



Finnvera Group

Interim Management Statement Q3/2023

1 January - 30 September 2023

Finnvera Group, Stock Exchange Release 9 November 2023

Interim Management Statement 1 January – 30 September 2023

The volumes of Finnvera’s financing remain high, risk level rising in domestic financing – Group’s result EUR 172 million

Finnvera Group, summary 1-9/2023 (vs. 1-9/2022 or 31 December 2022)

- Result 172 MEUR (-19) – In the second quarter, loss provisions for cruise shipping were reversed by 150 MEUR, which contributed to the positive result of the period under review. In the third quarter, the loss provisions for export credit guarantee and special guarantee operations were kept unchanged.
- Result by segment: result of the parent company Finnvera plc’s SME and midcap business stood at 34 MEUR (16) and that of Large Corporates business at 114 MEUR (-64). The impact of Finnvera’s subsidiary, Finnish Export Credit Ltd, on the Group’s result was 24 MEUR (29).
- The parent company Finnvera plc’s result for domestic operations was 29 MEUR (38). The result for the parent company’s export credit guarantee and special guarantee operations was 119 MEUR (-79).
- Total exposure of the parent company Finnvera plc decreased by 1% to EUR 26.3 bn (26.6).
- Balance sheet total decreased by 1% to EUR 12.6 bn (12.6).
- Contingent liabilities stood at EUR 17.1 bn (16.6) – increased by 3%.
- Non-restricted equity and the State Guarantee Fund, that is, the buffer reserves for covering potential future losses, totalled EUR 1.6 bn (1.4) – increased by 12%.
- The expected credit losses based on the balance sheet items, standing at EUR 1.4 bn (1.5) – reduced by 7%.
- Equity ratio improved by 1.4 percentage points to 8.6% (7.2%).
- Expense-income ratio improved by 0.6 percentage points to 18.5% (19.1%).
- Net promoter score (NPS) index, measuring customer satisfaction, was 64 (73), or 9 points below the corresponding period in the previous year.

CEO Pauli Heikkilä:

“The uncertain economic situation and Finland’s fall into recession manifested themselves particularly as an increase in the risk indicators for domestic financing. The risk ratings of companies have deteriorated, payment difficulties have increased, and the number of corporate debt restructurings and bankruptcies has increased in the third quarter of the year. As regards Finnvera, the change is not yet dramatic in terms of euros, but the signal is worrying for the Finnish economy.

In January–September, Finnvera granted more domestic loans and guarantees than over the same period in the year before, totalling EUR 0.9 billion (0.7). In line with the Group strategy, most of the financing was allocated to growth companies, innovative enterprises, export companies and enterprises seeking growth through internationalisation. However, it is possible that future-oriented activities and demand for financing will decrease, as customer companies in the manufacturing industry in particular are dismantling the stocks they accumulated during the component shortage following the COVID-19 pandemic and thus postpone purchases. The number of small start-ups among Finnvera’s clients has decreased significantly.

In January–September, Finnvera granted export credit guarantees and special guarantees amounting to EUR 3.8 billion (3.6). From the perspective of export financing exposure, the outlook for the largest sector, cruise shipping, has improved: the customer volumes and profitability of the largest cruise shipping companies have returned close to the 2019 level. In terms of Finnvera’s export financing exposure, the telecommunications sector has become the second largest sector, with an 18 per cent share.

The Finnvera Group’s result for January–September was EUR 172 million (-19). The parent company’s SME and midcap business and the Large Corporates business, as well as the subsidiary Finnish Export Credit Ltd all made a profitable result. In the third quarter, we kept the loss provisions for export credit guarantee and special guarantee operations unchanged. At the end of September 2023, Finnvera’s exposure in Russia stood at EUR 311 million. In the second quarter, we reversed some of the credit loss provisions made due to the COVID-19 pandemic in 2020, most of which were allocated for cruise shipping companies.

In August, Finnvera’s Board of Directors approved the company’s updated strategy, which specified Finnvera’s future climate targets along

Finnvera Group, 1-9/2023	
Result 1-9/2023 172 MEUR (1-9/2022: -19 MEUR)	Balance sheet total 30 Sep 2023 EUR 12.6 bn (31 Dec 2022: EUR 12.6 bn) change -1%
Total exposure 30 Sep 2023, the parent company’s domestic, export credit guarantee and special guarantee operations EUR 26.3 bn (31 Dec 2022: EUR 26.6 bn) change -1%	Non restricted equity and The State Guarantee Fund after 1-9/2023 result 30 Sep 2023 EUR 1.6 bn (31 Dec 2022: EUR 1.4 bn) change 12%
Expense-income ratio 1-9/2023 18.5% (1-9/2022: 19.1%) change -0.6 pp	Equity ratio 30 Sep 2023 8.6% (31 Dec 2022: 7.2%) change 1.4 pp
NPS index (net promoter score) 1-9/2023 64 (1-9/2022: 73) change -9 points	Expected credit losses based on the balance sheet items 30 Sep 2023 EUR 1.4 bn (31 Dec 2022: EUR 1.5 bn) change -7%

with its basic tasks, export promotion and diversification of domestic financing. During the past year, increasing investments in clean transition have acted as a positive driver of the economy. There has been a lot of demand for climate and environmental loans as well as digitalisation and innovation loans that we introduced in June. By the end of September, we had granted EUR 15 million of these unsecured loans enabled by the Invest-EU programme in cooperation with the European Investment Fund.

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The preparation of the overhaul of the legislation on Finnvera included in the Finnish Government Programme has begun under the direction of the Ministry of Economic Affairs and Employment, in cooperation with the Ministry of Finance. The aim is to simplify the legislation and improve the competitiveness of export financing in relation to other countries.

Exports are of great importance to the Finnish economy, and export credit guarantees secure exports in times of global uncertainty in particular. The impacts of the crisis erupted in the Middle East on the world economy will not be seen until later.”

Finnvera Group
Financing granted in 1-9/2023 (vs. 1-9/2022)

- Domestic loans and guarantees granted: 920 MEUR (664), change 39%.
- Export credit guarantees and special guarantees granted, incl. SME and midcap export credit guarantees: EUR 3.8 bn (3.6), change 3%.
- Export credits granted: 33 MEUR (891), change -96%.
 - The credit risk for the subsidiary Finnish Export Credit Ltd’s export credits is covered by the parent company Finnvera plc’s export credit guarantee.
 - The fluctuation in the amount of export credit guarantees and export credits is influenced by the timing of individual major export transactions.

Exposure 30 September 2023 (vs. 31 December 2022)

- Exposure, domestic loans and guarantees: EUR 2.8 bn (2.7), change 3%.
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export credit guarantees: EUR 23.6 bn (23.9), change -2%.
 - Drawn exposure: EUR 13.8 bn (14.1), change -3%, of which Large Corporates’ cruise shipping exposure EUR 6.5 bn (6.6)
 - Undrawn exposure: EUR 6.6 bn (7.9) and binding offers EUR 3.2 bn (1.9), in total EUR 9.8 bn (9.8), change 0%, of which Large Corporates’ cruise shipping exposure in total EUR 5.3 bn (6.1 bn).
- Exposure, export credits drawn: EUR 6.5 bn (7.5), change -14%.

Financial performance

Finnvera Group Financial performance	Q3/2023 MEUR	Q3/2022 MEUR	1-9/2023 MEUR	1-9/2022 MEUR	Change MEUR	Change %	2022 MEUR
Net interest income	34	19	82	50	32	64%	69
Net fee and commission income	46	47	137	155	-18	-11%	204
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	-2	-6	-4	3	-7	-	-6
Other operating income	0	-32	0	42	-41	-100%	0
Operational expenses	-10	-10	-36	-35	1	2%	-49
Other operating expenses and depreciations	-1	-2	-4	-5	-1	-14%	-6
Realised credit losses and change in expected credit losses, net	-41	-5	1	-222	-223	-	-148
Operating result	27	11	177	-12	189	-	64
Result	24	10	172	-19	191	-	55

The Finnvera Group’s result for January–September 2023 was EUR 172 million (-19). Of the Group’s result, EUR 24 million was generated in July–September and EUR 148 million in January–June. In the second quarter, loss provisions for cruise shipping were reversed by EUR 150 million, which contributed also to the positive result of the January–September period. In the third quarter, the loss provisions for export credit guarantee and special guarantee operations were kept unchanged. The business outlook of cruise shipping companies has improved in 2023, and the sector’s liabilities have decreased, but the credit risk remains high. The rise in market interest rates has contributed to the risk, and the loss provisions for the sector as a whole remain significant. At the end of September, the exposure in Russia stood at EUR 311 million (422). The credit risk of exposure in Russia and the need for loss provisions are not expected to have changed.

During the period under review, the Finnvera Group’s realised credit losses amounted to EUR 106 million (6) in total. In the period under review, loss provisions decreased by EUR 107 million, whereas in the comparison period they increased by EUR 216 million. The realised credit losses

and the change in loss provisions net amounted EUR 1 million positive, whereas the corresponding item in the comparison period amounted EUR 222 million negative.

During the period under review, the Group’s net interest income totalled EUR 82 million (50) and its net fee and commission income was EUR 137 million (155). In particular, the increase in market interest rates improved the net interest income from the corresponding period in the year before. Net fee and commission income was lower than in the previous year, which was due to the reorganisation of financing agreements concluded during the comparison period and the recognised premiums from early repayments of liabilities.

After the result of the period under review, as per 30 September, the parent company’s reserves for domestic operations and export credit guarantee and special guarantee operations for covering potential future losses totalled to EUR 1,415 million (1,261). The reserves covering also the credit risk for export credits consisted of a reserve for domestic operations of EUR 404 million (375), a reserve for export credit and special guarantee financing as well as the assets in the State Guarantee Fund for

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covering a loss-making result totalling EUR 1,011 million (886). The State Guarantee Fund is a fund not included in the state budget, the funds of which have been accumulated in the activities of Finnvera's predecessor organisations. Under the Act on the State Guarantee Fund, the Fund covers the result showing a loss in the export credit guarantee and special guarantee operations if the reserve funds in the company's balance sheet are not sufficient.

At the end of September, the non-restricted equity of the subsidiary, Finnish Export Credit Ltd, was EUR 195 million (171).

Risk position of financing

At the end of September, the exposure for drawn domestic loans and guarantees amounted to EUR 2,544 million (2,335), increasing by EUR 209 million from the end of the previous year.

The general deterioration in the economic situation has affected the quality of the credit portfolio of domestic financing to a certain degree, but so far significant credit losses have been avoided. Risks pertaining to individual clients have remained at a reasonable level, although a slight increase in the amount of arrears in euros can be detected compared to the turn of the year. Of the exposures, approximately 70 per cent fall within the intermediate credit risk categories B- – BB+.

At the end of September, the total exposure arising from export credit guarantees and special guarantees was EUR 23,563 million (23,928). Approximately 75 per cent of the outstanding export credit guarantees and special guarantees totalling EUR 20,405 million (22,031) and binding offers totalling EUR 3,158 million (1,897) were associated with transactions in EU Member States and OECD countries. Altogether, 33 per cent of the exposure was in risk category BBB-, which reflects investment grade, or in better risk categories.

There were no significant changes in the risk distribution of export credit guarantees compared to the end of 2022. The biggest risks were still related to the cruise shipping sector and exposures in Russia.

Outlook for 2023

The business outlook for cruise shipping companies has improved in 2023, and Finnvera Group's exposure in the cruise shipping sector and in Russia have also decreased. However, the credit loss risk of the exposure remains high. In particular, the risks are associated with cruise shipping companies and exposures in Russia, resulting in uncertainty about the Finnvera Group's profit development in 2023. In line with the H1/2023 report, the Group's result for 2023 is largely determined by realised final credit losses and changes in the amount of loss provisions.

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This stock exchange release is a summary of Finnvera Group's interim management report of January–September 2023 and contains the relevant information from the report. The interim management report in its entirety is attached to this bulletin as a PDF file and is available on the company's website in Finnish and English at www.finnvera.fi/financial_reports.

Interim Management Statement 1 January–30 September 2023 (PDF)

Distribution:

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

www.finnvera.fi

The report is available in Finnish and English at

www.finnvera.fi/financial_reports

Interim Management Statement Tables

Consolidated comprehensive income statement

(EUR 1,000)	Finnvera Group	
	1-9/2023	1-9/2022
Interest income		
- Interest from loans passed on to customers	252,424	66,787
- Other interest income	341,870	186,022
Total interest income	594,294	252,809
Interest expense	-512,118	-202,804
Net interest income	82,176	50,005
Net fee and commission income	137,314	154,890
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-4,352	3,120
Net income from investments	35	5
Other operating income	132	41,598
Total operational expenses	-35,781	-35,097
- Personnel expenses	-23,548	-22,134
- Other operational expenses	-12,233	-12,964
Depreciation and amortisation on tangible and intangible assets	-3,634	-4,346
Other operating expenses	-345	-290
Realised credit losses and change in expected credit losses, net	1,087	-222,055
- Realised credit losses	-120,261	-28,420
- Credit loss compensations from the State	14,188	22,193
- Expected credit losses	107,160	-215,827
Operating result	176,633	-12,169
Income tax	-4,707	-7,123
Result	171,926	-19,292

(EUR 1,000)	Finnvera Group	
	1-9/2023	1-9/2022
Other comprehensive income		
Items that will not be reclassified to profit or loss		
- Change in credit risk associated with liabilities carried at fair value	2,951	6,307
Items that may be reclassified subsequently to profit or loss		
- Change in fair value of investments	335	-23,041
- Change in expected credit losses of investments	56	-1,176
- Cash flow hedging	-6,290	14,666
Total other comprehensive income	-2,948	-3,244
Total comprehensive income	168,978	-22,536
Distribution of the result attributable to equity holders of the parent company	171,926	-19,292
Distribution of the total comprehensive income attributable to equity holders of the parent company	168,978	-22,536

Balance sheet

(EUR 1,000)	Finnvera Group	
	30 Sep 2023	31 Dec 2022
ASSETS		
Loans to and receivables from credit institutions		
- Payable on demand	662,884	623,294
- Investment accounts and deposits	44,981	-
- Other	31,655	33,860
	739,520	657,154
Loans to and receivables from customers		
- Loans	6,296,638	6,892,605
- Debt Securities	30,627	29,664
- Guarantee receivables	30,554	25,643
- Receivables from export credit and special guarantee operations	94,139	31,264
	6,451,958	6,979,176
Investments		
- Debt securities	3,374,069	3,151,323
- Other shares and participations	13,723	13,723
	3,387,791	3,165,045
Derivatives	186,152	166,298
Intangible assets	8,769	7,693
Tangible assets	3,745	1,906
Other Assets		
- Credit loss receivables from the state	14,138	16,282
- Other	353,953	354,257
	368,091	370,539
Prepayments and accrued income	1,422,111	1,285,962
Tax assets	2,497	795
Assets	12,570,633	12,634,568

(EUR 1,000)	Finnvera Group	
	30 Sep 2023	31 Dec 2022
LIABILITIES		
Liabilities to other institutions	130,739	37,292
Debt securities in issue	9,278,076	9,662,606
Derivatives	1,144,621	1,180,392
Provisions	324,185	332,632
Other liabilities	29,056	13,370
Accruals and deferred income	585,447	496,310
Tax liabilities	984	3,418
Liabilities	11,493,107	11,726,020
EQUITY		
Equity attributable to the parent company's shareholders		
Share capital	196,605	196,605
Share premium	51,036	51,036
Fair value reserve	-23,681	-20,733
Non-restricted reserves		
- Reserve for domestic operations	374,558	399,211
- Reserve for export credit guarantees and special guarantees	134,748	78,658
Retained earnings	344,260	203,771
Non-restricted equity	853,566	681,640
Total equity, equity attributable to the parent company's shareholders	1,077,526	908,548
Total liabilities and equity	12,570,633	12,634,568

Contingent liabilities

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

Table 1: Contingent liabilities according to the status of commitments

(EUR 1,000)	Finnvera Group	
	30 Sep 2023	31 Dec 2022
Current drawn commitments (A+D+G)	8,056,640	7,484,491
Current undrawn commitments (B+E+F+H)	5,821,407	7,075,771
Offers given (C+I)	3,247,371	2,001,284
Contingent liabilities, total	17,125,418	16,561,546

Table 2: Contingent liabilities by business area

(EUR 1,000)	Finnvera Group	
	30 Sep 2023	31 Dec 2022
Domestic operations		
A) Valid guarantees	1,647,987	1,729,058
B) Binding credit commitments	128,800	250,843
C) Guarantee offers	89,227	103,954
Domestic operations total	1,866,015	2,083,855
Export credit guarantees, special guarantees and export credit commitments		
Current commitments (drawn and undrawn)		
D) Drawn export and special guarantees, not included export loans	5,725,894	5,220,615
E) Undrawn export and special guarantees, not included export loans	2,059,826	2,412,463
F) The Group: undrawn export credits granted by the subsidiary (credit commitments)	3,443,664	4,174,091
G) Export and special guarantee interest commitments, drawn commitments	682,759	534,818
H) Export and special guarantee interest commitments, undrawn commitments	189,117	238,375
Offers given		
I) Export and special guarantees	3,158,144	1,897,329
Export credit guarantees, special guarantees and export credit commitments	15,259,404	14,477,690
Contingent liabilities, total	17,125,418	16,561,546

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

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

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

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

(EUR 1,000)	Finnvera plc	
	30 Sep 2023	31 Dec 2022
Liability according to the Act on the State's Export Credit Guarantees	18,601,969	19,552,049

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.

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

Table 4: Possible obligations according to IAS 37

(EUR 1,000)	Finnvera Group	
	30 Sep 2023	31 Dec 2022
Possible obligation arising to cover losses of fund payment in accordance with The State Guarantee Fund Act	349,023	349,023

No additional contingent liabilities were recorded during the reporting period. The possible obligation will be returned to The State Guarantee Fund once the reserve for export credit guarantees and special guarantees has funds of at least EUR 829 million consisting of future profits.

Result by segment

(EUR 1,000)	SME and midcap financing			Export financing		Total
	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Large corporates	Export credits	
Finnvera Group						
1–9/2023						
Net interest income	4,426	13,242	8,918	30,525	25,065	82,176
Net fee and commission income	6,751	13,633	16,143	90,065	10,722	137,314
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-	-	-	17	-4,369	-4,352
Net income from investments	-	-	-	-	35	35
Other operating income	5	21	3	102	-	132
Operational expenses	-5,457	-8,972	-8,732	-9,922	-2,698	-35,781
Depreciation and amortisation on tangible and intangible assets	-627	-1,156	-1,043	-618	-190	-3,634
Other operating expenses	-75	-91	-79	-525	425	-345
Realised credit losses and change in expected credit losses, net	-4,409	-2,751	3,878	4,647	-278	1,087
- Realised credit losses	-8,014	-12,054	-9,732	-90,460	-	-120,261
- Credit loss compensations from the State	3,897	6,000	4,292	-	-	14,188
- Change in expected credit losses (increase - / decrease +)	-292	3,304	9,319	95,108	-278	107,160
Operating result	614	13,926	19,088	114,292	28,713	176,633
Income tax	-	-	-	-	-4,707	-4,707
Result for the period	614	13,926	19,088	114,292	24,006	171,926
Finnvera Group						
1–9/2022						
Net interest income	3,325	6,983	5,692	9,200	24,806	50,005
Net fee and commission income	6,654	15,807	16,186	105,326	10,918	154,890
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-	-	-	468	2,652	3,120
Net income from investments	-	-	43	-	-38	5
Other operating income	524	1,753	5,073	34,249	0	41,598
Operational expenses	-5,438	-8,972	-8,172	-9,659	-2,856	-35,097
Depreciation and amortisation on tangible and intangible assets	-793	-1,546	-1,179	-667	-160	-4,346
Other operating expenses	-56	-83	-66	-67	-17	-290
Realised credit losses and change in expected credit losses, net	-2,525	-3,666	-13,535	-202,852	523	-222,055
- Realised credit losses	-7,868	-15,631	-6,174	1,295	-42	-28,420
- Credit loss compensations from the State	6,119	12,534	3,540	-	-	22,193
- Change in expected credit losses (increase - / decrease +)	-776	-569	-10,901	-204,146	565	-215,827
Operating result	1,689	10,276	4,041	-64,004	35,829	-12,169
Income tax	-	-22	-	-	-7,102	-7,123
Result for the period	1,689	10,254	4,041	-64,004	28,727	-19,292

Key financial performance indicators and formulas for the key indicators

(EUR 1,000)	Finnvera Group				
	30 Sep 2023	31 Dec 2022	1-9/2023	1-9/2022	1-12/2022
Equity ratio, %	8.6	7.2			
Expense-income ratio, %			18.5	19.1	20.7

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

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



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

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