these countries. This may boost interest in investments and may provide export opportunities for Finnish businesses. The result of the British referendum on exiting the EU is likely to cause uncertainty in Europe for several years.

During the first half of 2016, demand for Finnvera's SME financing was slightly slower than a year ago. The financing granted was also at a lower level than the year before. During the first half of the year, Finnvera prepared the adoption of the new Growth Loan, and was getting ready to serve as an intermediary organisation for the European Fund for Strategic Investments. Together with the recently adopted programme on transfers of ownership, these developments are likely to increase the demand for and granting of financing in the latter half of the year.

According to the estimate made in early 2016, the financial performance for the current year is likely to fall below that for 2015. The negative result for the first six months of the year does not affect the realisation of the cumulative self-sustainability of Finnvera's export credit guarantee activities.

Comprehensive income statement

(EUR 1,000)	Note	Finnvera Group 1–6 2016	Finnvera Group 1–6 2015	Finnvera plc 1–6 2016	Finnvera plc 1–6 2015
Interest income					
Loans		55 703	57 057	26 821	23 561
Subsidies passed on to customers		891	1 947	891	1 947
Other		1 232	2 710	751	2 555
Total interest income		**57 826**	**61 714**	**28 463**	**28 063**
Interest expenses		-31 242	-33 311	-5 767	-3 045
Net interest income		**26 585**	**28 403**	**22 696**	**25 018**
Net fee and commission income		66 500	73 261	65 581	72 865
Gains and losses from financial instruments carried at fair value	3	-9 741	-5 961	-215	16
Net income from investments		137	-322	21	-416
Other operating income		212	174	588	568
Administrative expenses					
Personnel expenses		-15 323	-15 441	-14 925	-14 909
Other administrative expenses		-7 054	-6 749	-6 720	-6 442
Total administrative expenses		**-22 378**	**-22 190**	**-21 644**	**-21 351**
Depreciation and amortization on tangible and intangible assets		-656	-491	-656	-491
Other operating expenses		-2 560	-2 687	-7 719	-6 447
Impairment loss on financial assets	4				
Loans and guarantees		-14 919	-72 288	-15 050	-71 823
Credit loss compensation from the State		15 352	60 058	15 352	60 058
Export credit guarantees and special guarantees		-65 892	-2 266	-65 892	-2 266
Net impairment loss on financial assets		**-65 459**	**-14 496**	**-65 590**	**-14 031**
Impairment losses on other financial assets		0	0	0	0
Operating profit		**-7 360**	**55 691**	**-6 937**	**55 730**
Income tax expense		490	-1 040	0	0
Profit for the period		**-6 870**	**54 651**	**-6 937**	**55 730**
Other comprehensive income					
Items that may be reclassified subsequently to the statement of income					
- Change in the fair value of shares		1 838	-460	1 808	-458
Total other comprehensive income		**1 838**	**-460**	**1 808**	**-458**
Total comprehensive income for the period		**-5 032**	**54 191**	**-5 129**	**55 273**
Distribution of the profit for the period attributable to					
Equity holders of the parent company		-6 773	54 934		
Non-controlling interest		-97	-283		
		-6 870	**54 651**		
Distribution of the total comprehensive income for the period attributable to					
Equity holders of the parent company		-4 935	54 473		
Non-controlling interest		-97	-283		
		-5 032	**54 191**		

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Balance sheet

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
ASSETS					
Loans and receivables from credit institutions					
Payable on demand		555 336	543 105	503 982	508 667
Other than payable on demand		30 814	31 975	7 572	7 873
		586 150	**575 080**	**511 554**	**516 540**
Loans and receivables from customers					
Loans		5 803 148	5 347 182	3 442 396	2 772 264
Guarantee receivables		26 910	34 282	26 910	34 282
Receivables from export credit and special guarantee operations		24 710	12 164	24 710	12 164
		5 854 768	**5 393 628**	**3 494 016**	**2 818 709**
Investments					
Debt securities		2 229 508	2 014 386	2 214 498	2 014 386
Investments in group companies		0	0	73 815	68 815
Investments in associates		18 127	19 860	0	0
Other shares and participations		24 433	24 409	14 498	14 520
		2 272 067	**2 058 655**	**2 302 811**	**2 097 721**
Derivatives	9	158 580	115 791	154 850	114 543
Intangible assets		6 341	4 447	6 326	4 432
Property and equipment					
Properties		31	164	31	164
Equipment		1 599	1 425	1 599	1 425
		1 629	**1 589**	**1 629**	**1 589**
Other assets					
Credit loss receivables from the state		7 098	13 316	7 098	13 316
Other		3 137	4 790	8 401	1 914
		10 235	**18 106**	**15 499**	**15 230**
Prepayments and accrued income		159 375	148 625	145 909	134 107
Tax assets		1 341	0		
Long-term assets available for sale		115 593	102 183	81 000	81 000
TOTAL ASSETS		**9 166 080**	**8 418 104**	**6 713 594**	**5 783 872**

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Balance sheet

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
LIABILITIES					
Liabilities to credit institutions		0	0	0	0
Liabilities to other institutions					
At fair value through profit or loss	10	45 315	39 456	0	0
Other financial liabilities		2 400 673	2 615 590	48 327	67 985
Debt securities in issue					
At fair value trough profit or loss	10	4 757 487	3 957 734	4 757 487	3 957 734
Derivatives	9	137 200	144 228	137 200	144 228
Provisions		105 216	52 168	105 216	52 168
Other liabilities		50 580	51 782	50 525	51 537
Accruals and deferred income		458 474	345 117	441 479	336 730
Tax liabilities		2 001	2 864		
Subordinated liabilities	10	57 500	57 500	57 500	57 500
Liabilities associated with long-term assets available for sale		35 589	30 589	35 589	30 589
Total liabilities		**8 050 037**	**7 297 028**	**5 633 323**	**4 698 472**
EQUITY					
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		-364	-2 202	-496	-2 304
Non-restricted reserves					
Reserve for domestic operations		154 550	135 879	154 550	135 879
Export credit guarantee and special guarantee operations		668 440	536 064	668 440	536 064
Other		16 570	16 570	16 570	16 570
Retained earnings		25 077	182 896	-6 433	151 550
		864 636	**871 410**	**833 126**	**840 063**
Equity attributable to the parent company's shareholders		**1 111 913**	**1 116 849**	**1 080 271**	**1 085 400**
Share of equity held by non-controlling interest		4 130	4 227		
Total equity		**1 116 043**	**1 121 075**	**1 080 271**	**1 085 400**
TOTAL LIABILITIES AND EQUITY		**9 166 080**	**8 418 104**	**6 713 594**	**5 783 872**

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Statement of changes in equity

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
Finnvera Group										
Equity attributable to the parent company's shareholders										
Balance at 1 Jan 2016	**196 605**	**51 036**	**-2 202**	**135 879**	**536 064**	**16 570**	**182 896**	**1 116 849**	**4 227**	**1 121 075**
Cancelled amount of subordinated loan received from the owner								0		0
Comprehensive income for the period/Change in the fair value of shares available for sale			1 838				-6 773	-4 935	-97	-5 032
Transfer to reserves				18 671	132 375	0	-151 046	0		0
Balance at 30 Jun 2016	**196 605**	**51 036**	**-364**	**154 550**	**668 440**	**16 570**	**25 077**	**1 111 914**	**4 130**	**1 116 043**
Balance at 1 Jan 2015	**196 605**	**51 036**	**-99**	**135 089**	**435 628**	**16 619**	**168 709**	**1 003 586**	**5 399**	**1 008 985**
Cancelled amount of subordinated loan received from the owner								0		0
Comprehensive income for the period/Change in the fair value of shares available for sale			-460				54 934	54 474	-283	54 191
Transfer to reserves				791	100 436	333	-101 227	333		333
Balance at 30 Jun 2015	**196 605**	**51 036**	**-559**	**135 879**	**536 064**	**16 952**	**122 415**	**1 058 392**	**5 116**	**1 063 508**

Legend:

A = Share capital
B = Share premium
C = Fair value reserve
D = Reserve for domestic operations
E = Reserve for export credit guarantees and special guarantees
F = Other reserves
G = Retained earnings
H = Total
I = Share of equity held by non-controlling interest
J = Total equity

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Statement of changes in equity

(EUR 1,000)	A	B	C	D	E	F	G	H
Finnvera plc								
Balance at 1 Jan 2016	**196 605**	**51 036**	**-2 304**	**135 880**	**536 064**	**16 570**	**151 550**	**1 085 400**
Cancelled amount of subordinated loan received from the owner								0
Comprehensive income for the period/Change in the fair value of shares available for sale			1 808				-6 937	-5 129
Transfer to reserves				18 671	132 375	0	-151 046	0
Adjustments								0
Balance at 30 Jun 2016	**196 605**	**51 036**	**-496**	**154 550**	**668 440**	**16 570**	**-6 434**	**1 080 271**
Balance at 1 Jan 2015	**196 605**	**51 036**	**-236**	**135 089**	**435 628**	**16 619**	**154 704**	**989 444**
Cancelled amount of subordinated loan received from the owner								0
Comprehensive income for the period/Change in the fair value of shares available for sale			-458				55 730	55 273
Transfer to reserves				791	100 436	333	-101 227	333
Balance at 30 Jun 2015	**196 605**	**51 036**	**-694**	**135 879**	**536 064**	**16 952**	**109 207**	**1 045 049**

Legend:

A = Share capital
B = Share premium
C = Fair value reserve
D = Reserve for domestic operations
E = Reserve for export credit guarantees and special guarantees
F = Other reserves
G = Retained earnings
H = Total

Statement of cash flow

	Finnvera Group		Finnvera plc	
(EUR 1,000)	1–6 2016	1–6 2015	1–6 2016	1–6 2015
Cash flows from operating activities				
Withdrawal of loans granted	-1 304 448	-1 170 486	-1 303 618	-1 169 126
Repayments of loans granted	902 046	745 901	682 549	575 340
Purchase of investments	-3 883	-6 848	-5 000	-15 000
Proceeds from investments	2 112	3 383	0	0
Interest received	48 537	56 172	23 060	22 635
Interest paid	-22 843	-37 639	-4 865	-2 591
Interest subsidy received	-71	406	-71	406
Payments received from commission income	118 080	91 879	115 242	89 520
Payments received from other operating income	25 306	107 267	25 964	103 793
Payments for operating expenses	-42 334	-33 460	-43 772	-34 421
Claims paid	-29 183	-18 827	-29 183	-18 827
Taxes paid	-24	-1 047	0	0
Net cash used in (-) / from (+) operating activities (A)	**-306 705**	**-263 299**	**-539 695**	**-448 271**
Cash flow from investing activities				
Purchase of property and equipment and intangible assets	-2 723	-1 096	-2 723	-1 096
Proceeds from other investments	133	255	133	255
Dividends received from investments	101	106	21	18
Net cash used in (-) / from (+) investing activities (B)	**-2 489**	**-735**	**-2 569**	**-823**
Cash flows from financing activities				
Proceeds from loans	994 340	442 943	994 340	505 678
Repayment of loans	-485 892	-371 840	-286 230	-201 177
Payments from derivatives collateral	29 280	-2 550	29 280	-2 550
Net cash used in (-) / from (+) financing activities (C)	**537 728**	**68 553**	**737 390**	**301 951**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	**228 534**	**-195 481**	**195 126**	**-147 143**
Cash and cash equivalents at the beginning of the period	**2 588 297**	**1 615 330**	**2 530 926**	**1 504 914**
Cash and cash equivalents at the end of the period	**2 816 831**	**1 419 849**	**2 726 052**	**1 357 771**
Cash and cash equivalents at the end of the period				
Receivables from credit institutions	577 388	604 965	511 554	567 818
Debt securities	2 229 508	804 953	2 214 498	789 953
Investments in short-term interest reserves	9 935	9 931	0	0
	2 816 831	**1 419 849**	**2 726 052**	**1 357 771**

Notes to the accounts

Accounting principles

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

Finnvera's Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The principles for drawing up the financial statements are described in Finnvera's Financial Statements for 2015. As of 1 January 2016, Finnvera adopted fair value hedging in accordance with IAS 39. The hedged items are fixed-rate liabilities issued after 31 December 2015 and the hedging instruments are the associated interest rate and currency swaps. The purpose of the hedge accounting model is to hedge against the impact of fair value changes caused by changes in market interest rates. Changes in fair value caused by interest rate changes in the hedged items and the hedging derivatives are recognised separately in the income statement, under the item Gains/losses from items carried at fair value. If the hedging is effective, the value changes offset each other and will have hardly any net effect on the financial performance.

The new and amended standards introduced by the Finnvera Group and their interpretations are presented in the accounting principles for the 2015 financial statements. They do not have any major impact on the consolidated financial statements.

1 Segment information

Segment reporting in the Finnvera Group is based on internal business areas and organisational structure. Client enterprises have been divided into business areas by size, need for financing and development stage. A service concept has been devised for each business area. Finnvera's segments are locally operating small companies, SMEs focusing on the domestic markets, SMEs seeking growth and internationalisation, export financing and venture capital investments. The segments and the principles governing the segment accounting are described in more detail in the Finnvera's Financial Statements for 2015.

Income statement and balance sheet by segments

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationa-lisation	Export financing	Venture capital investments	Eliminations	Total
Finnvera Group							
1–6/2016							
Net interest income	4 520	12 170	3 498	5 511	885	0	26 584
Net fee and commission income	2 594	10 320	7 180	46 406	-1	0	66 499
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1 022	-2 941	-6 642	-55 073	2 286	0	-63 392
Operating expenses*	-5 425	-7 648	-5 104	-10 716	-2 197	6 151	-24 938
Depreciation and amortization	-53	-276	-134	-193	0	0	-656
Other income/ expenses**	-14	-760	-9	-1 229	-3 295	-6 151	-11 459
Operating profit	**600**	**10 865**	**-1 211**	**-15 294**	**-2 323**	**0**	**-7 360**
1–6/2015							
Net interest income	4 532	15 230	3 407	4 897	338	0	28 403
Net fee and commission income	2 171	10 779	6 734	53 579	-1	0	73 261
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1 062	-11 862	-2 830	1 723	-465	0	-14 496
Operating expenses*	-5 403	-7 692	-5 266	-9 775	-2 326	5 585	-24 877
Depreciation and amortization	-40	-211	-103	-138	0	0	-491
Other income/ expenses**	-34	-155	-30	-202	-3 873	-1 815	-6 109
Operating profit	**163**	**6 089**	**1 912**	**50 085**	**-6 328**	**3 770**	**55 691**

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

Income statement and balance sheet by segments

(EUR 1,000)	Micro financing	Regional financing	Financing for growth and internationa-lisation	Export financing	Venture capital investments	Eliminations	Total
Finnvera plc							
1–6/2016							
Net interest income	4 520	12 170	3 498	2 508			22 696
Net fee and commission income	2 594	10 320	7 180	44 631			64 725
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1 022	-2 941	-6 642	-54 985			-65 590
Operating expenses*	-5 425	-7 648	-5 104	-10 331			-28 508
Depreciation and amortization	-53	-276	-134	-193			-656
Other income/ expenses**	-14	-760	-9	1 177			394
Operating profit	**600**	**10 865**	**-1 211**	**-17 193**			**-6 937**
1–6/2015							
Net interest income	4 532	15 230	3 407	1 850			25 018
Net fee and commission income	2 171	10 779	6 734	53 181			72 865
Net impairment loss on financial assets, guarantee and export credit guarantee losses	-1 062	-11 862	-2 830	1 723			-14 031
Operating expenses*	-5 403	-7 692	-5 266	-9 437			-27 797
Depreciation and amortization	-40	-211	-103	-138			-491
Other income/ expenses**	-34	-155	-30	387			168
Operating profit	**163**	**6 089**	**1 912**	**47 566**			**55 730**

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

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2 Gains and losses from financial instrumets carried at fair value

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**1-6/2016**	**1-6/2015**	**1-6/2016**	**1-6/2015**
Derivatives	106 496	-34 545	3 369	-2 561
Liabilities carried at fair value	-113 604	33 622	-3 771	2 086
Exchange rate differences	184	349	188	491
Venture capital investments; fair value changes	-2 817	-5 388	0	0
Total	**-9 741**	**-5 961**	**-215**	**16**

3 Impairment losses on receivables, guarantee losses

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

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**1-6/2016**	**1-6/2015**	**1-6/2016**	**1-6/2015**
Impairment losses on receivables and guarantee losses				
Impairment losses on receivables	-7 385	-65 322	-7 605	-64 857
- Credit losses materialised	-14 702	-79 371	-14 922	-78 906
- Change in impairment of individually assessed loans	5 364	14 507	5 364	14 507
- Change in impairment of collectively assessed loans	1 953	-459	1 953	-459
Guarantee losses	-7 445	-6 965	-7 445	-6 965
- Guarantee losses materialised	-10 570	-7 835	-10 570	-7 835
- Change in individually assessed provisions for losses	2 119	244	2 119	244
- Change in collectively assessed provisions for losses	1 006	626	1 006	626
Total, gross	**-14 830**	**-72 288**	**-15 050**	**-71 823**
The State's and the ERDF's share of the credit and guarantee losses materialised	15 352	60 058	15 352	60 058
Total, net	**522**	**-12 230**	**303**	**-11 765**
Losses on export credit guarantees and special guarantees				
Guarantee losses	-65 892	-2 266	-65 892	-2 266
- Claims paid	-13 556	-1 089	-13 556	-1 089
- Accumulated recoveries	3 726	5 976	3 726	5 976
- Change in recovery receivables	110	-2 948	110	-2 948
- Provisions for losses on export credit guarantees and special guarantees	-56 173	-4 205	-56 173	-4 205
Total	**-65 892**	**-2 266**	**-65 892**	**-2 266**
Impairment losses on credits and guarantee losses in total	**-65 370**	**-14 496**	**-65 590**	**-14 031**

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4 Classification of financial instrument and fair values

(EUR 1,000)	Finnvera Group					Finnvera plc				
Assets	**Loans and receivables**	**Financial instruments carried at fair value**	**Available for sale**	**Total**	**Fair value**	**Loans and receivables**	**Financial instruments carried at fair value**	**Available for sale**	**Total**	**Fair value**
30 June 2016										
Loans and receivables from credit institutions	586 150			**586 150**	**586 541**	511 554			**511 554**	**511 554**
Loans and receivables from customers	5 854 768			**5 854 768**	**6 033 407**	3 494 016			**3 494 016**	**3 492 361**
Debt securities			2 229 508	**2 229 508**	**2 229 508**			2 214 498	**2 214 498**	**2 214 498**
Derivatives		158 580		**158 580**	**158 580**		154 850		**154 850**	**154 850**
Associated companies			18 127	**18 127**	**18 127**			0	**0**	**0**
Shares and participations			24 433	**73 049**	**73 049**			14 498	**14 498**	**14 498**
Assets available for sale	19 447	85 870		**105 317**				86 000	**86 000**	**86 000**
Other financial assets	144 220			**144 220**	**144 220**	119 743			**119 743**	**119 743**
Total 30 June 2016	**6 585 138**	**244 450**	**2 320 683**	**9 169 718**	**9 243 431**	**4 125 313**	**154 850**	**2 314 996**	**6 595 159**	**6 593 504**
31 Dec 2015										
Loans and receivables from credit institutions	575 080			**575 080**	**575 094**	516 540			**516 540**	**516 540**
Loans and receivables from customers	5 393 628			**5 393 628**	**5 494 098**	2 818 709			**2 818 709**	**2 817 490**
Debt securities			2 014 386	**2 014 386**	**2 014 386**			2 014 386	**2 014 386**	**2 014 386**
Derivatives		115 791		**115 791**	**115 791**		114 543		**114 543**	**114 543**
Associated companies			19 860	**19 860**	**19 860**			0	**0**	**0**
Shares and participations			24 409	**24 409**	**24 409**			14 520	**14 520**	**14 520**
Assets available for sale	20 481	81 460		**101 942**				81 000	**81 000**	**81 000**
Other financial assets	154 250			**154 250**	**154 250**	139 933			**139 933**	**139 933**
Total 31 Dec 2015	**6 143 439**	**197 251**	**2 058 655**	**8 399 345**	**8 397 888**	**3 475 182**	**114 543**	**2 109 905**	**5 699 630**	**5 698 411**

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(Eur 1,000)	Finnvera Group				Finnvera plc			
Assets	**Financial instruments carried at fair value**	**Other financial liabilities**	**Total**	**Fair value**	**Financial instruments carried at fair value**	**Other financial liabilities**	**Total**	**Fair value**
30 June 2016								
Liabilities to credit institutions	45 315	2 400 673	**2 445 988**	2 573 439	0	48 327	**48 327**	48 327
Debt securities in issue	4 757 487		**4 757 487**	4 773 716	4 757 487		**4 757 487**	4 757 487
Derivatives	137 200		**137 200**	137 200	137 200		**137 200**	137 200
Other financial liabilities		457 409	**457 409**	457 409		432 654	**432 654**	432 654
Subordinated liabilities		57 500	**57 500**	57 500		57 500	**57 500**	57 500
Liabilities asociated with assets available for sale		35 589	**35 589**	35 589		35 589	**35 589**	35 589
Total 30 June 2016	**4 940 002**	**2 951 171**	**7 891 174**	**8 034 854**	**4 894 687**	**574 070**	**5 468 757**	**5 468 757**
31 Dec 2015								
Liabilities to other institutions	39 456	2 615 590	**2 655 046**	2 749 016	0	67 985	**67 985**	67 985
Debt securities in issue	3 957 734		**3 957 734**	3 957 734	3 957 734		**3 957 734**	3 957 734
Derivatives	144 228		**144 228**	144 228	144 228		**144 228**	144 228
Other financial liabilities		342 275	**342 275**	342 275		328 140	**328 140**	328 140
Subordinated liabilities		57 500	**57 500**	57 500		57 500	**57 500**	57 500
Liabilities asociated with assets available for sale		30 589	**30 589**	30 589		30 589		
Total 31 Dec 2015	**4 141 418**	**3 045 954**	**7 187 372**	**7 281 342**	**4 101 962**	**484 214**	**4 555 587**	**4 555 587**

5 Hierarchy for recognition at fair value

(EUR 1,000)	Finnvera Group			Finnvera plc		
Financial assets 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Loans and other assets						
- Loans and receivables from credit institutions		586 150			511 554	
- Loans and receivables from customers		5 838 742	16 026		3 477 991	16 026
Financial instruments carried at fair value						
- Derivatives		158 580			154 850	
- Associated companies			0			
- Shares and holdings			0			
- Assets available for sale			85 870			
Available-for-sale						
- Debt securities		2 229 508			2 214 498	
- Other shares and participations			18 127			
- Shares and holdings	10 365		62 684	430		14 068
Total	**10 365**	**8 812 980**	**182 706**	**430**	**6 358 892**	**30 094**
Financial liabilities 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
- Liabilities to other institutions		45 315				
- Debt securities in issue		4 757 487			4 757 487	
- Derivatives		137 200			137 200	
Other financial liabilities						
- Liabilities to other institutions		2 400 673				
- Subordinated liabilities		57 500			57 500	
- Liabilities associated with assets available for sale		35 589				
Total		**7 433 764**			**4 952 187**	

(EUR 1,000)	Finnvera Group			Finnvera plc		
Financial assets 31 Dec 2015	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Loans and other assets						
- Loans and receivables from credit institutions		575 080			516 540	
- Loans and receivables from customers		5 379 269	14 359		2 804 350	14 359
Financial instruments carried at fair value						
- Derivatives		115 791			114 543	
- Associated companies			0			
- Shares and holdings			0			
- Assets available for sale			81 460			
Available-for-sale						
- Debt securities		2 014 386			2 014 386	
- Associated companies			19 860			0
- Shares and holdings	10 340		14 068	451		14 068
Total	**10 340**	**8 084 525**	**129 747**	**451**	**5 449 819**	**28 427**
Financial liabilities 31 Dec 2015	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
- Liabilities to other institutions		39 456				
- Debt securities in issue		3 957 734			3 957 734	
- Derivatives		144 228			144 228	
Other financial liabilities						
- Liabilities to other institutions		2 615 590			0	
- Subordinated liabilities		57 500			57 500	
- Liabilities associated with assets available for sale		35 589			30 589	
Total		**6 850 097**			**4 190 051**	

Level 1: Investments in shares and reserves are valued at market price based on active trading.

Level 2: The values of interest rate and currency swaps are based on estimates of prices for terminating agreements and for concluding new, corresponding agreements. These estimates are given by banks operating actively on the market. The banks base their pricing on market interest rates and exchange rates. The fair values of liabilities are based on the value calculated on the basis of exchange rates and market interest rates on the reference day (current value of liabilities).

Level 3: Determination of the fair value of venture capital investments made by the subsidiaries engaged in venture capital investment is based on the valuation principles and recommendations laid down in the International Equity and Venture Capital Valuation Guidelines (IPEV) for early-stage enterprises. In accordance with the government's policy outlines, Finnvera will give up a major proportion of its venture capital investments. Finnvera has already initiated measures to this end. In consequence, when the fair value of venture capital investments is determined, attention is also paid to how the management of both Finnvera and its subsidiaries engaged in venture capital investment assess the fair value of the investments.

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

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**30 June 2016**	**31 Dec 2015**	**30 June 2016**	**31 Dec 2015**
Financial assets				
Derivatives				
- Encompassed by hedge accounting	438		438	
- Other	158 142		154 412	
Total	**158 580**		**154 850**	
Financial liabilities				
Debt securities in issue				
- Encompassed by hedge accounting	1 001 700		1 001 700	
- Other	3 755 787		3 755 787	
Total	**4 757 487**		**4 757 487**	
Derivatives				
- Encompassed by hedge accounting	0		0	
- Other	137 200		137 200	
Total	**137 200**		**137 200**	
Net result of hedge accounting				
Gains/losses from items carried at fair value*)				
- Derivatives encompassed by hedge accounting	10 868		0	
- Liabilities encompassed by hedge accounting	-12 136		0	
Total	**-1 268**		**0**	

*) 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. Finnish Export Credit is Finnvera's subsidiary.

7 Financial assets and liabilities recognised at fair value

LEVEL 3, Financial assets	Finnvera Group		Finnvera plc	
(EUR 1,000)	**30 June 2016**	**31 Dec 2015**	**30 June 2016**	**31 Dec 2015**
Financial assets at carried at fair value				
Balance at 1 Jan	**115 388**	**128 870**	**14 068**	**14 068**
Profits and losses entered in the income statement, in total	0	-23 299	0	6
Acquisitions	6 249	15 726	0	0
Sales	3 802	-8 928	0	0
Other	230	3 019	0	-6
Total at the end of the period	**118 065**	**115 388**	**14 068**	**14 068**
Profits and losses entered in the income statement for the instruments held by Finnvera	274	222	41	36

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

Finnvera Group (EUR 1,000)	**Gross recognised amounts**	**Net carrying amount in the balance sheet**	**Financial instruments*)**	**Cash received as collateral *)**	**Net amount *)**
Financial assets at 30 June 2016					
Derivatives	158 580	158 580	-60 923	-110 300	-12 643
Financial liabilities at 30 June 2016					
Derivatives	137 200	137 200	-60 923	-74 390	1 887
Financial assets at 31 Dec 2015					
Derivatives	115 791	115 791	-59 276	-68 700	-12 185
Financial liabilities at 31 Dec 2015					
Derivatives	144 228	144 228	-59 276	-86 710	-1 758

Finnvera plc (EUR 1,000)	**Gross recognised amounts**	**Net carrying amount in the balance sheet**	**Financial instruments*)**	**Cash received as collateral *)**	**Net amount *)**
Financial assets at 30 June 2016					
Derivatives	154 850	154 850	-60 923	-110 300	-16 373
Financial liabilities at 30 June 2016					
Derivatives	137 200	137 200	-60 923	-74 390	1 887
Financial assets at 31 Dec 2015					
Derivatives	114 543	114 543	-59 276	-68 700	-13 433
Financial liabilities at 31 Dec 2015					
Derivatives	144 228	144 228	-59 276	-86 710	-1 758

*) Amounts not set off but subject to master netting agreements and similar agreements.

9 Derivatives

(EUR 1,000)	**Finnvera Group**			**Finnvera plc**		
	Fair value		**Total nominal**	**Fair value**		**Total nominal**
	positive	**negative**		**positive**	**negative**	
Contracts entered in hedging purposes 30 June 2016						
Currency derivatives						
- Interest rate swaps and foreign exchange derivatives	158 580	137 200	4 633 180	154 850	137 200	4 633 180
Total derivatives	**158 580**	**137 200**	**4 633 180**	**154 850**	**137 200**	**4 633 180**
Contracts entered in hedging purposes 31 Dec 2015						
Currency derivatives						
- Interest rate swaps and foreign exchange derivatives	115 791	144 228	3 937 734	114 543	144 228	3 937 282
Total derivatives	**115 791**	**144 228**	**3 937 734**	**114 543**	**144 228**	**3 937 282**

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

10 Changes in liabilities

(EUR 1,000)	Finnvera Group		Finnvera plc	
	Nominal value	**Carrying value**	**Nominal value**	**Carrying value**
Liabilities to credit institutions and other institutions				
Carryin amount at 1 June 2016	2 653 738	2 655 046	67 985	67 985
- New loans	0	0	0	0
- Repayments	-180 004	-180 004	-19 000	-19 000
- Other changes	-29 221	-29 054	-658	-658
Carrying amount at 30 June 2016	**2 444 513**	**2 445 988**	**48 327**	**48 327**

(EUR 1,000)	Finnvera Group		Finnvera plc	
	Nominal value	**Carrying value**	**Nominal value**	**Carrying value**
Debt securities in issue				
Carryin amount at 1 June 2016	3 937 282	3 957 734	3 937 282	3 957 734
- Debt securities in issue	1 000 000	989 340	1 000 000	989 340
- Repayments	-266 572	-266 572	-266 572	-266 572
- Other changes	-37 531	76 985	-37 531	76 985
Carrying amount at 30 June 2016	**4 633 180**	**4 757 487**	**4 633 180**	**4 757 487**

Capital loans				
Capital loans at 30 June 2016		**93 089**		**93 089**

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

11 Contingent liabilities and commitments

	Finnvera Group			
(EUR 1,000)	**30 June 2016**	**31 Dec 2015**	**30 June 2016**	**31 Dec 2015**
Off-balance sheet items				
Guarantees				
- Export guarantees and special guarantees	1 068 260	1 003 387	1 068 260	1 003 387
- Total guarantees	16 895 580	17 436 060	16 895 580	17 436 060
- Binding financing offers	4 077 141	4 954 366	159 510	154 823
Total	**22 040 981**	**23 393 813**	**18 123 349**	**18 594 270**

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.

Commitments for export credit guarantees and special guarantees mean commitments referred to in the Act on the State Guarantee Fund (18.6.1998/444). The commitments are presented as total outstanding commitments, which includes both current commitments and offers given:

The parent company's binding financing offers consist of irrevocable financing pledges given for the client in accordance with the Act on Credits and Guarantees Provided by the State-owned Specialised Financing Company. The pledge may be either a pledge to grant a credit or a guarantee, given for a third party, concerning a non-disbursed credit. The figure for the Group also includes the unused credit arrangements for export credits granted by Finnish Export Credit Ltd.

Outstanding commitments arising from export credit guarantees and special guarantees are divided between current commitments and offers given as follows:

	Finnvera Group		**Finnvera plc**	
(EUR 1,000)	**30 June 2016**	**31 Dec 2015**	**30 June 2016**	**31 Dec 2015**
Current commitments	**15 834 317**	**16 466 137**	**15 834 317**	**16 466 137**
- For export credit guarantees	15 659 867	16 324 340	15 659 867	16 324 340
- For special guarantees	174 450	141 796	174 450	141 796
Offers given	1 061 263	969 924	1 061 263	969 924
- For export credit guarantees	1 061 263	969 924	1 061 263	969 924
- For special guarantees	0	0	0	0
Total	**16 895 580**	**17 436 060**	**16 895 580**	**17 436 060**

12 Related parties

(EUR 1,000)	**Finnvera Group**	
Business transactions carried out with related parties; receivables from and liabilities to related parties	**1–6/2016**	**1–6/2015**
Services purchased	1 997	1 825
	30 June 2016	**31 Dec 2015**
Loans	2 334 118	1 641 451
Receivables	47 274	72 872
Long-term liabilities	2 400 673	2 615 590
Short-term liabilities	47 274	72 872
Guarantees	4 718 222	4 240 472

Besides the Group companies, the Group's related parties include the companies where the State holds the majority of shares and where the Ministry of Employment and the Economy exercises ownership steering; as well as the State Treasury. Related parties also include the members of the Supervisory Board and the Board of Directors, the Chief Executive Officer and the Executive Vice President.

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13 Key figures and their calculation

		Finnvera Group		Finnvera plc	
(EUR 1,000)		**30 June 2016**	**31 Dec 2015**	**30 June 2016**	**31 Dec 2015**
Equity ratio		12.2	13.3	16.1	18.8
Capital adequacy ratio	Tier 1	18.7	1.2	17.3	16.9
	Tier 2	18.9	19.6	17.5	17.8
Expense-income ratio		30.6	28.3	33.9	29.7

Calculation of key figures:

Equity ratio, %	(equity attributable to equity holders of the parent + non-controlling interest) *100
	balance sheet total
Capital adequacy ratio	calculated as per Basel III Standard
Cost-income ratio	administration expenses + other operating expenses
	net interest income + gains and losses from financial instruments carried at fair value +
	net fee and commission income + net income from investments + other operating income

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