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

H2/2020 and 1 Jan–31 Dec 2020

Finnvera Group, Stock Exchange Release 23 February 2021

Report of the Board of Directors and Financial Statements 2020

Enterprises' availability of financing was secured in the coronavirus crisis – Finnvera's financial performance showed considerable loss due to credit loss provisions

CEO Pauli Heikkilä's comments:

"The coronavirus pandemic made Finnvera focus on two tasks in 2020: securing the availability of lending to viable enterprises in Finland and ensuring that conditions for export financing could be maintained in the crisis.

The management of the crisis demonstrated the importance of functioning cooperation models. Finnvera's owner, the Ministry of Economic Affairs and Employment, the Finnish Government and Parliament acted very swiftly to change laws to enable us to respond to the crisis. Finnvera's domestic loan and guarantee authorisation was raised to EUR 12 billion and the credit and guarantee loss compensation payable to Finnvera was increased to 80 per cent. We responded to enterprises' increased financing demand by making rapid changes in our products, service processes and pricing.

According to our estimate, the operating models we created very quickly with banks and other cooperation partners enabled a major portion of enterprises in need of financing to also receive financing. We granted a record amount of domestic financing, a total of EUR 1.7 billion, which is over 70 per cent more than the previous year. Exposure in domestic financing increased to EUR 2.9 billion.

EUR 2.9 billion was granted in export credit guarantees and special guarantees primarily to large corporates for export trade and EUR 1.1 billion in export credits. Export companies' previous orders and the related financing decisions extend far beyond 2020, but decisions concerning new extensive export projects decreased. The exposure related to export credit guarantees and special guarantees in the Large Corporates business was EUR 22.0 billion at the end of the year.

The cruise shipping sector was hit particularly hard by the coronavirus pandemic. In accordance with the IFRS 9 standard, in 2020 Finnvera had to make extensive credit loss provisions in the export credit guarantee and special guarantee operations, totalling EUR 1.2 billion as a result of the weakened risk ratings and macroeconomic forecasts. The Finnvera Group's profit for 2020 showed a loss of EUR 748 million after the State Guarantee Fund payment of EUR 349 million.

Finnvera's goal is to be self-sustainable over the long term, and its operations were profitable during the company's 21 years of operation, until 2019. During this period, the company increased its loss reserves for potential future losses. The reserves were sufficient for covering the considerable loss provisions made in the export credit guarantee and special guarantee operations in 2020, but their amount decreased significantly. The Group's non-restricted equity and the State Guarantee Fund's assets are included in the reserves. The increase in the export financing exposure and financing authorisations in recent years have increased the importance of risk management and protection against risks. Operations with a long-term focus, risk management and controlled risk-taking are part of Finnvera's basic task and enable us to maintain the operating conditions of export financing throughout the coronavirus crisis."

Finnvera Group, year 2020 (vs. 2019)

Result for the period **−748 MEUR** (94), change −893%	Balance sheet total **EUR 12.7 bn** (12.7), change 0%
Total exposure, the parent company, incl. binding financing offers and agreements **EUR 25.0 bn** (27.5), change −9%	Non-restricted equity and The State Guarantee Fund after result for the period **EUR 0.8 bn** (1.9), change −57%
Expense-income ratio **26.4%** (25.4), change 0.9 pp	Equity ratio **5.7%** (11.6), change −5.8 pp
NPS-index (net promoter score) **56** (64), change −8 points	Expected credit losses **EUR 1.4 bn** (0.2), change 471%

Finnvera Group, Stock Exchange Release 23 February 2021

Finnvera Group, business operations and the financial performance

1-12/2020 (1-12/2019)

- Domestic loans and guarantees granted: EUR 1,425 million (EUR 794 million), change 80%
- Export credit guarantees and special guarantees granted: EUR 3,214 million (EUR 5,442 million), change -41%
- Export credits granted: EUR 1,089 million (EUR 2,491 million), change -56%
  - The credit risk for Finnish Export Credit Ltd.'s export credits is covered by the parent company Finnvera plc's export credit guarantee
  - The fluctuation in the amount of export credit guarantees and export credits is influenced by the timing of individual major export transactions

31.12.2020 (31.12.2019)

- Exposure, domestic loans drawn and guarantees: EUR 2,430 million (EUR 1,928 million), change 26%
- Exposure, export credit guarantees and special guarantees, including SME and midcap export credit guarantees and export guarantees: EUR 22,408 million (EUR 25,489 million), change -12%
  - Drawn exposure EUR 11,762 million (EUR 11,443 million), change 3%. Of this, the total exposure of the cruise shipping and shipyard sector is EUR 4,427 million (EUR 3,939 million)
  - Undrawn exposure EUR 7,749 million (EUR 9,486 million) and binding offers EUR 2,896 million (EUR 4,560 million), total change -24%. Of this, the total exposure of the cruise shipping and shipyard sector is EUR 7,089 million (EUR 10,596 million)
- Exposure, export credits drawn: EUR 7,561 million (EUR 7,299 million), change 4%

Finnvera Group Financial performance	H2/2020 MEUR	H1/2020 MEUR	Change %	H2/2019 MEUR	2020 MEUR	2019 MEUR	Change %
Net interest income	27	24	14%	22	51	41	23%
Net fee and commission income	75	68	11%	72	143	141	2%
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	4	-2	276%	-6	2	10	-84%
Other operating income	349	0	-	0	349	0	-
Operational expenses	-22	-22	-1%	-19	-44	-42	5%
Other operating expenses and depreciations	-4	-4	0%	-10	-8	-7	12%
Realised credit losses and change in expected credit losses, net	-752	-481	56%	-42	-1,233	-43	2,742%
Operating profit/loss	-322	-418	23%	23	-740	100	-838%
Profit/loss for the period	-325	-423	23%	22	-748	94	-893%

As a result of the considerable loss provisions in the export credit guarantee and special guarantee operations, made due to the coronavirus pandemic, the Finnvera Group's profit for 2020 showed a loss of EUR 748 million after the State Guarantee Fund payment. The result showed a profit of EUR 94 million in the previous year. In 2020, the credit loss provisions associated with the export credit guarantee and special guarantee operations grew by EUR 1,166 million. On the other hand, the loss provisions of deposits in banks and investments as well as domestic loans and guarantees decreased by a total of EUR 29 million, which was mostly due to raising the State's credit loss and guarantee loss compensation from 50 per cent to 80 per cent.

The result of 2020 showing a loss was primarily covered from the assets in the reserve for export credit guarantee and special guarantee operations in Finnvera's balance sheet and thereafter, from the State Guarantee Fund. The fund payment of EUR 349 million from the State Guarantee Fund is recognised in Finnvera's other operating income. After the result for the period, the parent company Finnvera's domestic and export financing reserves to cover potential future losses amounted to EUR 692 million. The reserves consists of the following: non-restricted equity in domestic financing EUR 351 million as well as EUR 342 million remaining in the State Guarantee Fund after the fund payment. 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. 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.

In 2020, the Group's net interest income grew by 23 per cent year on year and net fee and commission income grew by 2 per cent. Changes in the value of items recognised at fair value through profit or loss and foreign exchange gains and losses were EUR 2 million positive, whereas in the previous year, the corresponding change was EUR 10 million. The operating expenses were 5 per cent higher and depreciation and other operating expenses were 12 per cent higher compared to the previous year, which was the result of the increase in the costs of collection and securing receivables, the temporary staff recruited for the processing of the increased number of domestic financing applications, as well as the increase in IT expenses following the system changes made due to the coronavirus pandemic and the ongoing financing system renewal project.

Outlook for financing

According to the Bank of Finland's forecast, GDP will grow by 2.2 to 2.5 per cent in 2021–2022. According to the forecast by the Ministry of Finance, the Finnish economy will grow by 2.5 per cent in 2021. The second wave of the coronavirus pandemic has slowed down the pace of economic recovery.

Finnvera Group, Stock Exchange Release 23 February 2021

Finnvera is prepared to secure the availability of lending to viable enterprises in all stages of the crisis. Finnvera will continue the bank financing guarantee programme and supplement the financial market also with own loans. Financing for transfers of ownership is expected to grow and preparations for financing of new growth in diverse manner have been made. This refers to the strengthening of enterprises' eligibility for financing with Finnvera's junior loan, for instance. The level of domestic financing demand in 2021 is expected to be higher than during normal years but to remain lower than in the exceptional year 2020.

The existing order book of large corporates has maintained the demand for Finnvera's export financing. The number of new large export projects has decreased, which will impact future volumes of export credit guarantees and export credits. As in previous years, the overall demand is affected by the realisation of individual major projects. The impacts of the pandemic have hit the cruise shipping sector the hardest among Finnvera's key export financing sectors. The outlook for the sector is strongly affected by when the shipping companies will be able to re-launch their operations. In other large sectors of export trade, we expect an increasing number of buyers to be interested in financing export transactions through credits guaranteed by an export credit agency. The weaker availability of commercial financing typically increases demand for financing provided by export credit agencies.

Finnvera prepares for meeting the working capital financing needs of domestic large corporates and for making new financing solutions available to enterprises in cooperation with the EU Commission and the European Investment Bank. In normal circumstances, the strategic goal is to allocate the majority of financing to enterprises seeking growth and internationalisation as well as to investments, transfers of ownership and exports. During the coronavirus pandemic, the allocation of financing is expanded to help all viable enterprises to overcome the crisis.

The financial performance in 2021 will be materially affected by the course of the coronavirus pandemic and the resolution of the uncertainty caused by the pandemic. Decisive factors are the schedule and extent of the recovery. If the economic development and the business operations of Finnvera's individual high-risk subjects achieve a sufficient growth path in the current year, improving the risk rating of the risk subjects and reducing Finnvera's loss provision entries, it is possible that the Finnvera Group's operations are self-sustainable in 2021. On the other hand, if the economy and the business operations recover more slowly, the Group's result may show a considerable loss, in the same manner as in 2020.

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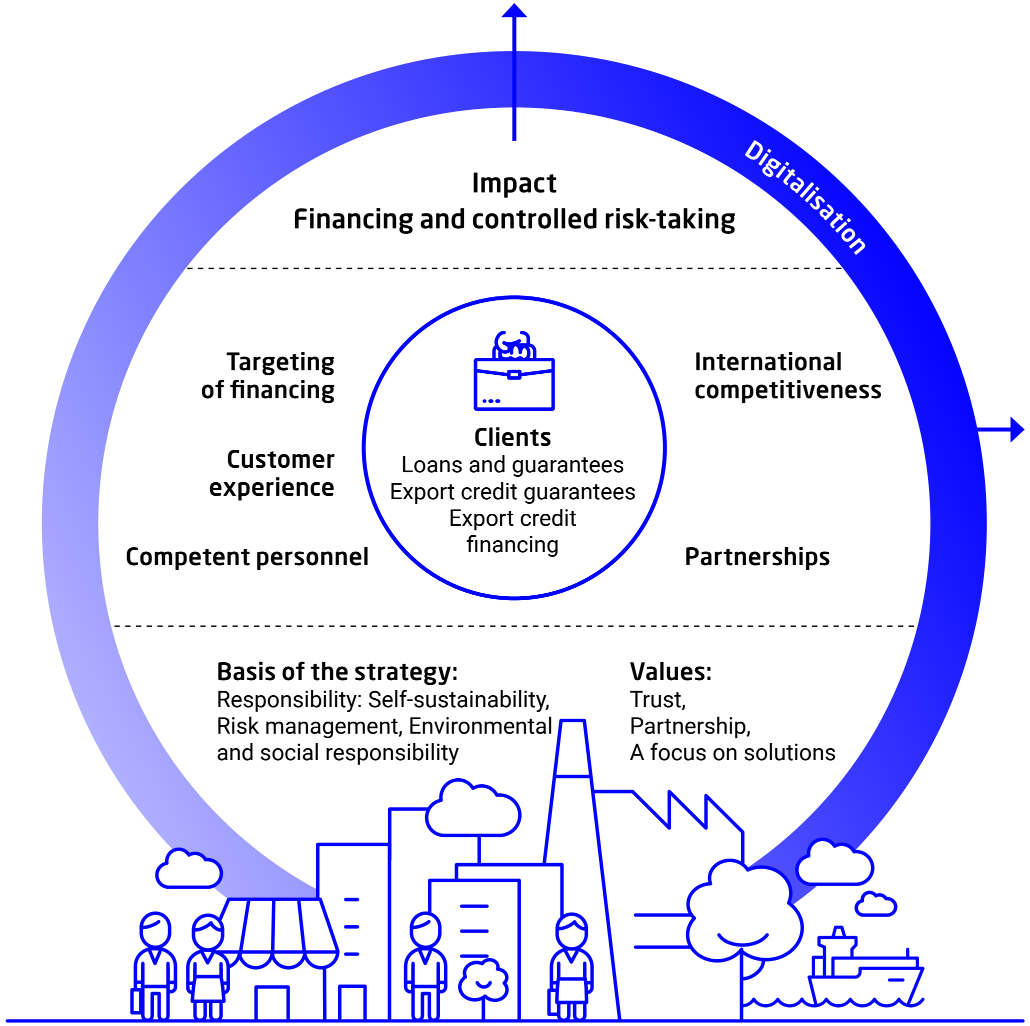
Finnvera Group's Report of the Board of Directors and Financial Statements 1 January – 31 December 2020 (PDF)

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

How Finnvera creates value

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



In an exceptional situation, Finnvera's key task is to focus on managing the crisis.

Number of clients 31 dec 2020: 26,500

- Micro-enterprises: 87%
- SMEs and midcap enterprises: 13%
- Large corporates: 0.6%

Products and services 1-12/2020

Loans and guarantees granted
EUR 1.4 billion in total
Export credit guarantees and special guarantees granted
EUR 3.2 billion in total
Export credits granted
EUR 1.1 billion in total

Authorisations and exposures 31 dec 2020

Loans and guarantees
- authorisation EUR 12.0 billion
- exposure EUR 2.5 billion including guarantee receivables EUR 32 million

Export credit guarantees
- authorisation EUR 38.0 billion
- exposure EUR 22.1 billion including export credit guarantee recivables EUR 40 million

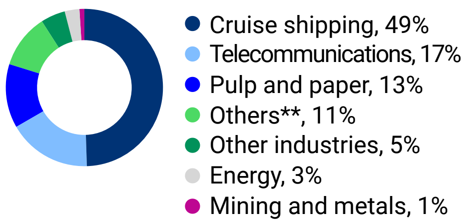
Export credits
- authorisation EUR 35.0 billion
- exposure EUR 7.6 billion

Special guarantees
(shipping and environmental guarantees and raw material guarantees)
- authorisation EUR 3.2 billion
- exposure EUR 0.4 billion

The exposure defined in the Act on the State's Export Credit Guarantees includes commitments and half of offers given at the closing date's exchange rate. The exposure according to the Act on the State's Export Credit Guarantees was EUR 19.5 billion on 31 December 2020. The total exposure arising from export credit guarantees and special guarantees includes current commitments and offers given at the reporting date's exchange rate.

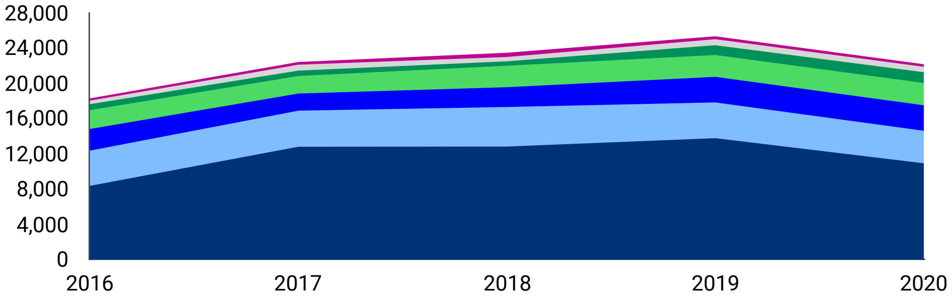
Exposure by sector 31 Dec 2020, % Loans, guarantees and export guarantees, in total 2,620 MEUR

Exposure by sector 31 Dec 2020, % Export credit guarantees and special guarantees, in total 22,172 MEUR*



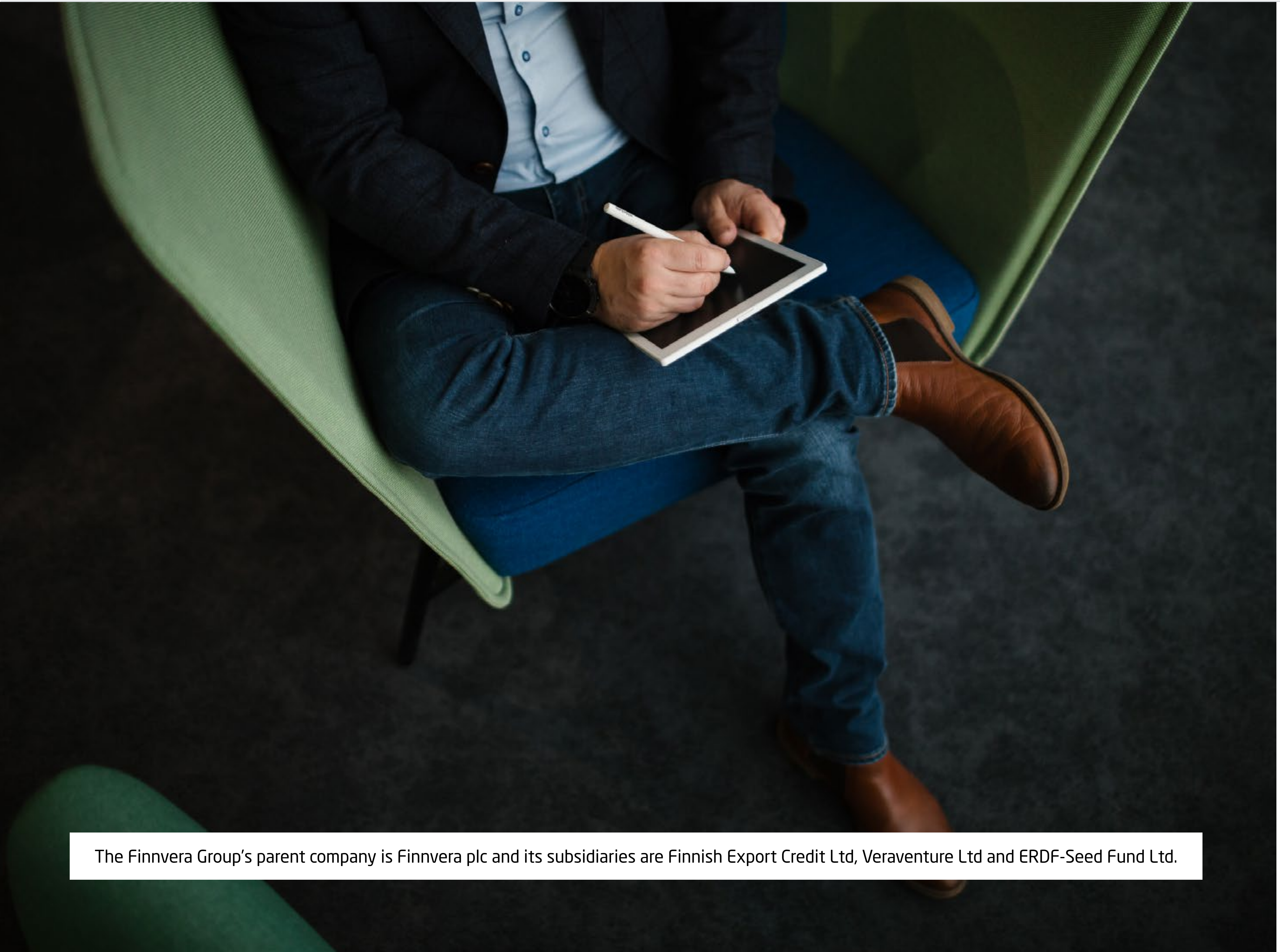
* Reinsured amounts reduced.
** Including other risks such as sovereign risks related to states and bank risks.

Export credit guarantees and special guarantees 5-year-trend of exposure by sector, MEUR*



Exposure on 31 Dec	2016	2017	2018	2019	2020
Mining and metals	255	310	478	332	290
Energy	404	667	492	684	616
Other industries	672	611	497	1,108	1,215
Others**	2,139	1,993	2,440	2,478	2,539
Pulp and paper	2,455	1,940	2,243	2,901	2,886
Telecommunications	3,994	4,092	4,487	4,055	3,688
Cruise shipping	8,380	12,814	12,835	13,786	10,938

* Reinsured amounts reduced.
** Including other risks, such as sovereign risks related to states and bank risks.



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

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

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When creating the PDF documents of Finnvera's Annual Report, the accessibility requirements for online services have been taken into account, and the publications can be read using a screen reader.

Report of the Board of Directors

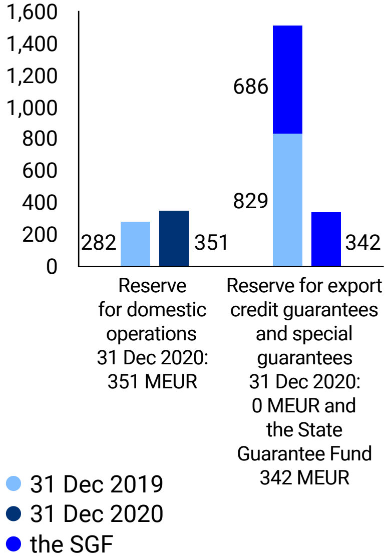
Finnvera Group

Result for the period
−748 MEUR
(2019: 94 MEUR)

Balance sheet total
12,673 MEUR
(31 Dec 2019: 12,665 MEUR)

Non-restricted equity and The State Guarantee Fund after result for the period
815 MEUR
(31 Dec 2019: 1,907 MEUR)

Reserve for domestic operations and reserve for export credit guarantees and special guarantees after result for the period



Expense-income ratio
26.4%
(2019: 25.4%)

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

Equity ratio
5.7%
(31 Dec 2019: 11.6%)

Capital adequacy, Tier 1

Domestic operations
25.1%
(31 Dec 2019: 29.4%)

Export financing
1.3%
(31 Dec 2019: 6.9%)

The domestic financing authorisation was raised

The Parliament of Finland raised Finnvera's domestic credit and guarantee authorisation from the maximum of EUR 4.2 billion to EUR 12 billion by amendment in May 2020.

Significant loss provisions due to the coronavirus pandemic

The cruise shipping sector was hit particularly hard by the coronavirus pandemic, which had dramatic impacts on shipping companies.
In accordance with the IFRS 9 standard, in 2020 Finnvera had to make extensive credit loss provisions in the export credit guarantee and special guarantee operations, totalling EUR 1.2 billion. Finnvera Group's export credit guarantee and special guarantee operations' unprofitable result was decreased by the fund payment of EUR 349 million from the State Guarantee Fund.

Clients willing to recommend Finnvera

Net promoter score index
56
(2019: 64)

Report of the Board of Directors

The coronavirus pandemic had an unprecedented impact on the global economy in 2020. Finnvera's domestic financing authorisations were raised and the company modified its services and operations quickly to the needs of enterprises. Helping viable enterprises overcome the crisis became a key task. The international cruise shipping sector's plight considerably weakened Finnvera's result due to the significant credit loss provisions.

Exposure decreased as individual export credit guarantee offers were cancelled

Finnvera's total exposure at the end of 2020, including binding financing offers and agreements, was EUR 25.0 billion when at the end of the previous year the exposure amounted to EUR 27.5 billion.

Due to the coronavirus pandemic the exposure related to domestic loans drawn and guarantees grew by 26 per cent and amounted to EUR 2.4 billion as a result of the increase in the liquidity need generated in enterprises. The exposure related to export credit guarantees and special guarantees decreased by 12 per cent to EUR 22.4 billion as a result of individual large export credit guarantee offers cancelled. At the end of the year, approximately half of the export credit guarantee and special guarantee exposure were binding financing offers or agreements that are related to future deliveries by export companies.

The financing of enterprises in the coronavirus situation

The impacts of the pandemic hit Finland in March, and the measures taken by the Government to curb the coronavirus infections imposed restrictions on the activities of society, citizens and enterprises. The needs of enterprises for financing reorganisation and new financing grew. Enterprises needed financing for working capital, in particular, while investments remained in the background. Measures were taken immediately at the beginning of the crisis to secure the capacity of enterprises through financing. In May, the Finnish Parliament raised Finnvera's domestic financing authorisation from the maximum of EUR 4.2 billion to EUR 12 billion through a legislative amendment. This constituted a significant boost to Finnvera's opportunities to grant financing.

Amid the coronavirus pandemic, Finnvera focused on two tasks: securing the availability of lending to viable enterprises and ensuring that conditions for export financing could be maintained. The strategy for the emergency situation covers the years 2020–2021.

Domestic financing was secured, the financing granted hit a record level

Finnvera responded to enterprises' increased financing demand by making rapid changes in our products, service processes and pricing and recruiting temporary staff to handle the peak in the number of received applications. The terms and conditions of the SME Guarantee, targeted at enterprises seeking growth, were changed, which made it possible to apply for the SME Guarantee for working capital needs caused by the coronavirus crisis as well. The COSME counter-guarantee makes the SME Guarantee possible. Finnvera and the European Investment Fund (EIF) agreed on an additional financing quota of EUR 625 million for the counter-guarantee to cover the increased demand. The COSME counter-guarantee makes it possible to grant financing as an unsecured 80% SME Guarantee for a loan granted by a bank.

In the emergency situation caused by the coronavirus, a fast track procedure was also created in the Finnvera Guarantee for a EUR 150,000–1,000,000 working capital loan granted by a bank. Since September, it has been possible to apply for the Finnvera Guarantee through a bank, in the same manner as the Start Guarantee and SME Guarantee, which has streamlined the financing process.

Together with the financial sector and banks, Finnvera created an operating model in which clients primarily dealt with their banks while Finnvera focused on guaranteeing the loans granted by the banks. The cooperation made it possible to respond to the several times higher demand for financing. During the peak weeks, the amount of financing granted was more than two times higher than in the previous year.

As a rule, Finnvera's guarantee coverage was defined at 80 per cent in the coronavirus situation. Following the Temporary Framework for State aid set by the European Commission, the guarantee coverage can be up to 90 per cent if the arrangement of financing for the SME absolutely requires this. Although financing continued to focus on guarantees, Finnvera in September implemented a working capital loan targeting financing needs resulting, in particular, from the coronavirus situation.

To alleviate the financing situation of enterprises, the first measures taken also included granting instalment-free periods of 12 months to clients on Finnvera's direct loans and authorising banks to grant instalment-free periods of six months on loans granted by Finnvera. Enterprises used instalment-free periods extensively, and there were close to 14,000 restructurings of financing during 2020.

At the beginning of 2020, Finnvera reduced and simplified the pricing of the Start Guarantees, SME Guarantees and Finnvera Guarantees used in financing working capital for the coronavirus situation. The new prices became effective retroactively from the beginning of March. The reduction of pricing became possible when the State raised the credit and guarantee loss compensation paid to Finnvera in domestic financing from 50 per cent to 80 per cent. This was among the emergency measures taken by the Finnish Government due to the coronavirus pandemic to secure financing for enterprises.

The starting point of pricing is that Finnvera must cover its own operating expenses and shares of potential credit losses by means of income from its operations. Finnvera's financing is granted without securities primarily up to EUR 1 million. In addition, the pricing must take into consideration the EU's and state aid rules. Finnvera's financing is not a direct subsidy and the company is not allowed to compete on the price of financing with banks.

The measures ensured that the availability of financing remained good and that Finnvera, in accordance with its goals, could secure financing for enterprises that met the requirement of long-term profitable operations.

As the coronavirus pandemic continued, the need for financing shifted to larger enterprises. Nevertheless, Finnvera's financing demand returned near the normal level in the autumn and no new peak was seen in the demand for instalment-free periods. Enterprises adjusted their operations and primarily used support solutions offered by other parties. The Finnish financing system has been functioning well in the coronavirus pandemic and viable enterprises have been able to re-arrange their payment schemes and acquire additional financing with the aid of cooperation between Finnvera and banks.

In 2020, Finnvera granted a record amount of domestic financing totalling EUR 1.7 billion including loans, guarantees and export credit guarantees to SMEs and midcap enterprises as well as the domestic financing granted to large corporates. Exposure in domestic financing increased during the year and amounted to EUR 2.9 billion at the end of the year.

In export financing, the cruise shipping sector's difficulties resulted in considerable credit loss provisions

The coronavirus pandemic affected different export sectors in very different ways. After the initial shock, most sectors returned to their normal volumes or even achieved growth. EUR 2.9 billion was granted in export credit guarantees and special guarantees primarily to large corporates for export trade. Granted export credit amounted to EUR 1.1 billion. Export companies' previous orders and the related financing decisions extend far beyond 2020, but decisions concerning new extensive export projects decreased. The amount of instalment and covenant concessions regarding outstanding exposures increased. The exposure related to export credit guarantees and special guarantees in Finnvera's Large Corporates business was EUR 22.0 billion at the end of the year.

Finnvera's export financing typically focuses on the ship, shipyard, telecommunications and pulp and paper industries. The cruise shipping sector was hit particularly hard by the coronavirus pandemic, which had dramatic impacts on shipping companies. The collapse of their revenues and the deterioration of their financing situation weakened shipping companies' risk ratings to a significant extent. In accordance with the IFRS 9 standard, as a result of the weakened risk ratings and macroeconomic forecasts, Finnvera had to make extensive credit loss provisions in the export credit guarantee and special guarantee operations in 2020, totalling EUR 1.2 billion. Of this, the share of the cruise shipping and shipyard sector was approximately 90 per cent. Although risk forecasts had recognised a pandemic, a pandemic as rapid and global as this, leading to lockdowns in many societies was not anticipated.

The powerful growth of the export financing exposure and the raised financing authorisations have increased the importance of risk management and protection against risks in Finnvera. The goal of Finnvera's operations is to be self-sustainable. Finnvera's operations had been profitable during the company's 21 years of operation, until 2019. During this period, the company increased its loss reserves for potential future losses. The reserves were sufficient for covering the considerable loss provisions made in the export credit guarantee and special guarantee operations in 2020, but their amount decreased significantly. The Group's non-restricted equity and the State Guarantee Fund's assets are included in the reserves. 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.

Long-term self-sustainability and maintaining self-sustainability are key goals also during the exceptional time. Although the probability of risks has increased due to the coronavirus pandemic, operations with a long-term focus, risk management and controlled risk-taking are part of Finnvera's basic task and enable us to maintain the operating conditions of export financing throughout the coronavirus crisis.

Protection against export financing risks carried by Finnvera has been developed actively in recent years. The maximum indemnity amount of Finnvera's reinsurance arrangements at the end of 2020 was EUR 1.3 billion, or 11 per cent of the drawn guarantees. Reinsurance has contibuted to mitigate realised credit losses. For example, the compensation paid on the Brazilian company Oi S.A. in 2016 amounted to EUR 474 million and the reinsurance payments received stood at EUR 297 million. In August 2020, Finnvera sold the receivable related to Oi. The cumulative net loss from Oi, including the fee and commission income received 2008–2016, totalled EUR 29 million.

Exports of large capital goods require long financing agreements. The ship handed over to Carnival Cruises from the Meyer Turku Shipyard in December is a good example: Finnvera made the financing decision related to the delivery of the ship as early as 2015. At the end of 2020, approximately half of the export financing exposure were binding financing offers or agreements that are related to future deliveries by export companies.

The domestic impact of export financing is assessed by means of input-output analyses, which indicate that the direct and indirect impacts of financing on the Finnish economy are considerable. In recent years, export financing by Finnvera has generated added value of several billions of euros and helped accumulate tens of thousands of person-years in the Finnish economy.

Authorisations for working capital financing and credit insurance expanded

Finnvera secured the continuity of export financing through new methods. In situations caused by the coronavirus, Finnvera can guarantee working capital needs of large corporates as well with a guarantee of 80 per cent up to EUR 100 million. The availability of financing for large corporates remained good in Finland, and financing was not needed to a large extent. Nevertheless, the possibility of granting working capital financing to large corporates was extended until the end of June 2021, in accordance with the decision of the Ministerial Committee on Economic Policy.

With the European Commission's special mandate, Finnvera was given the opportunity to grant export credit guarantees with a short risk period for exports to marketable risk countries, such as the EU Member States and certain western industrialised countries. The mandate was extended until the end of June 2021. Comparable temporary measures were also in place after the financial crisis of 2008.

The growing uncertainty in the global economy emphasised the importance of credit insurance in maintaining safe trade relationships and improving competitiveness. The use of Finnvera's credit insurance increased in number considerably from the previous year, although measured in euro, export financing as a whole was lower than in the previous year.

A positive aspect was that small and medium-sized export companies, in particular, discovered the credit insurance possibility. Accelerating exports by SMEs and increasing the number of enterprises using export financing services are Finnvera's key focus areas, and Finnvera has invested in increasing the competence of SMEs in export trade financing. Even during the exceptional year, Finnvera organised approximately 90 export trade financing workshops for SMEs.

Need for funding decreased as the economic outlook changed
The considerable change in the economic outlook resulted in the demand for Finnvera's export financing and, in particular, export credits in 2020 remaining lower than estimated. As a result, Finnvera implemented fewer funding activities than planned. In September, Finnvera issued a EUR 1 billion bond that will mature in 2027.

Client-centred service during the exceptional year
Smooth cooperation with banks is important in terms of granting financing and adjusting services. Factors on which the cooperation is based include electronic processes shared by the providers of financing and Finnvera, and they proved to be efficient in the crisis situation.

The contacts with ownership steering were also very close in 2020. In April, the Ministry of Economic Affairs and Employment sent to Finnvera a circular on the objectives resulting from the coronavirus pandemic to help enterprises overcome the crisis. Finnvera has been providing more frequent situation updates to the ministries in the crisis situation. Cooperation between the various actors in the MEAE Group and the Team Finland network to cover enterprises' financing needs has been systematic. The theme of growth and internationalisation was also at the forefront in 2020, although the main focus was on responding to enterprises' financing needs caused by the coronavirus pandemic.

In the coronavirus pandemic, Finnvera demonstrated its preparedness for change, competence and effectiveness as an organisation: among other things, the first adjustments to the operating methods were implemented very swiftly in March. Temporary staff was recruited to help clear the high volume of applications. Starting from the spring, the company adhered to the remote work recommendations issued by the Government. Finnvera switched to remote work on a quick schedule.

Clients' willingness to recommend Finnvera's services remained at a high level during the exceptional year as well. In SME and midcap financing, the NPS (net promoter score) rating was 50 among small enterprises, 66 among enterprises on the domestic market, and 70 among enterprises seeking growth and internationalisation. The NPS rating among large corporates was 39.

Finnvera's client volume increased in 2020 and was approximately 26,500 at the end of the year. It grew by nearly 2,000 clients from the previous year.

Impact and corporate responsibility were emphasised
One of the methods to achieve new economic growth is to make small export transactions possible. The working group on export financing development, set up by the Ministry of Economic Affairs and Employment, issued development proposals in 2020, one of which was the launch of Finnvera's direct lending for small export transactions. According to a study commissioned by Finnvera, there is a clear market failure in financing small export transactions of less than EUR 20 million after many banks withdrew from this financing. Finnvera has started preparations for granting direct export credits to boost small export transactions. The change requires an amendment to legislation.

In 2020, transferring Finnvera's financial supervision to the Financial Supervisory Authority was one of the action proposals of the working group for export financing that were advanced. The change required an amendment to legislation in the same manner as launching direct lending.

The impact of financing continued to be the spearhead of Finnvera's strategy in the emergency situation as well. The crisis situation has given a new meaning to the impact of financing, in other words, what companies achieve through financing. The results will be seen in the coming years. At the same time, the emphasis on Finnvera's social responsibility has increased. Impact and, on the other hand, the growing scale of risks require transparency, which Finnvera will promote through increased openness in communication, among other things.

Financial performance

The coronavirus pandemic had an unprecedented impact on the global economy in 2020. The economic and political consequences of the pandemic are extremely extensive and the key characteristic in these circumstances continues to be uncertainty.

As a result of the considerable loss provisions in the export credit guarantee and special guarantee operations, made due to the coronavirus pandemic, the Group's profit for 2020 showed a loss of EUR 748 million after the State Guarantee Fund payment. The result showed a profit of EUR 94 million in the previous year. In 2020, the credit loss provisions associated with the export credit guarantee and special guarantee operations grew by EUR 1,166 million. The expected credit losses for deposits in banks and investments increased EUR 10 million. The expected credit losses for domestic loans and guarantees, on the other hand, decreased by EUR 39 million, which was mostly due to the raise in the State's credit loss and guarantee loss compensation from 50 per cent to 80 per cent.

Of the Group's result showing a loss, EUR 325 million was generated in July–December and EUR 423 million in January–June. The risk ratings of individual high-risk subjects weakened further during the last months of the year, particularly in the shipping company sector, which resulted in the loss provisions in export financing growing considerably from the provisions made at the beginning of the year. The realised losses and the increase in the loss provisions in July–December totalled EUR 752 million, whereas the corresponding amount in the first half of the year was EUR 481 million. The fund payment received from the State Guarantee Fund reduced the total result showing a loss in July–December.

In August 2020, Finnvera sold the receivable from export credit and special guarantee operations related to the export credit guarantees of the Brazilian company Oi S.A., for which compensation was paid in 2016. The transaction resulted in a net loss of EUR 26 million for the financial period after the reversal of expected credit losses. The compensation paid on Oi in 2016 amounted to EUR 474 million and the reinsurance payments received stood at EUR 297 million. The cumulative net loss from Oi excluding reinsurance expenses totalled EUR 83 million in 2016–2020 and including the fee and commission income received during 2008–2016, it totalled EUR 29 million.

After the loss in the result of 2020, the parent company Finnvera's domestic and export financing reserves to cover potential future losses amounted to EUR 692 million. The reserves consisted of the following: non-restricted equity in domestic financing EUR 351 million as well as EUR 342 million in the State Guarantee Fund that covers the loss in the export credit guarantee and special guarantee operations. The result showing a loss was primarily covered from the assets in the reserve for export credit guarantee and special guarantee operations in Finnvera's balance sheet and thereafter, from the State Guarantee Fund. The assets in the State Guarantee Fund will decrease as a result of the EUR 349 million fund payment made to Finnvera. 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. 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.

In 2020, the Group's net interest income grew by 23 per cent year on year and net fee and commission income grew by 2 per cent. Changes in the value of items recognised at fair value through profit or loss and foreign exchange gains and losses were EUR 2 million positive, whereas in the previous year, the corresponding change was EUR 10 million. Cash flow hedge accounting applied from the beginning of the finacial period has decreased the volatility of the impact of items at fair value through profit and loss. The operating expenses were 5 per cent higher and depreciation and other operating expenses were 12 per cent higher compared to the previous year, which was the result of the increase in the costs of collection and securing receivables, the temporary staff recruited for the processing of the increased number of domestic financing applications, as well as the increase in IT expenses following the system changes made due to the coronavirus pandemic and the ongoing financing system renewal project.

Financial performance of Finnvera plc and the Group companies
The parent company Finnvera plc's result for 2020 showed a loss of EUR 761 million, whereas the result for the previous year showed a profit of EUR 73 million. The result showing a loss resulted from the Large Corporates business's export credit guarantee and special guarantee operations, the result of which showed a loss of EUR 848 million (a profit of EUR 53 million). The result of the SME and midcap operations showed a profit of EUR 87 million (EUR 17 million).

The result showing a loss of the export credit guarantee and special guarantee operations was decreased by the fund payment of EUR 349 million from the State Guarantee Fund, of which the share of the Large Corporates business was EUR 320 million. The net interest income of the Large Corporates business totalled EUR 2 million (EUR 3 million) and its fee and commission income was EUR 77 million (EUR 88 million). The net fee and commission income decreased by 12 per cent from the previous year due to the reduced exposure.

The net interest income in the SMEs and midcap business totalled EUR 29 million (EUR 30 million) and fee and commission income was EUR 52 million (EUR 40 million). The fee and commission income was increased by the growth of 51 per cent in guarantee liabilities resulting from the coronavirus pandemic. The amount of realised and expected losses in the outstanding credits and guarantees and the guarantee portfolio of the SME and midcap business was EUR 48 million (EUR 32 million). Loss provisions decreased by EUR 26 million, whereas they increased by EUR 3 million in the previous year. The loss provisions of the realised credit losses totalled EUR 36 million (EUR 17 million) in the financial period. These changes were affected by the increase of the losses and increase in the State's credit loss compensation retroactively due to the coronavirus pandemic from 50 per cent to 80 per cent from the beginning of 2020.

The impact of the subsidiaries on the Group's result in 2020 was EUR 13 million (EUR 22 million). Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 13 million (EUR 22 million) of the result impact. The result impact on the Group's result of the subsidiaries Veraventure Ltd and ERDF-Seed Fund Ltd., which engage in venture capital financing, was slightly negative in total (EUR 0).

Separate result for export credit guarantee and special guarantee operations

The separate result for export credit guarantee and special guarantee operations, as defined in the Act on the State Guarantee Fund, showed a loss of EUR 1,178 million (a profit of EUR 56 million) in 2020. Based on the results showing a profit in the previous years, the funds accumulated in the reserve for export guarantee and special guarantee operations in the Finnvera balance sheet that primarily covers loss amount to EUR 829 million (EUR 773 million). The loss in the separate result exceeded the amount of the reserve for export credit guarantee and special guarantee operations, which is why the exceeding portion was covered by a fund payment from the State Guarantee Fund, in accordance with the Act on the State Guarantee Fund. After the fund payment of EUR 349 million received from the State Guarantee Fund, the separate loss of the export credit guarantee and special guarantee operations in the Finnvera Group was EUR 829 million.

Analysis of financial performance in January-December 2020

Interest income and expenses

The Finnvera Group's net interest income in January–December came to EUR 51 million (EUR 41 million), of which the net interest income of the export credit business amounted to EUR 20 million (EUR 7 million), net interest income of the SME and midcap business amounted to EUR 29 million (EUR 30 million) and net interest income of the large corporates business to EUR 2 million (EUR 3 million). The Group's net interest income accumulated was 23 per cent higher than in the previous year especially as the net interest income of asset management improved due to the impact of the investment and interest position result and as the interest expenses decreased less than the interest income.

Due to lower market interest rates the interest income decreased by 37 per cent year on year, totalling EUR 105 million (EUR 166 million). This decrease was most notably driven by interest from loans passed on to the clients, which decreased by 34 per cent from the previous year. At the end of December, outstanding export credits granted by the subsidiary Finnish Export Credit Ltd were at a 4 per cent higher level year on year but interest income from lending was up to 44 per cent lower specifically as a result of the decrease in the reference rate for US dollar-denominated loans. On the other hand, outstanding loans in domestic financing provided by the parent company decreased by 12 per cent year on year and interest income decreased by 1 per cent from the previous year. In addition, the total interest income was impacted by interest income from receivables from credit institutions, totalling EUR 5 million (EUR 9 million), and interest income from debt securities as well as derivatives hedging liquidity, totalling EUR 2 million (EUR 10 million).

The interest expenses also decreased significantly year on year, resulting specifically from the lower market interest rates. Interest expenses were EUR 54 million (EUR 125 million), showing a year-on-year decrease of 56 per cent. In 2020, the amount of funds acquired from the market by Finnvera was EUR 1,000 million (EUR 1,937 million). The amount of debt securities in issue at the end of December was EUR 10,379 million (EUR 10,138 million).

Fee and commission income and expenses

The net value of the Group's fee and commission income and expenses increased by 2 per cent year on year and was EUR 143 million (EUR 141 million).

The total fee and commission income of EUR 162 million were at the previous year's level (EUR 162 million). Fee and commission income from export credit guarantee and special guarantee operations decreased by 7 per cent, which was due to the decrease in the number of export credit guarantees and special guarantees granted. On the other hand, fee and commission income from domestic financing guarantees increased by 17 per cent, as a result of the increase in guarantee demand and exposure due to the coronavirus pandemic. Export credit commitment fees increased by 7 per cent from the corresponding period last year.

The share of the parent company's export credit guarantee and special guarantee operations in fee and commission income was 65 per cent (70 per cent), while domestic loans and guarantees accounted for 25 per cent (22 per cent) of fee and commission income. Export credits accounted for 10 per cent (8 per cent) of fee and commission income.

Fee and commission expenses totalled EUR 19 million (EUR 21 million) and were 9 per cent lower than in the previous year. Fee and commission expenses primarily consisted of the expenses of the reinsurance taken by the parent company, which were 10 per cent lower than in the previous year as the maximum indemnity amount of reinsurance arrangements decreased to EUR 1,284 million (EUR 1,473 million).

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

The Group's positive changes in the value of items recognised at fair value through profit or loss and net income from foreign currency operations totalled EUR 2 million (EUR 10 million) during the financial period, of which the change in the fair value of liabilities, debt securities and interest rate and currency swaps accounted for less than EUR 1 million negative (EUR 9 million). The change in the fair value of venture capital financing and gains and losses from sales from venture capital financing and SME bonds amounted to less than EUR1 million (EUR 0 million). Net income from foreign currency operations was EUR 2 million (EUR 1 million).

Finnvera applies hedge accounting in the valuation of liabilities when hedge accounting is applicable. At the end of the financial year, the carrying amount of these liabilities was EUR 7,194 million (EUR 6,961 million). The liabilities are hedged from changes caused by market interest rates. Credit risk changes are not part of the hedging relationship. During the financial year, the change in the fair value of the liabilities covered by hedge accounting and the derivatives that are used for hedging them had a total impact of EUR 1 million (EUR 2 million) on profit. Correspondingly, their cumulative unrealised impact on profit was EUR 3 million (EUR 2 million) at the end of 2020.

The fair value option is applied to the valuation of liabilities that fall outside hedge accounting when they are hedged with derivative contracts. The valuation of the liabilities is based on market quotes. The credit risk portion of the fair value change of liabilities is presented in other comprehensive income. At the end of the financial year, the carrying amount of these liabilities was EUR 3,185 million (EUR 3,177 million). During the first half of the year, the liabilities subject to the fair value option and the derivatives that are used for hedging them had a negative impact of EUR 1 million on profit (EUR 0 million). Correspondingly, their cumulative unrealised impact on profit was EUR 2 million (EUR -1 million) at the end of 2020.

In addition to derivatives that are used in hedging liabilities, Finnvera has taken out individual long-term cross currency swaps to cover foreign currency commitments. Cash flow hedge accounting has been applied to these starting from 1 January 2020. The derivative contracts' impact on profit was less than EUR 1 million negative (EUR 7 million). Their cumulative unrealised impact on profit was EUR 3 million (EUR 3 million) at the end of 2020.

As of 1 January 2020, Finnvera has applied fair value hedge accounting to some of the debt securities that are hedged with interest rate swaps. These and debt securities designated at fair value through profit and loss (the fair value option) and interest rate swaps hedging them as well as other interest rate swaps for liquidity management purposes had an impact of less than EUR 1 million negative (EUR 0 million) on profit.

Other income

Other operating income included a fund payment of EUR 349 million from the State Guarantee Fund to cover the export credit guarantee and special guarantee operations result, which showed a loss. 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. The Fund covers the result showing a loss in the export credit guarantee and special guarantee operations if the funds in Finnvera's corresponding balance sheet are not sufficient to cover the loss.

Net income from investments were less than EUR 1 million (EUR 0 million) in 2020.

Operating expenses, depreciation and amortisation and other operating expenses

The Group's operating expenses were EUR 44 million (EUR 42 million), of which personnel expenses accounted for EUR 29 million (EUR 29 million) and other operating expenses for EUR 15 million (EUR 14 million). Depreciation and amortisation amounted to EUR 7 million (EUR 7 million) and other operating expenses less than EUR 1 million (EUR 0 million).

The operating expenses, other operating expenses and depreciation and amortisation were 6 per cent higher compared to the previous year, which was the result of the increase of EUR 2 million in the costs of collection and securing receivables, the expenses of EUR 1 million related to the temporary staff recruited for the processing of the increased number of domestic financing applications, as well as the increase of EUR 1 million in IT expenses following the system changes made due to the coronavirus pandemic and the ongoing financing system renewal project. Travel expenses as well as the expenses of marketing and communications, among others, decreased instead from the previous year as a result of the coronavirus pandemic.

In 2020, personnel expenses were close to the previous year's level. Personnel expenses accounted for 65 per cent of operating expenses (68 per cent).

Realised and expected credit losses

When calculating expected credit losses (ECL), in other words the credit loss provisions, the Finnvera Group adheres to the same general principles of the IFRS 9 Financial Instruments standards as the banking sector in general. In the ECL models, the calculation formula is PD (probability of default) x EAD (exposure at default) x LGD (loss given default). Calculation is specific to each financing instrument and is carried out according to stage 1, 2 or 3 depending on whether the credit risk of the financial instrument is significantly higher than at the moment when it was originally granted. Significant individual exposures are always estimated separately. Recording credit loss provisions requires the management's judgment of uncertainties affecting ECL calculation, such as credit loss probabilities, macroeconomic scenarios and their weighting on the end date of the reporting period.

The coronavirus pandemic had an unprecedented impact on the global economy in 2020. The economic and political consequences of the pandemic are extremely extensive and the key characteristic in these circumstances continues to be uncertainty. International restrictions on movement in particular and the state of emergency in Finland and other countries brought the economy to a drastic and sudden stop. Consequently, the changes of macroeconomic forecasts for 2020 have weakened the macroeconomic scenarios used in loss provision calculation. According to the IMF's October forecast, the GDP is expected to decrease globally by 4.4 per cent and in developed countries by 5.8 per cent. It is estimated that the economic recession in Finland will remain lower than elsewhere in the euro region in 2020. In 2020, Finland's GDP declines by approximately 3.8 per cent according to the Bank of Finland's December forecast and by 3.3 per cent according to the Ministry of Finance's forecast.

On the basis of the exceptional decline of the GDP outlook, the PIT-PD (point-in-time probability of default) tables of macroeconomic indicators used in Finnvera's financial statements have been updated to correspond with the prevailing economic circumstances. The update of the macroeconomic scenarios considerably increased the credit loss provisions for the parent company's export credit guarantee and special guarantee operations for 2020. Loss provisions were also considerably increased by the decline of risk ratings of individual high-risk subjects and the LGD increases in the shipping company sector, in particular. The impact of the risk rating and LGD changes on the amount of loss provisions is essential for individual high-risk subjects.

The consequences of the coronavirus pandemic have not yet had a considerable impact on the amount of realised credit losses. However, the negative economic development can be expected to continue in 2021. Based on the current information, it is very difficult to estimate the speed of recovery.

In August 2020, Finnvera sold the receivable from export credit and special guarantee operations related to the export credit guarantees of the Brazilian company Oi S.A., for which compensation was paid in 2016. The transaction resulted in a net loss of EUR 26 million for the financial period after the reversal of expected credit losses. The compensation paid on Oi in 2016 amounted to EUR 474 million and the reinsurance payments received stood at EUR 297 million. The cumulative net loss from Oi excluding reinsurance expenses totalled EUR 83 million in 2016–2020 and including the fee and commission received during 2008–2016, it totalled EUR 29 million.

The Group's realised credit losses and change in expected credit losses totalled EUR 1,269 million in 2020 (EUR 60 million). The credit loss provisions increased by a total of EUR 1,137 million (EUR 28 million). The realised losses were EUR 132 million (EUR 32 million). The losses included the loss entry caused by the sales of Oi S.A.'s receivables from export credit and special guarantee operations, which was netted by the dissolution of previously made loss provisions so that the loss caused by Oi on the 2020 financial year was EUR 26 million, as stated above. The credit loss compensation covering losses were EUR 36 million (EUR 17 million), the amount of which was affected by the increase in the State's credit loss compensation on domestic loans and guarantees retroactively from 50 per cent to 80 per cent from the beginning of 2020. After the State's credit loss compensation, the Group's liability for the losses was EUR 1,233 million (EUR 43 million).

When reviewed by business area, expected losses in domestic financing decreased by a total of EUR 37 million in 2020. Loss provisions stood at EUR 49 million at the end of December, while the corresponding amount was EUR 86 million at the end of the previous year. The amount of loss provisions was decreased by the raising of the State's credit loss compensation to 80 per cent and it was increased by the deterioration of macroeconomic indicators used in calculation. The macroeconomic forecast used was the decline of Finland's GDP by 5 per cent during 2020.

Expected losses associated with export credit guarantees and special guarantees grew by EUR 1,222 million, resulting in a negative result for 2020. Loss provisions on the balance sheet stood at EUR 1,295 million at the end of December and at EUR 73 million at the end of the previous year. Loss provisions were increased, as stated above, by the deterioration of macroeconomic indicators and the decline of risk ratings and LGD values of individual risk subjects. The macroeconomic forecast used was the GDP forecast for developed countries for 2020 published by the IMF in October 2020, weighted with three different scenario realisation likelihoods: very strong recession (50 per cent), development that is weaker than the normal forecast (30 per cent) and normal development (20 per cent).

Non-performing exposure

Calculated according to the method harmonised at the EU level, the amount of non-performing exposure in domestic financing stood at EUR 89 million at the end of December (EUR 117 million). When the impairment losses recognised are considered, non-performing exposure accounted for 3.4 per cent of total exposure. This was 2.2 percentage points lower than the amount of non-performing exposure at the end of 2019 (5.6 per cent). The ratio of non-performing exposure to total exposure was 0.7 per cent (2.8 per cent) when the credit loss compensation received by the company for domestic financing from the State is taken into account.

The amount of non-performing exposure in export financing stood at EUR 51 million at the end of December (EUR 107 million). Non-performing exposure accounted for 0.2 per cent of total exposure. This was 0.2 percentage points lower than the amount of non-performing exposure at the end of the previous year (0.4 per cent).

Long-term economic self-sustainability

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

Self-sustainability in domestic financing has been attained over a 10-year period when the cumulative result is calculated up to the end of 2020. Self-sustainability in export financing has not been attained over a 20-year period when the cumulative result is correspondingly calculated up to the end of 2020. As a result of the coronavirus pandemic, significant loss provisions were made on the export credit guarantee and special guarantee operations for the 2020 financial period in accordance with the IFRS 9 standard. Due to them, the result of export financing showed a considerable loss and the cumulative self-sustainability was not attained.

However, cumulatively the self-sustainability of the export credit guarantee and special guarantee operations was attained, when the assets in the State Guarantee Fund that have been accumulated from the operations of Finnvera's predecessor organisations are taken into consideration.

The company's risk-based pricing and the extent and risk level of Finnvera's total exposure will have a significant impact on the company's financial performance and long-term economic self-sustainability in the coming years. In addition, the realisation of self-sustainability is affected by the course of the coronavirus pandemic and the resolution of the uncertainty caused by the pandemic.

Balance sheet 31 Dec 2020

At the end of December, the consolidated balance sheet total was EUR 12,673 million (12,665 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 13,669 million (12,583 million). The consolidated balance sheet at the end of the year was at the same level year on year. At the end of December, the balance sheet total of Finnish Export Credit Ltd was EUR 7,722 million (EUR 7,473 million).

At the end of December, the Group's outstanding credits came to EUR 7,032 million (EUR 7,920 million). Outstanding credits increased by 11 per cent, or EUR 889 million, during the year. The outstanding credits of the parent company, Finnvera plc, came to EUR 8,145 million (7,941 million), of which the receivables from the subsidiaries totalled EUR 7,502 million (EUR 7,232 million). Approximately 50 per cent of Finnish Export Credit Ltd.'s loans are in US dollars, which is why foreign exchange differences affect the EUR value of the loans.

The parent company's outstanding guarantees in domestic financing increased by 51 per cent during 2020 as the guarantee demand and exposure increased due to the coronavirus pandemic. The outstanding guarantees totalled EUR 1,759 million at the end of December (EUR 1,165 million).

The liability for export credit guarantees calculated according to the Act on the State's Export Credit Guarantees (the commitments and half of the offers given at the exchange rate of the closing date) was EUR 19,497 million (EUR 20,774 million) at the end of December. The total exposure arising from export credit guarantees and special guarantees (commitments and offers given, including export guarantees) totalled EUR 22,408 million (EUR 25,489 million), of which drawn guarantees amounted to EUR 11,762 million (EUR 11,443 million). The maximum indemnity amount of reinsurance arrangements valid at the end of the year was approximately EUR 1,284 million, or 11 per cent of drawn guarantees.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital financing operations. The shares in the subsidiary ERDF-Seed Fund Ltd. and Innovestor Kasvurahasto I Ky's capital input (19.7 per cent) owned by the parent company are included in the assignable assets available for sale in the parent company's financial statements. Similarly, the assets and liabilities of ERDF-Seed Fund Ltd. are presented under assignable assets available for sale in the consolidated financial statements. Finnvera has a subordinated loan from the State, related to Innovestor Kasvurahasto I Ky, that has also been transferred to liabilities held for sale. At the end of December, the Group's assets held for sale totalled EUR 48 million (EUR 50 million) and liabilities held for sale EUR 19 million (EUR 19 million).

The Group's long-term liabilities as per 31 December totalled EUR 10,469 million (EUR 10,236 million). Of this sum, EUR 10,379 million (EUR 10,138 million) consisted of bonds. The liabilities include a subordinated loan of EUR 16 million received by Finnvera from the State for fund investment of Innovestor Kasvurahasto I Ky (EUR 16 million).

At the end of December, the Group's non-restricted equity totalled EUR 473 million (EUR 1,221 million), of which the reserve for domestic operations accounted for EUR 282 million (EUR 266 million), the reserve for export credit guarantee and special guarantee operations for EUR 829 million (EUR 773 million), the reserve for venture capital investments for EUR 15 million (EUR 15 million) and retained earnings for EUR -653 million (EUR 167 million).

Before the 2020 result showing a loss, the accumulated loss reserve amount in export credit guarantee and special guarantee operations was EUR 1,520 million (EUR 1,459 million), when the State Guarantee Fund's assets, EUR 691 million (EUR 686 million), are taken into account in addition to the EUR 829 million (EUR 773 million) in the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet. The separate result of the export credit guarantee and special guarantee operations for 2020 was EUR -1,178 million (EUR 56 million). The loss in the export credit guarantee and special guarantee operations exceeded the amount of assets accumulated in the company's balance sheet from the profits from previous financial periods, which is why the exceeding portion was covered by a fund payment of EUR 349 million from the State Guarantee Fund, in accordance with the Act on the State Guarantee Fund. The State Guarantee Fund's fund payment decreases the loss reserves of the export credit guarantee and special guarantee operations, and the amount of assets in the State Guarantee Fund after the fund payment is EUR 342 million.

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

Finnvera Group Balance sheet	31 Dec 2020 MEUR	31 Dec 2019 MEUR	Change MEUR	Change %
Share capital	197	197	0	0%
Share premium and fair value reserve	57	46	11	25%
Non-restricted equity, in total	473	1 221	-747	-61%
Reserve for domestic operations	282	266	16	6%
Reserve for export credit guarantees and special guarantees	829	773	56	7%
Other	15	15	0	0%
Retained earnings	-653	167	-820	-491%
Equity attributable to the parent company's shareholders	727	1,463	-736	-50%
Balance sheet total	12,673	12,665	8	0%

Funding

In 2020, the Group's long-term funding totalled EUR 1,000 million (EUR 1,937 million). EUR 857 million in long-term loans was paid back (EUR 1,185 million).

Capital adequacy

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

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

According to the goal set by the State of Finland, the owner of the Finnvera Group, the Group's capital adequacy ratio for domestic operations should be at least 15.0 per cent. Finnvera's capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of December, the Group's capital adequacy ratio for domestic operations, Tier 1, stood at 25.1 per cent (29.4 per cent) and the leverage ratio was 21.9 per cent (24.7 per cent).

The risk-weighted receivables in the Finnvera Group's domestic operations totalled EUR 2,436 million at the end of December (EUR 1,827 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 2,079 million (EUR 1,566 million), or 85 per cent (86 per cent) of risk-weighted receivables. About 65 per cent of loans and guarantees consisted of retail receivables of under EUR 1 million. Calculated according to the standard method, their risk weight was 75 per cent. The risk weight of other loans and guarantees was 100 per cent and that of insolvents was 150 per cent

Finnvera Group Domestic operations Capital for calculating capital adequacy	31 Dec 2020 MEUR	31 Dec 2019 MEUR	Change MEUR	Change %
Equity excl. profit/loss for the period	1,390	1,314	76	6%
Intangible assets	-18	-20	2	10%
Reserve for export credit guarantees and special guarantees	-829	-773	-56	-7%
Profit/loss for the period	-761	73	-833	-1 147%
Profit/loss for the period attributable to export credit guarantees	829	-56	885	1 571%
Total	**612**	**538**	**74**	**14%**

Finnvera Group Domestic operations Risk-weighted items	31 Dec 2020 MEUR	31 Dec 2019 MEUR	Change MEUR	Change %
Receivables from credit institutions	5	5	0	4%
Receivables from clients	2,079	1,566	513	33%
Investments and derivatives	68	83	-15	-18%
Receivables, prepayments, interest and other receivables, other assets	16	25	-9	-36%
Binding promises for loans	91	58	33	56%
Operational risk	177	90	87	96%
Total	**2,436**	**1,827**	**609**	**33%**

No specific requirement has been set for the capital adequacy of Finnvera's export financing because ultimately it is the State that is responsible for any major export credit guarantee losses that the equities accumulated from operations and the assets of the State Guarantee Fund could not cover. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finnvera, considering its special industrial policy purpose as a promoter of exports. However, if taking into account only the assets in the reserve for export credit guarantee and special guarantee operations and the State Guarantee Fund, the estimated capital adequacy of export financing in accordance with Tier 1 would be 1.3 per cent (6.9 per cent).

Risk position

At the end of 2020, the exposure of the SME and midcap business was EUR 2,871 million (EUR 2,288 million). The quality of the SME and midcap financing credit portfolio was at the targeted level. The exposure grew by EUR 583 million. The exceptionally strong growth in the exposure was due to the liquidity need generated in enterprises by the coronavirus pandemic.

In its financing, Finnvera focuses on start-ups, enterprises seeking growth and internationalisation, as well as enterprises in situations of change. However, the coronavirus pandemic also increased financing needs in enterprises which normally are covered by bank financing.

Expected loss (EL) for exposure remained almost unchanged during the year and was 3.21 per cent (3.25 per cent). In 2020, the changes in clients' credit ratings were moderate, and granting new credit also targeted enterprises whose credit risk was within the normal criteria concerning granting credit. The amount of non-performing exposure was EUR 89 million (EUR 117 million). Credit and guarantee losses and impairment losses totalled EUR 16 million (EUR 32 million). The amount of credit losses in accounting was decreased by the change of the State's credit loss and guarantee loss compensation to 80 per cent, which reduced the amount of the ECL entry in accordance with IFRS 9, since the State's compensation on the expected losses increased.

At the end of 2020, the exposure of the Large Corporates business was EUR 22,000 million (EUR 25,160 million). Approximately 77 per cent of the current guarantees (totalling EUR 19,183 million) and binding offers (totalling EUR 2,817 million) were associated with EU and OECD countries.

The main sectors were cruise shipping, shipyard, telecommunications and pulp and paper. These sectors accounted for a total of 79 per cent of total exposure. Altogether, 28 per cent of the exposure was in risk category BBB-, which reflects investment grade, or in better risk categories. The risk level of the exposure has increased in 2020, particularly due to the difficulties in the cruise shipping sector, although no significant export credit guarantee losses have materialised thus far.

The exposure arisen for the subsidiary Finnish Export Credit Ltd. from the financing of export credits, including binding credit commitments in addition to the outstanding credits, totalled EUR 13,335 million at year's end (EUR 14,173 million). The credit risks associated with the outstanding credits are fully covered by means of export credit guarantees covered by the parent company Finnvera plc that are included in the above-mentioned exposure for export financing.

Finnvera Group's deposits in banks and investments, including cash collateral received, stood at EUR 4,013 million (EUR 3,799 million) at the end of 2020. A total of 90 per cent of assets were in investments or account banks with a minimum rating of A-. Investments are primarily in the investment level risk category BBB- or in better risk categories, and long-term (exceeding 12 months) investments are primarily made in assets with a minimum credit rating of A-, which matches credit rating agencies categories A- (S&P and Fitch) or A3 (Moody's). If the credit rating of the investment counterparty decreases below the predefined approved investment level during the investment holding period, a separate decision will be made concerning the retention or liquidation of the current investment, taking into consideration the remaining maturity, among other things. Expected loss (EL) of deposits and investments for the credit risk was EUR 2.6 million, or 0.06 per cent.

The company hedges interest rate and currency risks using derivatives, the nominal value of which was EUR 12,212 million at the end of 2020 (EUR 12,952 million). The minimum credit rating of all derivative contract counterparties was at least BBB+ (S&P). The derivative-related counterparty risk is mitigated with collateral agreements.

At the end of 2020, the most significant market risks associated with asset management were within the risk limits of the risk appetite. The most significant of these risks were the EUR 38 million funding-related cost risk due to structural underfunding and the price risk related to the investment portfolio, amounting to EUR 93 million. The balance sheet's interest rate sensitivity was EUR -31 million for a +200-basis-point change, and the net interest income change for 12 months was EUR +9 million for a +100-basis-point change.

The attainment of industrial and ownership policy goals

Finnvera's operations are steered by the legislation on the company and by the industrial and ownership policy goals determined by the owner. As the body responsible for the steering of Finnvera, the Ministry of Economic Affairs and Employment sets industrial and ownership policy goals for the company for a period of four years. Whenever necessary, the ministry revises these goals annually.

In April, the Ministry of Economic Affairs and Employment gave Finnvera a guidance letter of goals arising from the coronavirus pandemic to help enterprises to overcome the crisis. The goals included adjusting Finnvera's services and operations to meet the needs of enterprises. The goals set were reached in 2020.

Out of the nine original industrial and ownership policy goals set for the year 2020, two goals were reached, five were reached in part and two were not reached partly due to the coronavirus pandemic. More information about the goals is available in the Annual Review's Governance section.

Corporate governance

Personnel

At the end of the financial period, the Group had 362 employees (354). The parent company Finnvera plc had 360 employees (351), of whom 335 (318) held a permanent post and 25 (33) a fixed-term post. The Group's average number of employees during the period under review was 360 (364) and personnel expenses totalled EUR 29 million (EUR 29 million).

With the aid of an external partner, temporary agency workers were recruited in 2020 to process domestic financing applications, the number of which grew due to the coronavirus pandemic. To clear the backlog of applications, up to 48 temporary employees worked at the Helsinki and Kuopio offices from the beginning of April until the end of September. The need for workforce remained higher than normal during the last months of the year as well, and 11 experts continued to support the processing of applications in a temporary employment relationship until the end of 2020.

Supervisory Board, Board of Directors and auditor
In 2020, Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, continued as Chairman of Finnvera's Board of Directors; Antti Neimala, Director General, continued as First Vice Chairman; and Terhi Järvikare, Director General, continued as Second Vice Chairman. The members who continued on the Board of Directors were Ritva Laukkanen, M.Sc. (Econ.); Pekka Nuuttila, Forester; Pirkko Rantanen-Kervinen, B.Sc. (Econ.); and Antti Zitting, Chairman of the Board, M.Sc. (Tech.).

Three committees assist the Board in its tasks. The committees are the Audit Committee, the Risk Committee and the Remuneration Committee.

On 23 March 2020, Finnvera's Annual General Meeting elected new members to the company's Supervisory Board. The new members were Lauri Muranen, Head of Industrial Affairs in the Central Organisation of Finnish Trade Unions SAK, and Anne Niemi, Member of the Board's work committee in the Federation of Finnish Enterprises. Sofia Vikman, Member of Parliament, continued as Chairman of the Supervisory Board and Johannes Koskinen, Member of Parliament, continued as Vice Chairman.

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

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

Other events during the period under review

Finnvera began preparations for the granting of direct export credits
According to a study commissioned by Finnvera, Finnish export companies are clearly in a weaker position than their foreign competitors, as the supply of banks to finance small export transactions is insufficient. The situation is particularly burdensome for SMEs but also for larger enterprises, which have a need for buyer financing of export transactions of less than EUR 20 million. Based on the survey, Finnvera has begun preparations for granting direct export credits to boost small export transactions and especially SMEs' export trade, as well. The granting requires an amendment to the Act on Credits and Guarantees Provided by the State-Owned Specialist Financing Company. Due to the time required by the legislative amendment, direct lending for small export transactions is expected to be topical in the beginning of 2022.

Coronavirus situation highlighted the importance of communication
The coronavirus pandemic highlighted the need to communicate financing options with a focus on the client. During the year, Finnvera's customer service received more than 17,000 calls from clients, which was approximately 40 per cent more than in the previous year. The number of chats also increased correspondingly. Early on during the crisis, Finnvera launched the finnvera.fi/eng/corona website that offers information about corporate financing and services in the crisis. The website also provided information on the financing opportunities offered by other organisations in the MEAE Group. The number of visits to the site was 66,000 in March–April alone.

During the autumn of 2020, Finnvera began bringing post-pandemic growth as well as the importance of export and transfers of ownership into discussion. Finnvera published the "Financing & growth" overview of financing and growth in October and launched the "Financing & growth LIVE" series of webinars for stakeholders and the public. The webinars will continue in 2021.

Finnvera continued negotiations on joining the InvestEU programme
The operations of the European Fund for Strategic Investments (EFSI) terminated at the end of 2020. This also marked the end of the ESIR advisory service maintained by Finnvera, and the service was transferred to a new centralised EU funding advice service. ESIR is replaced by the InvestEU programme, which will cover the years 2021–2027. Finnvera continued preparations with the European Commission regarding the implementation partnership in the InvestEU programme. At the moment, an external audit, the EU's Pillar Assessment, is under way and Finnvera's experts participate extensively in it. Finnvera's aim is to make more financing solutions available to Finnish enterprises in the coming years and to utilise EU guarantees in financing.

The minimum amount of the Finnvera Loan was raised at the beginning of the year
At the beginning of 2020, Finnvera increased the efficiency of the use of the Start Guarantee and the SME Guarantee, intended for micro-financing. At the same time, the minimum amount of the Finnvera Loan was raised to EUR 50,000 as of 2 January 2020. The change in the minimum amount of the loan concerned the Finnvera Loan and bridge financing.

Heli Pietiläinen appointed Finnvera's Head of Internal Auditing
On 1 June 2020, Heli Pietiläinen, M.Sc., B.Sc. (Econ.), CIA, CISA, was appointed Finnvera's Head of Internal Auditing.

Events after the period under review

After the end of the financial period, Finnvera made a decision to participate in the financing of an individual risk subject, which, when materialised, would result in a considerable loss provision entry for 2021. The financing arrangement is still ongoing.

Finnvera preparing to join programme on providing working capital financing to large corporates
Finnvera is preparing an agreement with the European Investment Bank to join the European Guarantee Fund (EGF) guarantee programme.

Finnvera receives a special permission extension to insure export transactions with a short repayment period to Western industrial countries
The European Commission granted Finnvera a special permission extension that allows Finnvera to grant guarantees with a risk period of less than two years for export transactions to Western industrial countries also after the European Commission's coronavirus-related Temporary Framework ends. The special permission enables Finnvera to complement the market failure and grant short-term export credit guarantees to marketable risk areas when the exporter's export turnover is less than EUR 2 million or when the insurance targets an individual transaction with a risk period of 181 days at a minimum and two years at a maximum.

Active monitoring and weakening of the profit outlook for 2020

Finnvera's Board of Directors adopted a more frequent meeting schedule since the beginning of the coronavirus pandemic to maintain an overview of the situation. Finnvera has actively monitored actions required by the coronavirus pandemic and the impacts of the pandemic and reacted rapidly to the situation with necessary measures. The contact with the ownership steering and The State Guarantee Fund has been particularly close.

As a result of the coronavirus pandemic, Finnvera gave a profit warning on 1 July 2020, reducing Finnvera Group's outlook for 2020. Finnvera specified the profit outlook on 3 November 2020 as the loss provision amount further increased. On 28 January 2021, Finnvera released advance information on year 2020 and announced that the separate result of Finnvera's export credit guarantee and special guarantee operations shows a loss of EUR 1,178 million due to the considerable increase in the loss provisions made on the exposure.

Outlook for financing

According to the Bank of Finland's forecast, GDP will grow by 2.2 to 2.5 per cent in 2021–2022. According to the forecast by the Ministry of Finance, the Finnish economy will grow by 2.5 per cent in 2021. The second wave of the coronavirus pandemic has slowed down the pace of economic recovery.

Finnvera is prepared to secure the availability of lending to viable enterprises in all stages of the crisis. Finnvera will continue the bank financing guarantee programme and supplement the financial market also with own loans. Financing for transfers of ownership is expected to grow and preparations for financing of new growth in diverse manner have been made. This refers to the strengthening of enterprises' eligibility for financing with Finnvera's junior loan, for instance. The level of domestic financing demand in 2021 is expected to be higher than during normal years but to remain lower than in the exceptional year 2020.

The existing order book of large corporates has maintained the demand for Finnvera's export financing. The number of new large export projects has decreased, which will impact future volumes of export credit guarantees and export credits. As in previous years, the overall demand is affected by the realisation of individual major projects. The impacts of the pandemic have hit the cruise shipping sector the hardest among Finnvera's key export financing sectors. The outlook for the sector is strongly affected by when the shipping companies will be able to re-launch their operations. In other large sectors of export trade, we expect an increasing number of buyers to be interested in financing export transactions through credits guaranteed by an export credit agency. The weaker availability of commercial financing typically increases demand for financing provided by export credit agencies.

Finnvera prepares for meeting the working capital financing needs of domestic large corporates and for making new financing solutions available to enterprises in cooperation with the EU Commission and the European Investment Bank. In normal circumstances, the strategic goal is to allocate the majority of financing to enterprises seeking growth and internationalisation as well as to investments, transfers of ownership and exports. During the coronavirus pandemic, the allocation of financing is expanded to help all viable enterprises to overcome the crisis.

The financial performance in 2021 will be materially affected by the course of the coronavirus pandemic and the resolution of the uncertainty caused by the pandemic. Decisive factors are the schedule and extent of the recovery. If the economic development and the business operations of Finnvera's individual high-risk subjects achieve a sufficient growth path in the current year, improving the risk rating of the risk subjects and reducing Finnvera's loss provision entries, it is possible that the Finnvera Group's operations are self-sustainable in 2021. On the other hand, if the economy and the business operations recover more slowly, the Group's result may show a considerable loss, in the same manner as in 2020.

Board of Directors' proposal for measures concerning the result for the financial period

The parent company's loss for the financial period was EUR 760,645,048.52.

The Board of Directors proposes that, by virtue of Section 4 of the Act on the State-Owned Specialised Financing Company, the result of the financial period be transferred to the non-restricted equity funds as follows:

To the fund for export credit guarantee and special guarantee operations; the share of export credit guarantee and special guarantee operations EUR -828,910,540.42

To the fund for domestic operations; the share of domestic operations EUR 68,265,491.90

In addition, the remeasurement gains in defined benefit pension plans, EUR 613,989.00, were entered directly into retained earnings during the financial period. It is proposed that this sum be transferred to the fund for domestic operations.

Key figures

Finnvera Group	2020	2019	2018	2017	2016
Key P&L figures					
Net interest income, MEUR	51	41	42	46	50
Net fee and commission income, MEUR	143	141	135	127	144
Other operating income, MEUR	349	0	4	1	12
- Of which fund payment from The State Guarantee Fund, MEUR	349	-	-	-	-
Operational expenses, MEUR	-44	-42	-46	-43	-44
- Of which salaries including social security costs, MEUR	-29	-29	-28	-29	-30
Realised credit losses and change in excpected credit losses, MEUR	-1,269	-60	-45	-42	-94
Credit loss compensation from the State, MEUR	36	17	24	23	28
Operating profit/loss MEUR	-740	100	100	109	69
Profit/loss for the period MEUR	-748	94	98	107	70
Key balance sheet figures					
Loans to and receivables from customers, MEUR	7,088	8,083	6,876	5,846	6,078
Investments, MEUR	3,474	3,231	2,665	3,084	2,082
Liabilities, MEUR	11,946	11,202	9,681	9,023	8,290
- Of which debt securities in issue, MEUR	10,379	10,138	8,783	6,483	4,892
Shareholders' equity, MEUR	727	1,463	1,358	1,314	1,207
- Of which non-restricted equity, MEUR	473	1,221	1,126	1,062	955
Balance sheet total, MEUR	12,673	12,665	11,039	10,337	9,498
Key ratios					
Return on equity, ROE, %	-68.3	6.7	7.4	8.5	6.0
Return on assets, ROA, %	-5.9	0.8	0.9	1.1	0.8
Equity ratio, %	5.7	11.6	12.3	12.7	12.7
Capital adequacy ratio, Tier 1, domestic operations, %	25.1	29.4	27.2	25.3	22.4
Capital adequacy ratio, Tier 1, export credit guarantees and special guarantees, %[1]	1.3	6.9	6.8		
Expense-income ratio, %	26.4	25.4	29.3	27.2	27.0
Average number of employees	360	364	372	383	398
Finnvera plc, domestic financing					
Loans, guarantees and export credit guarantees offered, Billion EUR	1.7	1.0	0.9	1.0	1.0
Outstanding commitments, Billion EUR	2.9	2.3	2.3	2.5	2.6
Number of start-up enterprises financed	2,700	2,400	2,600	3,100	3,400
Number of new jobs created	8,700	8,000	7,700	9,100	8,700
Finnvera plc, export financing					
Export credit guarantees and special guarantees offered, Billion EUR	2.9	5.2	3.0	7.5	4.2
Outstanding commitments, Billion EUR	22.0	25.2	23.3	22.2	18.1
Finnvera plc, clients					
Number of clients, domestic financing and export financing together	26,500	24,500	25,700	27,300	27,700

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

Formulas for the key indicators

Return on equity % (ROE)

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

Return on assets % (ROA)

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

Equity ratio, %

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

Capital adequacy, Tier 1

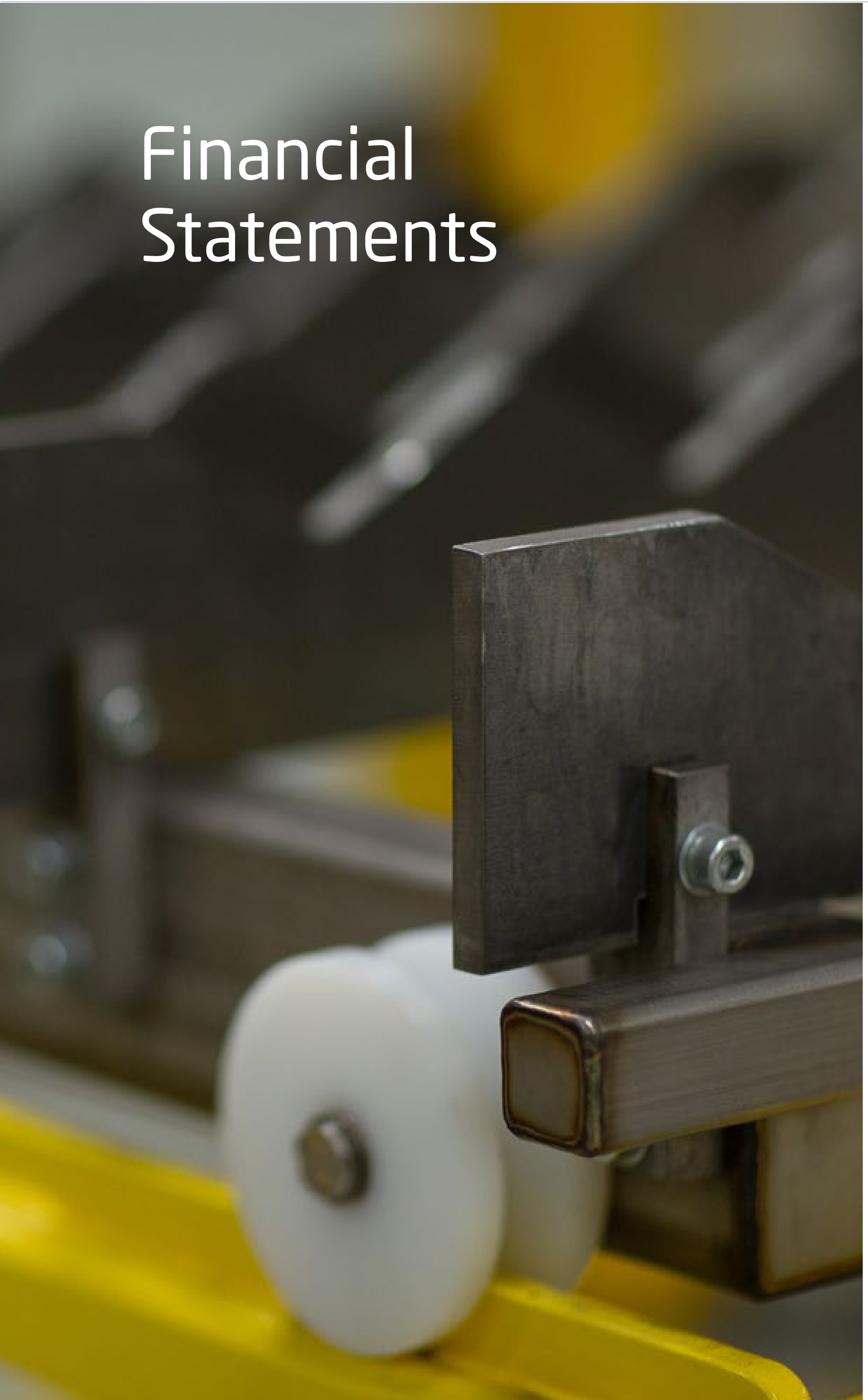
calculated according to Basel III standard method

Expense-income ratio, %

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

Average number of employees

based on monthly average for the whole period



Financial Statements

Finnvera Group

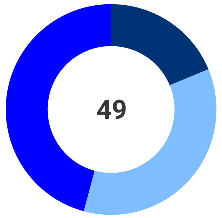
Net interest income
51 MEUR
(2019: 41 MEUR)

Net fee and commission income
143 MEUR
(2019: 141 MEUR)

Operational expenses, depreciation and other operating expenses
52 MEUR
(2019: 49 MEUR)

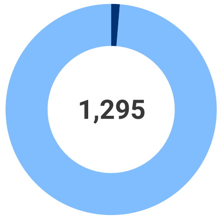
The financial statements include both the consolidated and the parent company's financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The Notes to the financial statements also comply with the currently valid requirements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

Expected credit losses, domestic financing 31 Dec 2020, MEUR



- Locally operating small companies, 9 MEUR
- SMEs focusing on the domestic markets, 17 MEUR
- SMEs seeking growth and internationalisation, 22 MEUR

Expected credit losses, export credit guarantees and special guarantees 31 Dec 2020, MEUR



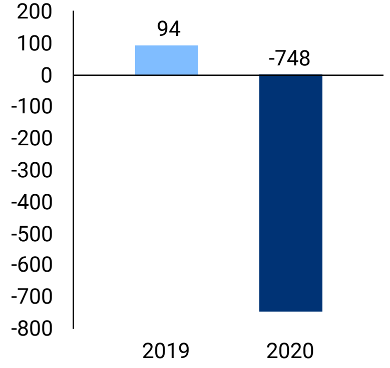
- SMEs seeking growth and internationalisation, 17 MEUR
- Export financing, 1,278 MEUR

Realised credit losses and change in expected credit losses, net
1,233 MEUR
(2019: 43 MEUR)

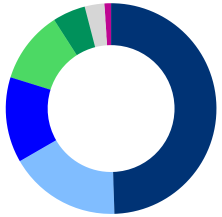
Fund payment decreased the unprofitable result

The result showing a loss of the export credit guarantee and special guarantee operations was decreased by the fund payment of EUR 349 million from the State Guarantee Fund. 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.

Result for the period, MEUR



Exposure by sector 31 Dec 2020, % Export credit guarantees and special guarantees, in total 22,172 MEUR*



- Cruise shipping, 49%
- Telecommunications, 17%
- Pulp and paper, 13%
- Others**, 11%
- Other industries, 5%
- Energy, 3%
- Mining and metals, 1%

* Reinsured amounts reduced.
** Including other risks such as sovereign risks related to states and bank risks.

Consolidated comprehensive income statement

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	1–12 2020	1–12 2019	1–12 2020	1–12 2019
Interest income	D1				
- Interest from loans passed on to customers[1]		95,280	144,037	83,364	133,845
- Subsidies passed on to customers		50	162	50	162
- Other interest income		10,080	22,186	9,776	20,747
Total interest income		**105,411**	**166,385**	**93,191**	**154,754**
Interest expense	D1	-54,474	-125,135	-51,929	-122,243
Net interest income		**50,938**	**41,250**	**41,262**	**32,511**
Net fee and commission income[1]	D2	142,873	140,545	142,410	140,066
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	D3	1,668	10,238	2,110	1,024
Net income from investments	D4	289	120	289	120
Other operating income	D5	349,355	332	349,468	2,816
Total operational expenses	D6	-44,053	-42,102	-43,713	-41,707
- Personnel expenses		-28,556	-28,573	-28,342	-28,295
- Other operational expenses		-15,497	-13,529	-15,372	-13,411
Depreciation and amortisation on tangible and intangible assets	D7	-7,275	-7,022	-7,275	-7,022
Other operating expenses	D8	-368	181	-12,099	-11,680
Realised credit losses and change in expected credit losses, net	D9	-1,233,047	-43,385	-1,233,097	-43,478
- Realised credit losses		-132,215	-32,128	-132,253	-32,128
- Credit loss compensations from the State		36,196	16,737	36,196	16,737
- Change in expected credit losses		-1,137,029	-27,993	-1,137,041	-28,087
Operating profit/loss		**-739,619**	**100,156**	**-760,645**	**72,649**
Income tax	D10	-8,335	-5,892	-	-
Profit/loss for the period		**-747,954**	**94,264**	**-760,645**	**72,649**

1 The Group's and parent company's interest income and fee and commission income have been reclassified during the reporting period according to IFRS 15. The comparative figures have not been updated to reflect the new presentation method. The impact of the reclassification on the Group and parent company comparative figures would be 1.0 million in interest income and -1.0 million in fee and commission income.

		Finnvera Group		Finnvera plc	
(EUR 1,000)	Note	1–12 2020	1–12 2019	1–12 2020	1–12 2019
Other comprehensive income					
Items that will not be reclassified to profit or loss					
- Revaluation of defined benefit pension plans	F5	614	140	614	140
- Change in the credit risk associated with liabilities carried at fair value		6,087	8,329	-	445
Items that may be reclassified subsequently to profit or loss					
- Change in fair value of investments		10,701	2,071	10,701	2,071
- Change in the expected credit losses of investments		3,355	84	3,355	84
- Cash flow hedging		-8,741	-	-8,741	-
Total other comprehensive income		**12,017**	**10,623**	**5,930**	**2,739**
Total comprehensive income for the period		**-735,937**	**104,887**	**-754,716**	**75,388**
Distribution of the profit/loss for the period attributable to equity holders of the parent company		**-747,954**	**94,264**		
Distribution of the total comprehensive income for the period attributable to equity holders of the parent company		**-735,937**	**104,887**		

Balance sheet

(EUR 1,000)	Note	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
ASSETS					
Loans to and receivables from credit institutions	E1				
- Payable on demand		417,974	210,725	388,385	190,849
- Investment accounts and deposits		199,094	408,145	199,094	408,145
- Other		56,885	42,346	4,000	4,000
		673,954	**661,216**	**591,479**	**602,994**
Loans to and receivables from customers	E2				
- Loans		7,031,585	7,920,345	8,145,032	7,940,845
- Debt Securities[1]		10,725	10,865	10,725	10,865
- Guarantee receivables		27,055	16,612	27,055	16,612
- Receivables from export credit and special guarantee operations		18,243	135,542	18,243	135,542
		7,087,608	**8,083,363**	**8,201,055**	**8,103,863**
Investments	E3				
- Debt securities[1]		3,459,967	3,216,802	3,459,967	3,216,802
- Investments in group companies		-	-	30,078	30,078
- Other shares and participations		13,723	13,723	13,723	13,723
		3,473,690	**3,230,525**	**3,503,768**	**3,260,603**
Derivatives	E10	850,820	392,739	850,820	392,739
Intangible assets	E4	17,759	19,748	17,759	19,748
Tangible assets	E4	13,335	12,248	13,335	12,248
Other Assets	E5				
- Credit loss receivables from the state		24,068	9,549	24,068	9,549
- Other		355,735	7,940	349,253	4,110
		379,804	**17,489**	**373,321**	**13,658**
Prepayments and accrued income	E6	127,814	194,788	90,433	149,015
Tax assets	E7	30	2,946	-	-
Assets of disposal groups classified as held for sale	E19	48,135	49,939	27,231	28,445
ASSETS		**12,672,948**	**12,665,002**	**13,669,202**	**12,583,314**

(EUR 1,000)	Note	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
LIABILITIES					
Liabilities to credit institutions	E8	-	-	-	-
Liabilities to other institutions	E8	74,583	82,042	86,000	75,000
Debt securities in issue	E9	10,378,929	10,138,250	10,378,929	10,138,250
Derivatives	E10	12,392	41,274	12,392	41,274
Provisions	E12	199,309	51,255	1,319,202	100,198
Other liabilities	E11	67,020	75,354	81,051	87,206
Accruals and deferred income	E13	1,193,403	794,900	1,154,266	749,308
Tax liabilities	E7	1,746	514	-	-
Liabilities of disposal groups classified as held for sale	E19	18,663	18,575	15,867	15,867
Liabilities		**11,946,046**	**11,202,163**	**13,047,706**	**11,207,103**
EQUITY	E18				
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		6,000	-5,403	6,978	1,662
Non-restricted reserves					
- Reserve for domestic operations		282,241	265,822	282,241	265,822
- Reserve for export credit guarantees and special guarantees		828,911	772,541	828,911	772,541
- Reserve for venture capital financing		15,252	15,252	15,252	15,252
Retained earnings		-653,143	166,985	-759,527	73,292
Non-restricted equity		**473,261**	**1,220,601**	**366,876**	**1,126,907**
Total equity, equity attributable to the parent company's shareholders		**726,902**	**1,462,839**	**621,495**	**1,376,211**
TOTAL LIABILITIES AND EQUITY		**12,672,948**	**12,665,002**	**13,669,202**	**12,583,314**

1 The SME and midcap financing debt securities have been transferred from "Investments" to "Loans to and receivables from customers". The comparative figures have been updated to reflect the new presentation method.

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

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Current drawn commitments (A+D+F+G+I)	5,440,731	4,602,648	13,520,811	12,608,598
Current undrawn commitments (B+E+H+J)	6,927,088	8,455,183	7,768,296	9,526,166
Offers given (C+K)	3,058,416	4,635,644	3,058,416	4,635,644
Contingent liabilities, total [1]	**15,426,234**	**17,693,475**	**24,347,522**	**26,770,407**

Table 2: Contingent liabilities by business area

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Domestic operations				
A) Valid guarantees	1,758,619	1,165,364	1,758,619	1,165,364
B) Binding credit commitments	18,994	40,541	18,994	40,541
C) Guarantee offers	162,197	75,349	162,197	75,349
Domestic operations total	**1,939,811**	**1,281,253**	**1,939,811**	**1,281,253**
Export credit guarantees, special guarantees and export credit commitments				
Current commitments (drawn and undrawn)				
D) Drawn export and special guarantees, not included export loans	3,566,524	3,301,490	3,566,524	3,301,490
E) Undrawn export and special guarantees, not included export loans	1,091,445	1,560,779	1,091,445	1,560,779
F) Export and special guarantees of the parent company on behalf of the subsidiary's1 drawn export credits, no parent company funding	-	-	37,292	41,021
G) Export and special guarantees of the parent company on behalf of the subsidiary's1 drawn export credits, parent company funding	-	-	7,486,759	7,216,804
H) The Group: undrawn export credits granted by the subsidiary (credit commitments) in the parent company, the export credit guarantees for the subsidiary's export credits in question[1]	5,793,152	6,814,608	5,793,152	6,814,608
I) Export and special guarantee interest commitments, drawn commitments	115,587	135,795	671,617	883,920
J) Export and special guarantee interest commitments, undrawn commitments	23,497	39,257	864,705	1,110,239
Offers given				
K) Export and special guarantees	2,896,218	4,560,295	2,896,218	4,560,295
Export credit guarantees, special guarantees and export credit commitments	**13,486,424**	**16,412,223**	**22,407,712**	**25,489,154**
Contingent liabilities, total[1]	**15,426,234**	**17,693,475**	**24,347,522**	**26,770,407**

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

1 Commitments for export credit guarantees and special guarantees are as referred to in the Act on the State Guarantee Fund (18.6.1998/444). Total export credit guarantees and special guarantees are EUR 22 408 million (EUR 25 489 million), of which drawn export credit guarantees are EUR 11,762 million (EUR 11,443 million).
2 The total commitments of Finnvera's export credit guarantees and hedging arrangements may amount to EUR 38 billion (27 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 (22 billion).

Table 3: Liability for export credit guarantees calculated according to the Act on the State's Export Credit Guarantees[2]

	Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019
Liability according to the Act on the State's Export Credit Guarantees	19,496,798	20,774,192

The liability calculated according to the Act on the State's Export Credit Guarantees only includes the liability endorsed on the basis of the Act. It consists of the current commitments (only principal) and half of the liability stemming from the offers given. Items in foreign currencies are converted to euros using the exchange rate on the date when the commitment was given.

Table 4: Possible obligations according to IAS 37

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Possible obligation arising to cover losses of fund payment in accordance with The State Guarantee Fund Act	349,023	-	349,023	-

Change in equity

			Fair value trough OCI							
(EUR 1,000)	Share capital	Share premium reserve	Fair value through OCI	Cash flow hedging	Change in the credit risk associated with liabilities carried at fair value	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
31 Dec 2020										
Finnvera Group's equity 2020, equity attributable to the parent company's shareholders										
Reported equity at 1 Jan	196,605	51,036	1,662	-	-7,065	265,822	772,541	15,252	166,985	1,462,839
Profit/loss from the previous accounting period transfer to reserves	-	-	-	-	-	16,419	56,369	-	-72,788	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	-	-	614	614
Change it the credit risk associated with liabilities carried at fair value	-	-	-	-	6,087	-	-	-	-	6,087
Cash flow hedging	-	-	-	-8,741	-	-	-	-	-	-8,741
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	10,701	-	-	-	-	-	-	10,701
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	3,355	-	-	-	-	-	-	3,355
Profit/loss for the period	-	-	-	-	-	-	-	-	-747,954	-747,954
Total equity at 31 Dec	**196,605**	**51,036**	**15,719**	**-8,741**	**-978**	**282,241**	**828,911**	**15,252**	**-653,143**	**726,902**
31 Dec 2019										
Finnvera Group's equity 2019, equity attributable to the parent company's shareholders										
Reported equity at 1 Jan	196,605	51,036	-492	-	-15,394	244,152	755,674	15,252	111,119	1,357,952
Profit/loss from the previous accounting period transfer to reserves	-	-	-	-	-	21,670	16,868	-	-38,538	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-			140	140
Change it the credit risk associated with liabilities carried at fair value	-	-	-	-	8,329	-	-	-		8,329
Cash flow hedging	-	-	-	-	-	-	-	-	-	
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	2,071	-	-	-	-	-	-	2,071
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	84	-	-	-	-	-	-	84
Profit/loss for the period	-	-	-	-	-	-	-	-	94,264	94,264
Total equity at 31 Dec	**196,605**	**51,036**	**1,662**	**-**	**-7,065**	**265,822**	**772,542**	**15,252**	**166,985**	**1,462,839**

			Fair value trough OCI							
(EUR 1,000)	Share capital	Share premium reserve	Fair value through OCI	Cash flow hedging	Change in the credit risk associated with liabilities carried at fair value	Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
31 Dec 2020										
Finnvera plc's equity 2020, Equity attributable to the parent company's shareholders										
Reported equity at 1 Jan	196,605	51,036	1,662	-	-	265,822	772,541	15,252	73,292	1,376,211
Profit/loss from the previous accounting period transfer to reserves	-	-	-	-	-	16,419	56,369	-	-72,788	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	-	-	614	614
Change it the credit risk associated with liabilities carried at fair value	-	-	-	-	-	-	-	-	-	-
Cash flow hedging			-	-8,741	-					-8,741
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	10,701	-	-	-	-	-	-	10,701
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	3,355	-	-	-	-	-	-	3,355
Profit/loss for the period	-	-	-	-	-	-	-	-	-760,645	-760,645
Total equity at 31 Dec	**196,605**	**51,036**	**15,719**	**-8,741**	**-**	**282,241**	**828,911**	**15,252**	**-759,527**	**621,495**
31 Dec 2019										
Finnvera plc's equity 2019, Equity attributable to the parent company's shareholders										
Reported equity at 1 Jan	196,605	51,036	-492	-	-445	244,152	755,674	15,252	39,041	1,300,823
Profit/loss from the previous accounting period transfer to reserves	-	-	-	-	-	21,670	16,868	-	-38,538	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	-	-	140	140
Change it the credit risk associated with liabilities carried at fair value	-	-	-	-	445	-	-	-	-	445
Cash flow hedging				-	-					
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	2,071	-	-	-	-	-	-	2,071
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	84		-	-	-	-	-	84
Profit/loss for the period	-	-	-	-	-	-	-	-	72,649	72,649
Total equity at 31 Dec	**196,605**	**51,036**	**1,662**	**-**	**-**	**265,822**	**772,541**	**15,252**	**73,292**	**1,376,211**

Statement of cash flows

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Cash flows from operating activities				
Withdrawal of loans granted	-1,779,367	-2,872,440	-1,781,830	-2,885,134
Repayments of loans granted	1,234,947	1,711,048	1,227,837	1,717,374
Purchase of investments	-1,280	-642	-	-
Proceeds from investments	2,205	7,073	-	-
Interest received	136,541	173,512	122,572	161,765
Interest paid	-73,758	-126,748	-71,133	-123,633
Net interest subsidy received (+) / repaid to the State (-)	264	0	264	0
Net payments received (+) / paid (-) from commission income and expense[2]	136,114	175,258	135,901	172,336
Payments received from other operating income	391	559	504	2,946
Payments for operating expenses[2]	-42,213	-42,852	-53,704	-54,363
Claims paid (-) and recovered amounts (+)	62,118	-14,134	62,095	-14,134
Net credit loss compensation from the State	21,676	18,139	21,676	18,139
Net taxes paid	-4,097	-3,806	-	-
Net cash used in (-) / from (+) operating activities (A)	**-306,459**	**-975,033**	**-335,817**	**-1,004,703**
Cash flows from investing activities				
Purchase of property and equipment and intangible assets	-2,543	-3,017	-2,543	-3,017
Sale of property and equipment and intangible assets	-	-	-	-
Short-term and other liquid investments made	-5,976,408	-6,919,728	-5,976,408	-6,919,728
Proceeds and maturities of short-term and other liquid investments	5,892,718	6,123,360	5,892,718	6,123,360
Other investments	-368	-997	-368	-997
Proceeds from other investments	1,581	1,173	1,581	39,910
Dividends received from investments	6	7	-	-
Net cash used in (-) / from (+) investing activities (B)	**-85,014**	**-799,201**	**-85,020**	**-760,471**
Cash flows from financing activities				
Proceeds from long-term loans	1,000,000	1,936,724	1,000,000	1,936,724
Repayment of long-term loans	-857,402	-1,185,185	-849,943	-1,170,269
Net proceeds (+) and repayments (-) of short-term loans	0	0	11,000	10,014
Payments of lease liabilities	-3,614	-3,461	-3,614	-3,461
Repayment of subordinated liabilities and repayable debt to the State	-	-27,500	-	-27,500
Payments (-) / receipts (+) from derivative collaterals	471,340	380,930	471,340	380,930
Net cash used in (-) / from (+) financing activities (C)	**610,324**	**1,101,508**	**628,783**	**1,126,439**
Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)	218,851	-672,726	207,946	-638,735
Cash and cash equivalents at the beginning of the period[1]	408,923	1,074,454	386,773	1,019,083
Translation differences[1]	-7,305	7,196	-6,218	6,425
Cash and cash equivalents at the end of the period[1]	**620,469**	**408,923**	**588,500**	**386,773**

1 Cash and cash equivalents comprise of cash and investment accounts held in credit institutions and deposits with a maturity less than 3 months. Cash and cash equivalents are included in the balance sheet line item "Loans to and receivables from credit institutions -payable on demand" and "Loans to and receivables from credit institutions -investment accounts and deposits".
2 Line items "Payments for operating expenses" and "Net payments received (+) / paid (-) from commission income and expense" have been adjusted for within net cash from operating activities. The comparative figures have been adjusted to reflect the new presentation method.

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Cash and cash equivalents at the end of the period				
Cash and investment accounts held in credit institutions	502,498	408,923	470,530	386,773
Short-term deposits	117,970	-	117,970	-
Total	**620,469**	**408,923**	**588,500**	**386,773**

Changes in liabilities arising from financing activities

Finnvera Group 2020

(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Long-term liabilities to credit institutions	-	-	-	-	-	-	-
Short-term liabilities to credit institutions	-	515,247	-515,247	-	-	-	-
Long-term liabilities to other institutions	**82,042**	-	-7,458	-	-	-	**74,583**
Short-term liabilities to other institutions	-	-	-	-	-	-	-
Debt securities in issue	**10,138,250**	1,024,070	-849,762	288,104	-227,718	5,985	**10,378,929**
Subordinated liabilities (Note E19)	**15,867**	-	-	-	-	-	**15,867**
Security given for derivatives[1]	**-38,030**	35,670	-	-	-	-	**-2,360**
Security received for derivatives[2]	**418,400**	435,670	-	-	-	-	**854,070**
Total	**10,616,528**	**2,010,657**	**-1,372,468**	**288,104**	**-227,718**	**5,985**	**11,321,089**

Finnvera plc 2020

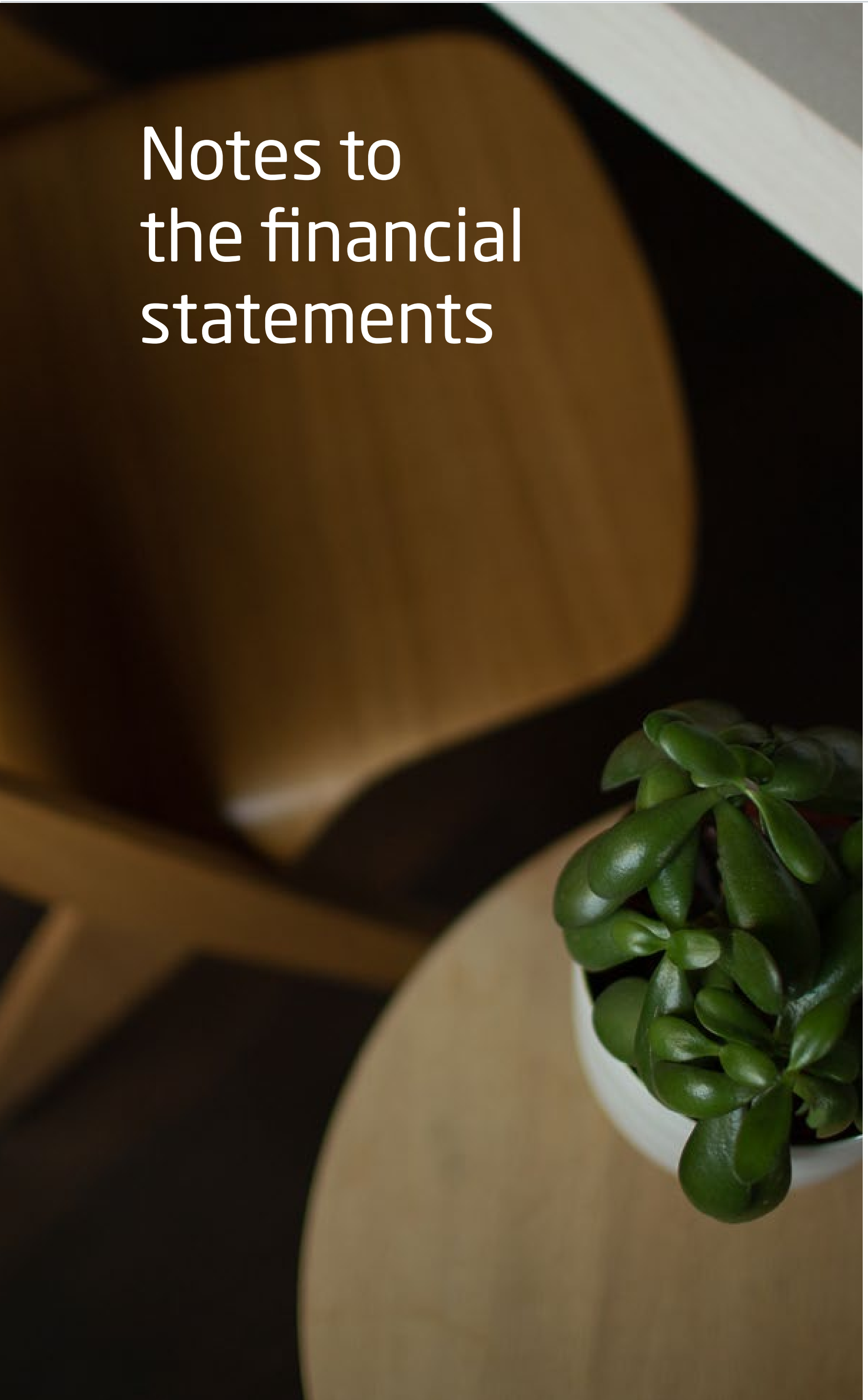
(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Long-term liabilities to credit institutions	-	-	-	-	-	-	-
Short-term liabilities to credit institutions	-	515,247	-515,247	-	-	-	-
Long-term liabilities to other institutions	-	-	-	-	-	-	-
Short-term liabilities to other institutions	**75,000**	206,000	-195,000	-	-	-	**86,000**
Debt securities in issue	**10,138,250**	1,024,070	-849,762	288,104	-227,718	5,985	**10,378,929**
Subordinated liabilities (Note E19)	**15,867**	-	-	-	-	-	**15,867**
Security given for derivatives[1]	**-38,030**	35,670	-	-	-	-	**-2,360**
Security received for derivatives[2]	**418,400**	435,670	-	-	-	-	**854,070**
Total	**10,609,486**	**2,216,657**	**-1,560,009**	**288,104**	**-227,718**	**5,985**	**11,332,506**

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

	Finnvera Group 2019						
(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Long-term liabilities to credit institutions	**171,943**	-	-175,986	-	4,042	-	**-**
Short-term liabilities to credit institutions	**-**	220,675	-220,675	-	-	-	**-**
Long-term liabilities to other institutions	**96,958**	-	-14,917	-	-	-	**82,042**
Short-term liabilities to other institutions	**-**	-	-	-	-	-	**-**
Debt securities in issue	**8,782,823**	1,923,801	-953,268	333,212	45,037	6,646	**10,138,250**
Subordinated liabilities (Note E19)	**23,367**	-	-7,500	-	-	-	**15,867**
Security given for derivatives 1	**-62,260**	24,230	-	-	-	-	**-38,030**
Security received for derivatives 2	**61,700**	356,700	-	-	-	-	**418,400**
Total	**9,074,531**	**2,525,406**	**-1,372,345**	**333,212**	**49,079**	**6,646**	**10,616,528**

	Finnvera plc 2019						
(EUR 1,000)	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 31 Dec
Long-term liabilities to credit institutions	**171,943**	-	-175,986	-	4,042	-	**-**
Short-term liabilities to credit institutions	**-**	220,675	-220,675	-	-	-	**-**
Long-term liabilities to other institutions	**-**	-	-	-	-	-	**-**
Short-term liabilities to other institutions	**65,000**	174,483	-164,469	-	-14	-	**75,000**
Debt securities in issue	**8,782,823**	1,923,801	-953,268	333,212	45,037	6,646	**10,138,250**
Subordinated liabilities (Note E19)	**23,367**	-	-7,500	-	-	-	**15,867**
Security given for derivatives 1	**-62,260**	24,230	-	-	-	-	**-38,030**
Security received for derivatives 2	**61,700**	356,700	-	-	-	-	**418,400**
Total	**9,042,573**	**2,699,889**	**-1,521,897**	**333,212**	**49,065**	**6,646**	**10,609,486**

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



Notes to the financial statements

Finnvera Group

Only a few further specifications were made to the financial reporting standards applicable to Finnvera in 2020. The biggest impact on the consolidated financial statements was due to the negative impact of the coronavirus pandemic in Finnvera's operating environment and customers, and thereby the reported figures.

Segments

SME and midcap financing

Locally operating small companies
Clients are locally operating enterprises that have fewer than 10 employees. This segment offers financial services for the start-up and development of enterprises.
Result:
21 MEUR
(2019: −2)

SMEs focusing on the domestic markets
Clients are SMEs and, on special grounds, large corporates. The clientele includes companies engaged in production and services.
Result:
55 MEUR
(2019: 13)

SMEs seeking growth and internationalisation
Clients are SMEs and midcaps that have a growth strategy based on internationalisation.
Result:
11 MEUR
(2019: 6)

Export financing

Large corporates
The clients are exporters operating in Finland, generally classified as large corporates, as well as domestic and foreign providers of financing for these.
Result:
−848 MEUR
(2019: 56)

Export credits
The segment consists of the operations of Finnvera's subsidiary Finnish Export Credit Ltd, including funding and treasury activities by the parent company Finnvera plc.
Result:
13 MEUR
(2019: 22)

Venture capital financing

The Group's venture capital investments are classified as assets available for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities.
Result:
0 MEUR
(2019: 0)

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Key financial performance indicators H

Return on equity
−68.3%
(31 Dec 2019: 6.7%)

Return on assets
−5.9%
(31 Dec 2019: 0.8%)

Balance sheet total, change from previous year
0.1%
(31 Dec 2019: 14.7%)

Notes concerning the presentation of the financial statements

A Accounting principles

A1 Basic information of the Group

The Group's parent company is Finnvera plc (hereinafter Finnvera) and its subsidiaries are Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd. Finnvera provides financing for the business of small and medium-sized enterprises (SMEs), for exports and internationalisation, and helps implement the Government's regional policy objectives. Finnish Export Credit Ltd focuses on the financing of export credits, whereas the venture capital investment activities segment includes Veraventure Ltd and ERDF-Seed Fund Ltd, of which Veraventure Ltd no longer engages in business operations.

The Group's parent company is a Finnish limited liability company established in accordance with Finnish law. Its business ID is 1484332-4 and it is domiciled in Kuopio. The parent company's registered address is P.O. Box 1127, Kallanranta 11, FI-70111 Kuopio, Finland. Finnvera's Board of Directors approved the financial statements on 22 February 2021.

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

A2 Principles for drawing up the financial statements

The financial statements include both the consolidated and the parent company's financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IFRSs effective on 31 December 2020 that refer to the standards and their SIC and IFRIC interpretations adopted in accordance with the procedures laid down in IAS Regulation No 1606/2002 of the European Union. The Notes to the financial statements also comply with the currently valid requirements of the Finnish Accounting and Limited Liability Companies Acts.

Drawing up financial statements in keeping with the IFRS standards requires the making of certain accounting estimates and judgment exercised by the management. Use of the management's judgment is described in more detail in section *A11 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty.*

The financial statements are presented in thousands of euros. The sums calculated from individual figures may therefore differ from the total sums presented on their own lines. The key indicators presented in the financial statements have been calculated using precise values.

The consolidated financial statements are published in Finnish and English. In case of discrepancies between different language versions, the Finnish version of the consolidated financial statements shall apply.

Changes in the calculation method implemented as of the beginning of 2020 and their impact on the accounting principles

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

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

Due to the coronavirus pandemic, the State's credit and guarantee loss compensation was raised from 50 per cent to 80 per cent. The temporary increase has been taken into account in the ECL calculation of domestic financing. The increase is valid retroactively from the beginning of the year 2020.

New and revised standards and interpretations applied

Only a few further specifications were made to the financial reporting standards applicable to Finnvera in 2020. The biggest impact on the consolidated financial statements was due to the negative impact of the coronavirus pandemic (COVID-19) in Finnvera's operating environment and customers, and thereby the reported figures. No significant amendments to the IFRS standards entered into force during 2020. In 2020, Finnvera adopted the following further specification of the IFRS standards and related interpretations:

- An interest rate benchmark reform amended IFRS 9, IAS 39 and IFRS 7. The amendments concern certain individual hedge accounting requirements with the aim of mitigating the possible impacts of the uncertainty caused by the reform of interest rate benchmarks, such as IBOR. Moreover, companies are required to provide investors with additional information about their hedge relationships affected by such uncertainty. The upcoming IBOR reform is not expected to have impact on hedge accounting.

Other IFRS standard amendments that entered into force on 1 January 2020 are not significant for the Group's financial statements during the reporting period. No significant amendments to IFRS standards are expected in 2021.

A
B
C
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A3 Consolidation principles for the financial statements

Segment information

The segment reporting of the group and parent company is presented in the financial statements in accordance with the internal reporting prepared for the management. Finnvera's segment information is based on the company's internal division into business areas and on the organisational structure. Intra-group transactions between segments are eliminated. SME and midcap financing is comprised of three different segments: locally operating small companies, SMEs focusing on the domestic markets and SMEs seeking growth and internationalisation. Export financing is divided into two segments: large corporates and export credits. Venture capital investments are a separate segment, comprised of the subsidiaries Veraventure Ltd and ERDF-Seed Fund Ltd. More detailed information about the segments is provided in Note *C Segment information.*

Subsidiaries

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

In the parent company's financial statements, holdings in subsidiaries have been recognised at acquisition cost. The value of the subsidiaries' shares are tested for impairments at year end and if necessary, an impairment loss is recognised.

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

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

In accordance with the Government's policy outlines, Finnvera will give up its venture capital financing operations. Veraventure Ltd focused on regional fund investments, and all of its fund investments have already been sold. Finnvera's subsidiary ERDF-Seed Fund Ltd, on the other hand, will continue its business operations until further notice. In addition, Finnvera continues to hold a capital input of 19.7 per cent in Innovestor Kasvurahasto I Ky, a company outside of the Group. The measures to sell ERDF-Seed Fund were suspended in March 2020 due to the coronavirus pandemic. The divestment measures have not been resumed for the time being due to the coronavirus crisis, but the fund has continued to operate without changes. Subsequent investments were made in seven target companies, while three companies were exited. One company has left the investment portfolio due to bankruptcy. Different options for selling the fund and exiting the target companies have been surveyed with the Ministry of Economic Affairs and Employment, and according to the Group's estimate, giving up the venture capital financing operations will happen during 2021.

Determination of the fair value of venture capital investments

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

Estimates and assumptions concern the determination of the fair value of venture capital investments made through Finnvera's subsidiaries engaged in venture capital financing. At the end of 2020, only the subsidiary ERDF-Seed Fund Ltd had investments related to venture capital financing operations.

The investments owned by subsidiary ERDF-Seed Fund Ltd are presented on level three of the fair value valuation hierarchy and in Note *E15 Hierarchy for carrying financial instruments at fair value.* The aforementioned investments are presented in the consolidated balance sheet item *Assets of disposal groups classified as held for sale.*

Associates

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

Elimination of intra-group items in the consolidated financial statements

Intra-group transactions, internal receivables and liabilities, unrealised profits on internal transactions, and intra-group profit distributions are eliminated in the consolidation. At the end of 2020, the Group did not have any non-controlling interests.

A4 Transactions denominated in foreign currencies

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

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

A5 Principles for recognising income and expenses

Net interest income

Interest income and interest expenses are recognised in the income statement over the maturity of the contract using the effective interest rate method in accordance with IFRS 9. All fees received and paid, interest points that are an integral part of the effective interest rate of the contract, as well as transaction costs and any other premiums or discounts are taken into consideration in calculating the effective interest. Interest subsidies received from the State are recognised correspondingly over the maturity of the contract using the effective interest rate method.

The interest on all interest rate and currency swaps related to funding has been treated as an adjustment item for interest expenses. The interest on short-term interest rate and currency swaps taken out for liquidity management is treated as an adjustment item for interest income.

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

The handling fees of domestic financing loans are included in interest income in the income statement. The upfront fees associated with the drawing of export credits are included in the Group's interest income.

Net fee and commission income and expenses

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

Guarantee fees are recognised in the income statement over the maturity of the contract. Other fee and commission income and expenses are normally recognised when the service is rendered. These include, for instance, change fees resulting from various debt restructuring arrangements, collection and invoicing expenses, and legal procedures. Fee and commission expenses consist of service charges collected by banks, reinsurance fees related to export credit guarantees and expenses related to funding.

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

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

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

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

Change in the fair value of hedging instruments included under cash flow hedge accounting with regard to the hedged risk is reported in the cash flow hedging reserve in other comprehensive income. The company has also elected to use the separation of the cost of hedging. The cross currency basis spread of the hedging instrument is not included in the hedging relationship but accounted for as cost of hedging and is recognised in the cost of hedging reserve in other comprehensive income.

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

Other operating income

For credits and guarantees in domestic financing within the scope of the State's loss compensation, Finnvera receives compensation for 80 per cent of the losses incurred starting from 2020. For credits granted after 2013, Finnvera has no longer received the State's interest subsidy. At the end of 2020, Finnvera still had EUR 1.5 million (2019: EUR 6.1 million) in credits with the State's interest subsidies.

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

In 2020, Finnvera received a fund payment of EUR 349 million pursuant to the Act on the State Guarantee Fund to cover the losses from export credit guarantee and special guarantee operations. The separate result for export credit guarantee and special guarantee operations showing a loss will primarily be covered from the reserve for export credit guarantees and special guarantees on Finnvera's balance sheet. If the funds of the reserve are not sufficient for covering the loss, the loss will be covered from the State Guarantee Fund as a fund payment by law. According to the Act on the State Guarantee Fund, the State is responsible for Finnvera's export credit guarantees and special guarantees.

The separate result for export credit guarantee and special guarantee operations before the fund payment was EUR -1,178 million, and after the fund payment, the loss from export credit guarantee and special guarantee operations was EUR 829 million.

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

A6 Intangible and tangible assets

Intangible assets

Intangible assets include licences and user rights for IT applications and software and their development costs, provided that their cost can be measured reliably and it is probable that the Group will gain economic benefit from the assets. In 2020, Finnvera continued the key digitalisation projects that aim to improve productivity and efficiency through the possible digitalisation of business and support processes. The coronavirus pandemic meant that also Finnvera's personnel moved widely to remote work. At the same time, coronavirus-related IT modification work was prioritised to the top of development efforts, ensuring the smoothness of business processes and applications in the rapidly changing crisis environment.

Digitalisation will be developed in stages over several years. A significant financing system development project (RAJU) was launched in 2019. The project is linked with Finnvera's case management and the online service renewal, ensuring customer-driven development of digital services. The project proceeded almost as planned in 2020, and a competitive tendering process for the new system will probably be organised during 2021. The expenses incurred by this project have been capitalised on the balance sheet *as projects in progress* in item *Intangible assets.*

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

Tangible assets

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

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

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

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

The impacts of the right-of-use asset times on the parent company's result and balance sheet are reported in Notes *D8 Depreciation and amortisation on tangible and intangible assets and E4 Intangible and tangible assets.*

Impairment of intangible assets and tangible assets

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

A7 Costs of post-employment benefits

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

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

A8 Income taxes

Income taxes in the comprehensive income statement consist of income taxes and deferred taxes for the current and previous financial periods. Taxes are recognised in the income statement with the exception of any deferred tax for items charged or credited directly to equity. In that case, the tax is also charged or credited directly to equity. Deferred taxes are calculated using the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are calculated using a corporation tax rate of 20.0 per cent.

Finnvera has been exempt from income taxation as from 2007. Finnvera's subsidiaries have no corresponding exemption.

A9 Financial assets and liabilities

Determination of fair value

Financial assets at fair value through profit or loss (FVTPL) include derivatives, shares and participations and some bond investments. Items at fair value through comprehensive income generally include investments in bonds.

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

In addition, the Group has venture capital investments that are measured at fair value, and the change in the value is carried through profit or loss and presented in the income statement under the item *Gains/losses from financial instruments carried at fair value through profit and loss.* The Group's fund investments are carried at fair value through profit or loss. Classification of financial assets in accordance with the IFRS 9 standard is presented in the *Note E14 Financial instruments classification and fair values.*

Financial liabilities recognised at fair value are derivatives and liabilities classified under the fair value option.

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

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

The Notes on Group financial assets and liabilities describe in greater detail the principles for determining fair value by financial instrument, the valuation techniques used in various situations, and the classification of the fair value of financial instruments according to whether they were obtained by public listing (Level 1), using valuation techniques that use verifiable data (Level 2), or using valuation techniques based on unverifiable data (Level 3).

Classification of financial assets in accordance with the IFRS 9 standard

The financial asset classification model is based on the asset's cash flow characteristics and business model (Table 1).

Table 1: Classification of financial assets:

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

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

Receivables from credit institutions and clients, short-term debt securities and the State's debt obligations are recognised at amortised cost plus any costs directly attributable to the acquisition. After initial recognition, receivables are measured at amortised cost using the effective interest rate method.

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

The Finnvera Group specifically classifies certain financial assets hedged with interest rate swaps as assets designated at fair value through profit or loss (fair value option).

Classification of financial liabilities in accordance with the IFRS 9 standard

The classification of Finnvera's financial liabilities is presented in the table below (Table 2).

Table 2: Classification of financial liabilities

The financial liability items on the balance sheet:	IFRS 9 classification:
Liabilities to others	Amortised cost
Debt securities in issue	Debt securities in issue included in hedge accounting are measured at amortised cost and fair value with regard to the hedged risk
Debt securities in issue	Not included in hedge accounting; measured at fair value through profit or loss (fair value option)
Derivative contracts	At fair value through profit or loss (mandatory)
Subordinated loans	Amortised cost

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

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

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

In addition, the parent company has a zero-interest subordinated loan granted by the State, which is recognised at amortised cost. The subordinated loan is a loan granted by the owner and involves special terms. The subordinated loan is presented in Note *19.2 Information on the subordinated loan* to the balance sheet.

Recognition and derecognition of financial assets and liabilities

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

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

Hedge accounting

Finnvera started adopting fair value hedge accounting in 2016 and applies it to some of the bonds issued. The purpose of hedge accounting is to balance the period-specific impact on the profit resulting from fair value changes caused by changes in market interest rates. Finnvera applies IFRS 9 compliant hedge accounting to all hedge relationships. Starting from the beginning of 2020, Finnvera has applied fair value hedge accounting to some of the debt securities that are hedged with interest rate swaps.

In earlier financial periods, Finnvera has taken out individual long-term cross currency swaps to cover foreign currency commitments. Since the beginning of 2020, cash flow hedge accounting has been applied to these hedge relationships.

Financial assets and liabilities included in hedge accounting and their result are presented in Note *E10 Derivatives and hedge accounting.*

The upcoming IBOR reform is not expected to have impact on hedge accounting.

Determination of the fair value of liabilities and derivative contracts

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

The fair values of derivative receivables include the Credit Value Adjustment (CVA) of counterparty risk. The CVA has been calculated per counterparty. The calculation into consideration the cash collaterals received from the counterparty. With regard to derivative liabilities, the company has estimated the Debit Valuation Adjustment (DVA) of its credit risk to be neutral, based on the State's guarantee.

Finnvera only has Collateralized-to-Market (CTM) derivative contracts, in which the daily payment paid based on change in fair value is treated as cash collateral for the derivative contract. Finnvera has no Settled-to-Market (STM) derivative contracts.

Calculation of expected credit losses (ECL)

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

As a result of the coronavirus pandemic, the amount of expected credit losses increased substantially. ECL calculations is particularly affected by the macroeconomic forecasts used in PIT-PD and the significant weakening of risk categories in certain industries. The amount of ECL in domestic financing decreased due to the increase in the State's credit and guarantee loss compensation percentages. The loss compensation percentage was increased from 50 per cent to 80 per cent from the beginning of the year 2020. The temporary increase has been taken into account in the ECL calculation.

The uncertainties requiring management discretion with impacts on the ECL calculation are changes in risk categories, macroeconomic scenarios and their probability in the PID-PD on the closing date of the reporting period. The economy coming to a sudden stop during 2020, especially in developed countries, and global mobility restrictions have brought business activity to a standstill in certain industries. Having spread throughout the world, the coronavirus pandemic led to negative projections of macroeconomic scenarios. The coronavirus pandemic and its negative impacts on the world economy are expected to continue in 2021. Economic recovery depends on the efficacy and availability of the coronavirus vaccine, its distribution rate and the resulting measures to cancel restrictions on mobility and gatherings.

The consequences of the coronavirus pandemic have not yet had a significant impact on realised credit losses. However, the negative economic development can be expected to continue in 2021. Based on the current information, it is very difficult to project the speed of recovery.

Calculation model of expected credit losses (ECL) in domestic financing

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

The LGD estimate takes into account collaterals specific to each financing arrangement that decrease the expected credit loss amount. According to the risk model defined by Finnvera, LGD refers to the collateral risk, or collateral shortage. As the fair value of a collateral is based on the situation at the time of the estimate and may change later during the financing arrangement, a collateral value, which is a certain percentage of the fair value of the collateral, is determined separately for the collateral. The determination of the collateral value is a way to prepare for, for instance, the deterioration of the quality of the collateral object or a decrease in the realisation price of the collateral object due to an economic downturn.

In domestic financing, expected credit loss is calculated using loan receivables from clients, valid guarantees, export credit guarantees and special guarantees, guarantee receivables and receivables from export credit and special guarantee operations, interest receivables and fee and commission receivables. Investments recognised at fair value through other comprehensive income and domestic financing's investments in bonds are included in the calculation of expected credit loss. Their ECL amount is presented in the fair value reserve. Contingent liability items, domestic financing's credit commitments and guarantee offers are also included in the calculation of expected credit losses. Their expected credit losses are recognised as provisions.

In the expected credit loss calculation, the State's credit loss compensation reduces Finnvera's expected credit losses. The State's credit loss compensation applies to the loans *(loan principal and interest receivable)* and guarantees *(only the guaranteed amount)* granted by Finnvera's domestic financing operations. Due to the coronavirus pandemic, the State's credit and guarantee loss compensation for domestic financing was raised from 50 per cent to 80 per cent. The temporary increase is in force starting from the beginning of 2020, because of which the ECL amount of domestic financing has decreased during 2020 in spite of the negative macroeconomic scenario affecting the PIT-PD. Of the three macroeconomic scenarios, the most negative estimate, according to which Finland's GDP will decrease by 5 per cent in 2020, was chosen for the PIT-PD model. The other scenarios were a decrease of 4.3 per cent and 3.5 per cent in Finland's GDP. The projections also included corresponding GDP forecasts for 2021–2022. Companies' insolvencies did not yet have an impact on the real economy in 2020, but companies' insolvencies can increase during the first half of 2021. Therefore, the most negative GDP estimate was chosen as the management's estimate. There were no major changes in the other ECL calculation methods during the reporting period.

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

Recognition principles of realised credit losses

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

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

In accordance with the definition, the relevant receivables are, almost without exception, in stage three (3) in the ECL calculation. An impairment loss in accordance with the ECL calculation is recorded on the receivables, and this recognises the collateral shortage of the receivable as an expected credit loss (ECL). The principles of determining different stages for individual financial instruments are provided in table 3 (Table 3).

Table 3: Determination of ECL calculation stages, domestic financing

Factor determining the stage	Stage 1	Stage 2	Stage 3
The credit risk has not significantly increased from the moment the financial instrument was granted to the moment the situation is reviewed	x		
Zero-interest loans and subordinated loans		x	
Payment behaviour: receivable that is more than 30 days overdue		x	
Payment behaviour: receivable that is more than 90 days overdue			x
Significant risk increase in the client's risk category		x	x
Guarantee receivables			x
Client's legal status (bankruptcy etc.)			x
Other clients in the risk category D			x

Expected credit loss (ECL) calculation model in export credit guarantee and special guarantee operations

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

Expected credit loss calculation is substantially influenced by the following factors: how large a change in the probability of default indicates a significant increase in credit risk and what kinds of macroeconomic scenarios are used in ECL calculations. In export financing, undrawn export credit guarantees are included in the calculation of expected credit loss. A special characteristic of export financing is that the schedules for drawing credits covered by guarantees can extend for years ahead. As a result, undrawn guarantees are not fully taken into account in export financing when calculating expected credit loss. The further in the future the drawing date of the loan covered by the guarantee is, the lower the multiplier used for the undrawn guarantee when taking it into account in expected credit loss. In export financing, group-specific ECL calculation only applies to export credit guarantees that do not exceed EUR 2 million. Their significance for Finnvera's overall export financing exposure is non-essential. ECL calculation was specified further during 2020 so that guarantee premiums paid in advance received have been included in the ECL calculation, reducing the expected credit losses. Guarantee premiums paid in advance decreased the expected credit losses from export credit guarantee and special guarantee operations by EUR 121 million at the end of the financial period.

The LGD value and the risk category are updated once a year in export financing. The LGD, the share of expected loss given default and risk category, has an essential impact on ECL calculation. The expected credit loss calculation model also includes forward-looking, i.e. macroeconomic, scenarios. These are taken into account in the PIT-PD model, in which one of the variables is the change of the world gross national product and its forecast. They increase or decrease expected losses depending on economic forecasts. The management's judgment especially covers macroeconomic scenarios. The principles of determining different stages for individual financial instruments are provided in table 4 (Table 4). The macroeconomic forecast used in export credit guarantee and special guarantee operations was the advanced economies gross domestic product (GDP) forecast for 2020 and 2021 published by the International Monetary Fund (IMF) in October 2020, according to which the GDP of advanced economies is expected to decrease by 5.8 per cent. This projection was weighted using three different scenario probabilities; strong recession 50 per cent, weak forecast 30 per cent and normal forecast 20 per cent. The different probability weights were used because the impacts of the coronavirus pandemic on economic development after 2020 are difficult to project. The negative impacts of the coronavirus pandemic on the economy and certain industries in particular are estimated to continue over a longer time. However, the IMF estimates that the GDP of advanced economies will grow by 3.9 per cent in 2021, indicating that advanced economies would recover from the coronavirus crisis relatively quickly starting from 2021. The impact of macroeconomic forecasts and impairment of the risk classifications of individual large risk objects increased the expected credit losses from export credit guarantee and special guarantee operations to EUR 1,295 million. The cruise shipping sector has suffered from the coronavirus pandemic particularly bad, which has resulted in the worsening of the risk categories of individual risk objects and thereby an increase in significant expected credit losses.

Table 4: Determination of ECL calculation stages, export financing

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

A10 Leases

Leases that are classified in accordance with the IFRS 16 standard include lease agreements on office properties, vehicle leases, certain lease agreements on applications and certain leases concerning the leasing of machinery. More detailed notes on the impacts of the IFRS 16 standard on the parent company's balance sheet and result are available in Notes *E4 Intangible and tangible assets*. The Group's subsidiaries do not have leases in accordance with the IFRS 16 standard.

In the calculation model of right-of-use assets according to IFRS 16, discretionary assumptions and judgments are the time period of lease contracts and weighted average additional credit interest. Depreciation, amortisation and interest expenses are recognised for the right-of-use asset. So far, the coronavirus pandemic has not had an impact on the right-of-use assets according to IFRS 16 or their liabilities.

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

A11 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty

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

Expected credit losses (ECL)

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

In connection with the preparation of these financial statements, the management's estimates related the Group's accounting principles and key uncertainties were similar to those applied in the previous financial statements, with the exception of macroeconomic scenarios used in ECL calculation and their weightings, as well as the impairment of the risk categories of individual risk objects. The considerable growth in expected credit losses particularly as a result of the cruise shipping sector's risk categories and negative economic projections of the macroeconomic scenarios due to the coronavirus pandemic has led to the Group's result showing a loss.

Provisions and contingent liabilities according to IAS 37

Recording provisions for a known obligation requires the management's judgment of expenses resulting from the fulfilment of the obligation. Actual expenses and their realisation date may differ considerably from these. The financial statements for 2020 cancelled the previously recognised counselling cost provision associated with the collection of receivables from export credit financing, and thereby the balance sheet for 2020 no longer includes provisions pursuant to IAS 37.

A possible obligation that has emerged as a consequence of a previous event and the existence of which will be ensured later and is not completely in the entity's control is reported as a contingent liability pursuant to IAS 37.

According to section 4 of the Act on the State Guarantee Fund, the State is responsible for export credit guarantees and special guarantees granted by Finnvera. Under section 5 of the Act, the State covers the losses of the said operations to the extent that the losses cannot be covered from retained earnings. The loss is covered through a fund payment from the State Guarantee Fund to Finnvera during the year of deficit amounting to the deficit from export and special guarantee operations for the financial period exceeding retained earnings.

If Finnvera's losses are covered with a fund payment from the State Guarantee Fund, profits from export credit guarantee and special guarantee operations future financial periods or part thereof can be transferred to the State Guarantee Fund as a fund reimbursement under the Act on the State Guarantee Fund. The decision on the matter is made by the General Meeting of Shareholders of Finnvera by the proposal of the Board of the State Guarantee Fund.

For the financial period 2020, Finnvera received a fund payment of EUR 349 million from the State Guarantee Fund to cover the deficit from export and special guarantee operations for the financial period. As a result of this, the amount of fund payment received, EUR 349 million, that may need to be reimbursed to the Fund from any future profits from export credit guarantee and special guarantee operations under section 5 of the Act on the State Guarantee Fund, is disclosed as a contingent liability in off-balance sheet liabilities in accordance with IAS 37.

B Risk management

IFRS consolidated financial statements, notes to risk management

The principles, role and responsibilities of risk management
Finnvera's operational objectives in contributing to financing the growth, internationalisation and exports of enterprises and the strategies to achieve these objectives form the foundation of risk management. Finnvera supplements the financial market and takes greater credit risks than providers of financing that operate on commercial grounds. Credit risk is the principal risk type for the Finnvera Group.

Other key risks are liquidity and market risks as well as operational risks associated with activities. Risk management is of central importance for maintaining the Finnvera Group's ability to take risks and for attaining the company's long-term economic objectives. Finnvera's Board of Directors and executive management are responsible for arranging and organising internal control and risk management. The Board of Directors approves Finnvera's risk appetite, internal control policy, credit policy, credit decision-making powers and market and liquidity risk policy at least annually.

In internal control and risk management, Finnvera applies a "three lines of defence" model. According to the model, business areas and other support operations at the first line of defence own risks and are primarily responsible for risk management.

The second line of defence is Risk Control, working independently of Finnvera's business areas and responsible for the development of the methods and guidelines of risk management as well as for the monitoring of the Group's risk position and implementation of risk-taking.

Risk Control supports the business operations in the development and maintenance of risk management systems and the monitoring of their functioning. Risk Control reports to the Board of Directors and the executive management. Finnvera has a compliance function that is independent of business operations and also belongs to the second line of defence and is responsible for ensuring that the company's operations are in compliance with regulations.

The third line of defence is internal auditing which reports directly to the Board of Directors.

Risk appetite and risk policies
Finnvera has defined the risk appetites for all risk types. Finnvera's risk appetite has been determined so that the company meets the ownership and industrial policy goals in the long term in relation to risk buffers and earnings power. The main indicators are the level of capital adequacy, the internal capital requirement, the level of liquidity, interest rate risk and the expected loss of the credit and investment portfolios. The company must be self-sustainable in the long term. As for liquidity risk, Finnvera secures liquidity for a period defined in advance so that the financing of export credits and lending to domestic SMEs can be managed. Regarding market risks, Finnvera does not take visionary interest rate or currency risks and strives to keep the risk within defined limits.

The risk appetite for operational risks has been derived from the ISO 9001 quality standard used by the company and, where applicable, regulations and guidelines issued by the Financial Supervisory Authority (08/2014), taking into account the cost-benefit ratio.

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

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

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

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

Risks are assessed per counterparty by issuing an enterprise or a bank a credit risk rating based on its realised insolvency history per risk category, i.e. probability of default (PD). Risk classifications are updated regularly based on the financial statements information or other information at least once per year. Risk classification also includes a loss given default (LGD) estimate.

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

With regard to export financing and in large projects, a designated analyst is responsible for the risk rating. In export financing, the export countries are also classified in accordance with the OECD principles into eight classes subject to individual country policies based on the projects to be financed.

In export projects, both the country and risk classification and the country policy impact the exposure to be accepted.

Finnvera uses risk classifications for the following, for example:

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

Finnvera's large corporate unit migrated to using the S&P scale and corresponding symbols in 2020. SME financing will adopt the same practice during 2021.

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

Monitoring of credit risks

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

The concentration of risks in counterparties, sectors and countries is monitored regularly. Risk appetite defines, in principle, maximum exposures for corporate counterparties and for country-related concentration risks.

In SME financing, credit policy defines the maximum exposure of an individual counterparty. Decisions greater than this maximum must be justified separately to the company's Board of Directors and, whenever necessary, to the guiding ministry. In export financing, instruments such as reinsurance agreements are used to hedge against risks associated with individual counterparties and concentrations.

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

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

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

Market risks

Finnvera does not engage in trading. A small amount of market risk arises in the balance sheet when liquid assets are invested and when measures are taken to hedge against currency and interest rate risks. The aim is to invest liquid assets in instruments where investments can be kept until maturity. Effort is also made to hedge risks so that the net effect of market changes on financial performance would be slight.

At Finnvera, interest rate risks arise when interest rates for borrowing and lending are determined at different times and when there are structural interest rate risks associated with equity. The interest rate of domestic lending intended for small and medium-sized enterprises is mainly based on the 6-month Euribor. The interest rate in export financing is based either on the 6-month Euribor or on the 6-month USD-LIBOR. Interest determination dates are distributed fairly evenly over the various banking days throughout the year. Borrowing takes place in larger individual sums, and often with a fixed interest rate. In the event that borrowing is based on a reference rate other than the 6-month Euribor (or USD-LIBOR), the reference rate is converted to the 6-month Euribor (or USD-LIBOR) by using interest rate swaps when the loan is taken out. The interest rate risk arising from differences in the timing of interest determination days between borrowing and lending is controlled by striving to distribute the interest determination days for borrowing evenly over different months.

The entire loan portfolio of Finnvera's SME financing is denominated in euros, whereas export financing uses both euros and US dollars. Finnvera acquires funds from a number of markets and in a number of currencies. To control the currency risk, the funds acquired are converted into euros or dollars by using currency swaps. Cash assets are also invested in the relevant currencies. The remaining currency risk is hedged using currency derivatives, if necessary. Finnvera's goal is to keep both the interest rate risk and the currency risk low. Risks are monitored actively, and the company's management and the Board of Directors receive regular reports on them.

Liquidity risk

Finnvera acquires long-term financing mainly within the EMTN programme. The programme is guaranteed by the State and has the same credit rating as the State of Finland. The company can also make use of a domestic commercial paper programme. These help distribute the acquisition of funds across several markets and investors.

Finnvera's Board of Directors approves the principles of liquidity management. According to these principles, the liquidity buffer must at any given time cover the payments stressed for the next 12 months without new borrowing. The principles also determine the extent of funding gap the company can accept in the longer term. Liquid assets are invested in assets that have a high credit rating. Finnvera's Treasury is responsible for practical tasks associated with borrowing and liquidity management. The company's accumulated equity is an important element of the acquisition of funds for lending.

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

Finnvera assesses the adequacy of liquidity in the coming years through an internal ILAAP process that includes, among other things, stress tests and scenario analyses, aimed at anticipating unfavourable circumstances.

Operational risks

An operational risk is a risk of loss caused by insufficient or inoperable internal processes, systems, human resources or external events. Operational risks also include information security and data protection risks, legal risks and the risk of damage to reputation. Loss resulting from an operational risk may materialise as higher costs, lower profits or lost reputation, for instance. Risk Control is responsible for developing the management of operational risks. The process teams and units are responsible for implementing practical measures. Finnvera has a full-time Security Manager who is also responsible for the administrative information security and physical safety. Potential risks have been charted and the severity of any consequences they might involve has been assessed for all core business areas and support units. In addition, Finnvera has drawn up risk scenarios that, if realised, would have serious consequences for the company's operations. Responsibility for the implementation of actions to avert the risk scenarios and other severe risks has been divided between the various organisational units in line with their tasks. The management of operational risks is closely linked to the company's quality management. Finnvera has an ISO 9001 quality certificate.

Safeguards are taken against operational risks, for instance, by introducing internal control mechanisms, developing processes, information systems and the quality of operations as well as by taking out insurance against risks.

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

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

Venture capital financing

Within the Finnvera Group, venture capital financing is carried out by ERDF-Seed Fund Ltd. The company has made additional venture capital investments during the year 2020 but no new investments into new targets. The existing investments fall within the scope of Finnvera's risk control monitoring. Veraventure Ltd no longer has any venture capital financing activities.

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

Capital management, capital adequacy and external risk weight

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

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

Equity and retained earnings are allocated to the reserve for domestic operations and to the reserve for export credit guarantee and special guarantee operations. The State provides direct support for Finnvera's domestic financing by paying credit and guarantee loss compensation for final credit losses. Since the beginning of 2020, the compensation for credit and guarantee losses has been 80 per cent of the outstanding credit and guarantee exposure. In export credit guarantee operations, the State of Finland is responsible, through bodies such as the State Guarantee Fund, for the losses that may arise during the financial period and exceed the assets in the reserve for export credit guarantee operations.

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

B1 Credit risks

(EUR 1,000)	Finnvera Group 31 Dec 2020		Finnvera Group 31 Dec 2019	
Receivables				
Loans to and receivables from credit institutions – payable on demand		417,974		210,725
Loans to and receivables from credit institutions – other		255,980		450,491
Loans to and receivables from customers		7,087,608		8,083,363
Loans to and receivables from customers[1]	7,031,585		7,920,345	
SME and midcap financing debt securities[2]	10,725		10,865	
Guarantee receivables	27,055		16,612	
Fee and commission receivables, export financing	2,999		7,302	
Receivables from export credit guarantee and special guarantee operations	18,243		128,240	
Debt securities		3,459,967		3,216,802
Derivatives[3]		18,317		-24,425
Credit and Guarantee loss receivables from the State		24,068		9,549
Interest receivables		89,390		122,430
Fee and commission receivables[4]		5,591		6,006
Trade receivables of venture capital investments		6,483		7,619
Total		**11,365,379**		**12,082,560**
Contingent liabilities		**15,426,234**		**17,693,475**

1 The figure does not include loans to and receivables from customers which are stated as disposal groups classified as held for sale.
2 The SME and midcap financing debt securities have been transferred from "Investments" to "Loans to and receivables from customers". The comparative figures have been updated to reflect the new presentation method.
3 The figures presented is the sum of net receivables per derivative counterpaty adjusted with cash collateral received. The net receivable including accrued interest before the adjustment of cash collateral received was EUR 872.4 million (EUR 394.0 million). Cash collateral received was EUR 854.1 million (EUR 418.4 million).
4 Receivables of fee and commission income have been reclassified during the reporting period. The comparative year has been updated to reflect the new presentation method.

Debt securities by credit rating grades and sector

(EUR 1,000)	Finnvera Group 31 Dec 2020 Credit institutions	Corporates	Governments/ Municipalities	Total[1]	Finnvera Group 31 Dec 2019 Credit institutions	Corporates	Governments/ Municipalities	Total[1]
Risk class								
AAA	522,666	-	-	**522,666**	191,903	-	-	**191,903**
AA	755,703	39,965	665,795	**1,461,463**	912,291	19,990	899,780	**1,832,061**
A	1,023,343	19,934	46,696	**1,089,973**	1,007,352	-	-	**1,007,352**
BBB	139,447	201,798	-	**341,245**	19,502	165,985	-	**185,487**
BB	-	-	-	**-**	-	-	-	**-**
B	-	44,620	-	**44,620**	-	-	-	**-**
Total	**2,441,159**	**306,317**	**712,492**	**3,459,967**	**2,131,047**	**185,975**	**899,780**	**3,216,802**

1 SME-debt securities EUR 10.7 million (EUR 10.9 million) are excluded from the figures presented above as they are included in the "SME and midcap financing" section below.

SME and midcap financing

The notes include SME and midcap financing export credit guarantees of EUR 236 million (EUR 146 million).

B2 Receivables from customers and guarantees, gross

(EUR 1,000)	Finnvera plc 31 Dec 2020	%	Finnvera plc 31 Dec 2019	%
Credit rating				
AAA	-	-	-	-
AA	767	-	369	-
A	29,740	1	22,168	1
BBB	200,837	8	164,822	8
BB	958,179	37	768,131	37
B	1,182,259	45	895,926	43
CCC	178,299	7	165,898	8
D	70,018	3	75,939	4
Total	**2,620,098**	**100**	**2,093,253**	**100**

B3 Receivables from customers and guarantees by industry, gross

(EUR 1,000)	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Rural trades	49,825	40,683
Industry	1,182,735	1,064,588
Tourism	295,423	172,555
Services to business	647,724	475,002
Trade and consumer services	444,391	340,425
Total	**2,620,098**	**2,093,253**

B4 Loans and guarantees by area, gross

(EUR 1,000)	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Finland	2,620,098	2,093,253
Total	**2,620,098**	**2,093,253**

B5 Loans and guarantees, gross and collateral shortage

(EUR 1,000)	Finnvera plc 31 Dec 2020 Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	**2,620,098**	**361,078**	**2,259,020**	**86**

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

B6 Doubtful receivables (gross) and ageing of past due receivables

B6.1 Doubtful receivables

	Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019
Receivables that are more than 90 days overdue	76,384	89,468
Classified as insolvent	12,375	27,488
Doubtful receivables, net	**88,759**	**116,956**
0 interest credits	14,370	13,777

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

B6.2 Ageing of past due receivables

	Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019
1 day–1 month	5,598	5,797
1–3 months	9,021	8,388
3–6 months	4,105	6,535
6–12 months	12,744	13,288
Over 12 months	38,376	40,427
Total	**69,844**	**74,435**

Past due receivables comprise any interest payments, loan instalments, guarantee commissions and outstanding guarantee receivables that are unpaid at the balance sheet date for all current commitments. Past due receivables that are more than 90 days overdue are included in doubtful receivables.

Export and special guarantee financing

SME and midcap export credit guarantees of EUR 236 million (EUR 146 million) are included in the SME and midcap financing section (Notes B2-B6).

B7 Exposure, export credit guarantees and special guarantees, gross

	Finnvera plc	
Credit rating (EUR 1,000)	31 Dec 2020	31 Dec 2019
AAA	108,645	51,133
AA	869,994	1,145,523
A	906,869	4,782,931
BBB	4,344,466	10,628,957
BB	3,560,156	6,641,969
B	8,343,323	1,279,348
CCC	3,503,810	166,285
D	83,220	83
No credit rating	451,687	647,407
Total	**22,172,171**	**25,343,635**

B8 Enterprise, sovereign and bank commitments by country category, gross

	Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019
0 – Advanced economy	17,123,084	19,790,815
1 – Flexible country policy	-	1,957
0 – Low risks	1,060,332	1,130,758
3 – Relatively low risks	1,063,682	1,142,302
4 – Intermediate risks	1,163,248	1,350,145
5 – Relatively high risks	1,395,781	1,554,329
6 – High risks	122,233	202,313
7 – Very high risks	194,916	171,017
No classification	48,894	-
Total	**22,172,170**	**25,343,636**

B9 Bank, enterprise, sovereign and political commitments by sector, gross

	Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019
Telecommunications	3,688,125	4,055,364
Cruise shipping	10,938,096	13,786,017
Pulp and paper	2,886,096	2,901,036
Mining and metals	290,343	331,544
Energy	615,935	684,143
Other industries	1,214,767	1,107,956
Others	2,538,807	2,477,575
Total	**22,172,169**	**25,343,635**

A B C D E F G H

B10 Liquidity risk, maturity of assets and liabilities

	Finnvera Group						
(EUR 1,000)	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total	Carrying Amount
31 Dec 2020							
Assets							
Loans to and receivables from credit institutions – Payable on demand	418,675	-	-	-	-	418,675	417,974
Loans to and receivables from credit institutions – Investment accounts and deposits	199,470	-	-	-	-	199,470	199,094
Loans to and receivables from credit institutions – Export credit loand	1,053	5,595	25,722	24,304	-	56,674	52,885
Receivables from customers - Loans and debt securities[3]	356,255	1,022,117	4,414,527	2,317,035	240,486	8,350,420	7,042,310
Debt securities[3]	828,645	666,439	1,616,990	317,612	-	3,429,686	3,459,967
Total assets	**1,804,098**	**1,694,152**	**6,057,239**	**2,658,951**	**240,486**	**12,454,926**	**11,172,231**
Liabilities							
Liabilities to credit institutions	-	-	-	-	-	-	-
Liabilities to other institutions	-1,180	-1,161	-80,287	-	-	-82,629	-74,583
Debt securities in issue	-528	-851,746	-3,329,720	-4,060,763	-2,060,000	-10,302,757	-10,378,929
Total liabilities	**-1,709**	**-852,907**	**-3,410,007**	**-4,060,763**	**-2,060,000**	**-10,385,386**	**-10,453,512**
Derivatives							
Derivatives – receivables	4,053	108,736	320,169	325,404	91,086	849,448	850,820
Derivatives – liabilities	-3,241	-2,205	-7,322	-901	-	-13,670	-12,392
Derivatives, net	**812**	**106,530**	**312,847**	**324,503**	**91,086**	**835,779**	**838,428**
Assets, liabilities and derivatives, net:	**1,803,201**	**947,775**	**2,960,078**	**-1,077,309**	**-1,728,428**	**2,905,318**	**1,557,147**
Credit commitments[1]	-105,611	-778,199	-3,685,004	-1,243,332	-	-5,812,146	-
Assets, liabilities, derivatives and credit commitments, net:	**1,697,590**	**169,576**	**-724,926**	**-2,320,641**	**-1,728,428**	**-2,906,828**	**1,557,147**
Guarantees and export credit guarantees[2]							
Guarantees	-167,470	-601,811	-985,710	-3,628	-	-1,758,619	-
Export credit guarantees and special guarantees	-285,206	-344,677	-1,426,920	-576,456	-2,163,793	-4,797,053	-
Total guarantees and export credit guarantees	**-452,676**	**-946,488**	**-2,412,631**	**-580,084**	**-2,163,793**	**-6,555,673**	**-**

	Finnvera Group						
(EUR 1,000)	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total	Carrying Amount
31 Dec 2019							
Assets							
Loans to and receivables from credit institutions – Payable on demand	210,818	-	-	-	-	210,818	210,725
Loans to and receivables from credit institutions – Investment accounts and deposits	195,834	212,771	-	-	-	408,605	408,145
Loans to and receivables from credit institutions – Export credit loand	1,076	1,666	19,450	21,861	-	44,053	38,346
Receivables from customers - Loans and debt securities[3]	446,933	996,002	4,412,138	2,428,452	209,701	8,493,227	7,931,210
Debt securities[3]	962,539	850,223	1,345,498	30,006	-	3,188,266	3,216,802
Total assets	**1,817,200**	**2,060,663**	**5,777,086**	**2,480,319**	**209,701**	**12,344,969**	**11,805,228**
Liabilities							
Liabilities to credit institutions	-	-	-	-	-	-	-
Liabilities to other institutions	-8,750	-8,620	-64,798	-7,576	-	-89,744	-82,042
Debt securities in issue	-525	-1,012,697	-3,889,199	-3,516,253	-2,083,750	-10,502,425	-10,138,250
Total liabilities	**-9,275**	**-1,021,317**	**-3,953,997**	**-3,523,829**	**-2,083,750**	**-10,592,168**	**-10,220,291**
Derivatives							
Derivatives – receivables	-	63,320	205,840	159,703	108,872	537,736	392,739
Derivatives – liabilities	-10,351	-27,955	-132,599	-142,784	-44,826	-358,515	-41,274
Derivatives, net	**-10,351**	**35,365**	**73,242**	**16,919**	**64,045**	**179,221**	**351,465**
Assets, liabilities and derivatives, net:	**1,797,574**	**1,074,711**	**1,896,331**	**-1,026,590**	**-1,810,004**	**1,932,021**	**1,936,402**
Credit commitments[1]	-150,243	-996,775	-4,464,798	-1,243,332	-	-6,855,148	-
Assets, liabilities, derivatives and credit commitments, net:	**1,647,330**	**77,936**	**-2,568,467**	**-2,269,922**	**-1,810,004**	**-4,923,127**	**1,936,402**
Guarantees and export credit guarantees[2]							
Guarantees	-135,394	-412,036	-613,332	-653	-3,948	-1,165,364	-
Export credit guarantees and special guarantees	-69,647	-226,971	-2,067,974	-662,717	-2,010,012	-5,037,320	-
Total guarantees and export credit guarantees	**-205,041**	**-639,007**	**-2,681,306**	**-663,370**	**-2,013,960**	**-6,202,684**	**-**

The table does not include the ERDF EUR 4.0 million (EUR 4.0 million) assets held on an escrow account. Their use is regulated separately.
1 Undrawn credit commitments are presented in the period when the loans are expected to be drawn.
2 The guarantees in the table have been broken down according to their due dates. An individual guarantee may give rise to indemnity at any time during its period of validity. There is no historical information as to when such indemnities have been realised during the life cycle of a guarantee. Export credit guarantees do not include export credit guarantees that correspond to the subsidiary's undrawn credit commitments (undrawn credit commitments are presented as a separate line in the table) or offer-stage guarantees (guarantee offers).
3 The SME and midcap financing debt securities have been transferred from "Investments" to "Loans to and receivables from customers". The comparative figures have been updated to reflect the new presentation method.

B11 Total commitments from financing operations

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Domestic operations				
Contingent liabilities, drawn	1,758,619	1,165,364	1,758,619	1,165,364
Loans included in the balance sheet, gross[1]	660,358	751,437	660,358	751,437
Investments in SME bonds included in the balance sheet	10,725	10,865	10,725	10,865
Total drawn commitments	**2,429,703**	**1,927,666**	**2,429,703**	**1,927,666**
Contingent liabilities, undrawn	181,191	115,889	181,191	115,889
Total commitments, domestic operations[2]	**2,610,894**	**2,043,555**	**2,610,894**	**2,043,555**
Export credit and special guarantees, financing				
Contingent liabilities, drawn[3]	3,682,111	3,437,285	11,762,192	11,443,234
Items included in the balance sheet, gross[1, 3]	7,561,342	7,298,845	-	-
Total drawn commitments	**11,243,454**	**10,736,130**	**11,762,192**	**11,443,234**
Contingent liabilities, undrawn	9,804,312	12,974,938	10,645,520	14,045,920
Total export credit and special guarantees, financing[4]	**21,047,766**	**23,711,068**	**22,407,712**	**25,489,154**
Total commitments from financing operations	**23,658,660**	**25,754,623**	**25,018,605**	**27,532,709**

1 The figures presented do not take into account IFRS9 expected credit losses (ECL).
2 Total commitments from domestic operations do not include recovery receivables of EUR 32.5 million (28.4 million).
3 The risk associated with the repayment of export credits granted by Finnish Export Credit Ltd, part of Finnvera Group, is covered by an export credit guarantee granted by the parent company. When the parent company finances export credits granted by Finnish Export Credit Ltd, the parent company's balance sheet also includes a receivable from Finnish Export Credit Ltd. The parent company's contingent liabilities include EUR 7,490.5 million (EUR 7,244.8 million) in export credit guarantees financed by the parent company.
4 Total export credit and special guarantees do not include recovery receivables of EUR 40.1 million (EUR 128.2 million). The Group interest commitment figures do not include group internal interest commitments to Finnish Export Credit Ltd.

B12 Market risk sensitivities

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019
Interest rate risk		
Market interest increase 1%		
- Change in net interest income during the next 12 months	8,663	14,881
- Changes in items carried at fair value	-15,452	11,951
Market interest decrease 1%		
- Change in net interest income during the next 12 months	-866	-1,488
- Changes in items carried at fair value	1,545	1,195
Currency risk		
The USD strengthens by 10% against the euro	224	1,190
The USD weakens by 10% against the euro	-183	-974

C Segment information

Finnvera's segment information is based on the company's internal division into business areas and on the organisational structure. Client enterprises have been divided into business areas according to their size and the need for financing at their development stage. A service concept has been devised for each business area. Finnvera's segments are:

1. Locally operating small companies
2. SMEs focusing on the domestic markets
3. SMEs seeking growth and internationalisation
4. Large corporates
5. Export credits
6. Venture capital financing

SME and midcap financing includes segments 1-3 and export financing includes segments 4-5.

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

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

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

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

The clients of the large corporates segment are generally exporters operating in Finland, as well as domestic and foreign providers of financing for these. The large corporates segment offers to clients almost exclusively export credits. However in individual cases, the financing solution can be also comprised of special guaranties or domestic financing products.

The segment for export credits includes Finnvera's subsidiary's Finnish Export Credit Ltd's operations including the parent company Finnvera plc's funding and asset management related to export credit financing on behalf of Finnish Export Credit Ltd. The subsidiary provides financing for export credits and export financing based on tax agreements and administers the interest equalisation system for officially supported export credits and domestic ship financing in accordance with the OECD Arrangement.

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

Income and expenses are allocated to each segment when they are deemed to fall within that segment, or allocation is carried out on the basis of internal accounting rules. All income and expenses have been allocated to segments. There is no notable intra-segment business.

Assessment of the profitability of Finnvera's segments is based on the operating profit. The assets and liabilities of segments are valued according to the principles for drawing up the financial statements.

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

C1 Profit/loss by segment

(EUR 1,000)	SME and midcap financing			Export financing		Venture capital financing	Total
	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internationalisation	Large corporates	Export credits		
Finnvera Group							
1–12/2020							
Net interest income	6,110	12,354	10,455	1,960	19,713	346	**50,938**
Net fee and comission income	8,111	21,261	22,705	76,963	13,834	-1	**142,873**
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-100	-244	-141	1,284	755	114	**1,668**
Net income from investments	-	-	-	-	289	-	**289**
Other operating income	6,460	22,505	43	320,346	1	-	**349,355**
Operational expenses	-7,590	-12,163	-9,640	-11,113	-3,293	-254	**-44,053**
Depreciation and amortisation on tangible and intangible assets	-1,385	-2,807	-1,769	-1,066	-248	-	**-7,275**
Other operating expenses	-94	-130	-83	-39	-22	-	**-368**
Realised credit losses and change in expected credit losses, net	9,580	14,493	-10,630	-1,236,394	-10,154	58	**-1,233,047**
- Realised credit losses	-15,698	-20,859	-11,774	-83,921	22	16	**-132,215**
- Credit loss compensations from the State	12,558	16,249	7,389	-	-	-	**36,196**
- Change in expected credit losses (increase - / decrease +)	12,719	19,103	-6,244	-1,152,473	-10,177	43	**-1,137,029**
Operating profit/loss	21,092	55,269	10,939	-848,058	20,875	264	**-739,619**
Income tax	-	-	-	-	-8,098	-236	**-8,335**
Profit/loss for the period	**21,092**	**55,269**	**10,939**	**-848,058**	**12,777**	**28**	**-747,954**
Finnvera Group							
1–12/2019							
Net interest income	7,738	13,668	8,947	2,984	7,480	433	**41,250**
Net fee and comission income	6,323	18,089	15,749	87,535	12,849	-1	**140,545**
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-18	-58	6	66	10,465	-223	**10,238**
Net income from investments	-	-	54	-	66	-	**120**
Other operating income	63	175	86	92	0	-84	**332**
Operational expenses	-7,125	-12,842	-9,405	-9,441	-2,935	-354	**-42,102**
Depreciation and amortisation on tangible and intangible assets	-1,762	-2,057	-1,747	-1,216	-241	-	**-7,022**
Other operating expenses	-123	-174	-104	600	-19	-	**181**
Realised credit losses and change in expected credit losses, net	-7,038	-3,999	-7,420	-24,998	-23	93	**-43,385**
- Realised credit losses	-10,865	-15,838	-5,767	341	-	-	**-32,128**
- Credit loss compensations from the State	5,431	8,263	3,042	-	-	-	**16,737**
- Change in expected credit losses (increase - / decrease +)	-1,604	3,575	-4,695	-25,339	-23	93	**-27,993**
Operating profit/loss	-1,942	12,803	6,166	55,622	27,642	-135	**100,156**
Income tax	-	-	-	-	-5,899	6	**-5,892**
Profit/loss for the period	**-1,942**	**12,803**	**6,166**	**55,622**	**21,744**	**-129**	**94,264**

(EUR 1,000)	SME and midcap financing: Locally operating small companies	SME and midcap financing: SMEs focusing on the domestic markets	SME and midcap financing: SMEs seeking growth and internationalisation	Export financing: Large corporates	Export financing: Export credits	Venture capital financing	Total
Finnvera plc							
1–12/2020							
Net interest income	6,110	12,354	10,455	1,960	10,383	-	**41,262**
Net fee and comission income	8,111	21,261	22,705	76,963	13,370	-	**142,410**
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-100	-244	-141	1,284	1,312	-	**2,110**
Net income from investments	-	-	-	-	289	-	**289**
Other operating income	6,460	22,618	43	320,346	1	-	**349,468**
Operational expenses	-7,590	-12,163	-9,640	-11,113	-3,208	-	**-43,713**
Depreciation and amortisation on tangible and intangible assets	-1,385	-2,807	-1,769	-1,066	-248	-	**-7,275**
Other operating expenses	-94	-130	-83	-39	-11,753	-	**-12,099**
Realised credit losses and change in expected credit losses, net	9,580	14,493	-10,630	-1,236,394	-10,146	-	**-1,233,097**
- Realised credit losses	-15,698	-20,859	-11,774	-83,921	-	-	**-132,253**
- Credit loss compensations from the State	12,558	16,249	7,389	-	-	-	**36,196**
- Change in expected credit losses (increase - / decrease +)	12,719	19,103	-6,244	-1,152,473	-10,146	-	**-1,137,041**
Operating profit/loss	21,092	55,382	10,939	-848,058	-	-	**-760,645**
Income tax	-	-	-	-	-	-	**-**
Profit/loss for the period	**21,092**	**55,382**	**10,939**	**-848,058**	**-**	**-**	**-760,645**

(EUR 1,000)	SME and midcap financing: Locally operating small companies	SME and midcap financing: SMEs focusing on the domestic markets	SME and midcap financing: SMEs seeking growth and internationalisation	Export financing: Large corporates	Export financing: Export credits	Venture capital financing	Total
Finnvera plc							
1–12/2019							
Net interest income	7,738	13,668	8,947	2,984	-826	-	**32,511**
Net fee and comission income	6,323	18,089	15,749	87,535	12,369	-	**140,066**
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-18	-58	6	66	1,028	-	**1,024**
Net income from investments	-	-	54	-	66	-	**120**
Other operating income	63	175	86	92	2,400	-	**2,816**
Operational expenses	-7,125	-12,842	-9,405	-9,441	-2,894	-	**-41,707**
Depreciation and amortisation on tangible and intangible assets	-1,762	-2,057	-1,747	-1,216	-241	-	**-7,022**
Other operating expenses	-123	-174	-104	600	-11,879	-	**-11,680**
Realised credit losses and change in expected credit losses, net	-7,038	-3,999	-7,420	-24,998	-23	-	**-43,478**
- Realised credit losses	-10,865	-15,838	-5,767	341	-	-	**-32,128**
- Credit loss compensations from the State	5,431	8,263	3,042	-	-	-	**16,737**
- Change in expected credit losses (increase - / decrease +)	-1,604	3,575	-4,695	-25,339	-23	-	**-28,087**
Operating profit/loss	-1,942	12,803	6,166	55,622	-	-	**72,649**
Income tax	-	-	-	-	-	-	**-**
Profit/loss for the period	**-1,942**	**12,803**	**6,166**	**55,622**	**-**	**-**	**72,649**

D Notes to the income statement

D1 Interest income and expenses

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Interest income				
Interests from loans passed on to the customers	**95,280**	**144,037**	**83,364**	**133,845**
- Domestic financing[1]	27,094	27,369	27,094	27,369
- SME and midcap financing debt securities, FVOCI	899	1,011	899	1,011
- Export financing[1]	67,206	115,625	-	7
- Venture capital financing	82	31	-	-
- Group internal interest income	-	-	55,372	105,458
Subsidies passed on to customers	**50**	**162**	**50**	**162**
Other interest income	**10,080**	**22,186**	**9,776**	**20,747**
- Interest on export credit guarantee and special guarantee receivables	1,292	1,649	1,292	1,649
- Interest on guarantee receivables	1,101	1,676	1,101	1,676
- On receivables from credit institutions and derivative collateral	5,227	8,895	5,214	7,858
- On debt securities, amortised cost	-1,773	-1,665	-1,773	-1,665
- On debt securities, FVOCI	-1,471	-2,059	-1,471	-2,059
- On debt securities, FVTPL (fair value option)	75	52	75	52
- On derivatives related to liquidity management, FVTPL (mandatorily)	5,339	13,236	5,339	13,236
- On other	291	402	0	-
Total	**105,411**	**166,385**	**93,191**	**154,754**
Interest expense				
On liabilities to credit institutions	**267**	**-3,764**	**267**	**-3,764**
On liabilities to other institutions	**-2,341**	**-2,689**	**-**	**-**
- On liabilities to other institutions, amortised cost	-2,341	-2,689	-	-
On debt securities in issue and hedges of funding	**-50,111**	**-116,388**	**-50,111**	**-116,388**
- On debt securities in issue, amortised cost (fair value hedging)	-90,091	-82,281	-90,091	-82,281
- On debt securities in issue, FVTPL (fair value option)	-33,938	-41,613	-33,938	-41,613
- On derivatives hedging debt securities in issue, FVTPL (mandatorily)	92,752	44,275	92,752	44,275
- On other funding related derivatives, FVTPL (mandatorily)	-18,834	-36,769	-18,834	-36,769
Group internal interest expenses	**-**	**-**	**163**	**186**
On receivables from credit institutions and derivative collateral	**-2,288**	**-2,294**	**-2,248**	**-2,276**
Total	**-54,474**	**-125,135**	**-51,929**	**-122,243**
Net interest income	**50,938**	**41,250**	**41,262**	**32,511**
Interest accrued on impaired loans included in interest income	2,080	881	2,080	881

1 The Group's and parent company's interest income and fee and commission income have been reclassified during the reporting period according to IFRS 15. The comparative figures have not been updated to reflect the new presentation method. The impact of the reclassification on the Group and parent company comparative figures would be 1.0 million in interest income and -1.0 million in fee and commission income.

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Interest income and expense by class of financial assets and liabilities				
Interest expense on items carried at amortised cost	100,570	154,145	88,350	142,514
Interest expense on items carried at fair value through other comprehensive income	-572	-1,048	-572	-1,048
Interest expense on items carried at fair value through profit or loss	5,413	13,288	5,413	13,288
Total interest income	**105,411**	**166,385**	**93,191**	**154,754**
Interest expense on items carried at amortised cost	-94,454	-91,028	-91,909	-88,136
Interest expense on items carried at fair value through profit or loss	39,980	-34,107	39,980	-34,107
Total interest expense	**-54,474**	**-125,135**	**-51,929**	**-122,243**

Interest subsidy from the state and the European Regional Development Fund

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

Interest-subsidised loans and guarantees in total	1,480	6,145	1,480	6,145

D2 Fee and commission income and expenses by income statement items

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Fee and commission income from guarantees				
Export and credit guarantees and special guarantees	103,867	111,879	103,867	111,879
SME and midcap financing	36,912	29,236	36,912	29,236
Sub total	**140,779**	**141,114**	**140,779**	**141,114**
Delivery and handling fees				
Export and credit guarantees and special guarantees	1,455	1,138	1,455	1,138
SME and midcap financing	3,671	3,287	3,671	3,287
Total	**5,127**	**4,425**	**5,127**	**4,425**
Fee and commission income from loans				
Export loans[1]	14,300	13,317	14,197	13,223
Commission income of SME and midcap financing, loans[1]	1,787	2,743	1,787	2,743
Sub total	**16,087**	**16,061**	**15,984**	**15,967**
Other fee and commission income				
Interest balancing, export credit guarantees and special guarantees	364	386	-	-
Other fee and commossion income, SME and midcap financing	3	12	3	12
Sub total	**367**	**398**	**3**	**12**
Grand total	**162,360**	**161,997**	**161,893**	**161,517**
Other commission expenses				
Reinsurance, Export and credit guarantees and special guarantees	-18,590	-20,549	-18,590	-20,549
Borrowing	-587	-643	-587	-643
Payment transactions	-310	-260	-306	-259
Other fee and commission expenses	0	0	0	0
Grand total	**-19,487**	**-21,453**	**-19,483**	**-21,452**
Net fee and commision income	**142,873**	**140,545**	**142,410**	**140,066**

1 The Group's and parent company's interest income and fee and commission income have been reclassified during the reporting period according to IFRS 15. The comparative figures have not been updated to reflect the new presentation method. The impact of the reclassification on the Group and parent company comparative figures would be 1.0 million in interest income and -1.0 million in fee and commission income.

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

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Dividends	Gains and losses from sales	Changes in fair value	Total	Dividends	Gains and losses from sales	Changes in fair value	Total
31 Dec 2020								
From financial instruments recognised through profit or loss								
Derivatives	-	-	285,007	285,007	-	-	-	-
Debt securities in issue	-	-	-294,191	-294,191	-	-	-485	-485
Investments in debt securities	-	-	8,760	8,760	-	-	-	-
Shares and participations	6	1,360	-1,252	114	-	-	-	-
Total for financial instruments recognised through profit or loss	**6**	**1,360**	**-1,676**	**-310**	**-**	**-**	**-485**	**-485**
By categories of financial instruments, IFRS 9								
Items carried at amortised cost (fair value hedging)	-	-	-254,820	-254,820	-	-	-	-
Items carried at fair value through OCI (fair value hedging)	-	-	7,632	7,632	-	-	-	-
Items carried at fair value through profit and loss (fair value option)	-	-	-38,243	-38,243	-	-	-485	-485
Items carried at fair value through profit and loss (mandatory)	6	1,360	283,754	285,121	-	-	-	-
Total	**6**	**1,360**	**-1,676**	**-310**	**-**	**-**	**-485**	**-485**
Foreign exchange gains (+) and losses (-)				**1,978**				**2,595**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses				**1,668**				**2,110**

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Dividends	Gains and losses from sales	Changes in fair value	Total	Dividends	Gains and losses from sales	Changes in fair value	Total
31 Dec 2019								
From financial instruments recognised through profit or loss								
Derivatives	-	-	350,301	350,301	-	-	-1,968	-1,968
Debt securities in issue	-	-	-341,540	-341,540	-	-	1,898	1,898
Investments in debt securities	-	-	697	697	-	-	-	-
Shares and participations	7	1,248	-1,477	-223	-	-	-	-
Total for financial instruments recognised through profit or loss	**7**	**1,248**	**7,982**	**9,236**	**-**	**-**	**-70**	**-70**
By categories of financial instruments, IFRS 9								
Items carried at amortised cost (fair value hedging)	-	-	-276,160	-276,160	-	-	-	-
Items carried at fair value through profit and loss (fair value option)	-	-	-64,683	-64,683	-	-	1,898	1,898
Items carried at fair value through profit and loss (mandatory)	7	1,248	348,825	350,079	-	-	-1,968	-1,968
Total	**7**	**1,248**	**7,982**	**9,236**	**-**	**-**	**-70**	**-70**
Foreign exchange gains (+) and losses (-)				**1,002**				**1,094**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses				**10,238**				**1,024**

In the Group, Finnish Export Credit Ltd's business area is export credit financing operations. On the basis of a separate management agreement, the parent company takes care of funding and asset management related to export credit financing on behalf of Finnish Export Credit Ltd. In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change, which means that this share of the change in the fair value of liabilities and derivatives comes to the consolidated financial statements from Finnish Export Credit Ltd's figures. The receivable from Finnish Export Credit Ltd is included in other assets (Note E5), if a liability it is included in other liabilities (Note E11).

D4 Net income from investments

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera plc 31 Dec 2020
Net gains and losses from investments in debt securities not carried at fair value through profit or loss		
- Debt securities carried at fair value through other comprehensive income (OCI)	291	291
- Debt securities carried at amortised cost	-2	-2
Total	**289**	**289**

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

D5 Other operating income

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Management fees	76	120	76	120
Management fees from subsidiaries (internal charging)	-	-	94	2,463
Rental income	20	19	20	19
Rental income fees from subsidiaries (internal charging)	-	-	20	21
Fund payment from The State Guarantee Fund[1]	349,023	-	349,023	-
Other	235	193	235	193
Total	**349,355**	**332**	**349,468**	**2,816**

1 Fund payment from the State Guarantee Fund under section 5 to cover the loss from export credit guarantee and special guarantee operations.

D6 Operational expenses

D6.1 Personnel expenses

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Wages and salaries	-23,805	-23,205	-23,623	-22,891
Pension costs				
- Defined contribution plans	-3,490	-4,341	-3,462	-4,382
- Defined benefit plans	-151	-190	-151	-190
Other social security costs	-1,109	-838	-1,106	-832
Total	**-28,556**	**-28,573**	**-28,342**	**-28,295**

D6.2 Other operational expenses

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Other voluntary staff expenses	-1,602	-2,228	-1,594	-2,211
IT expenses	-6,171	-5,205	-6,135	-5,170
Marketing and communication expenses	-942	-1,410	-942	-1,410
Data acquisition costs	-1,608	-1,404	-1,606	-1,402
Debt collections expenses	-1,230	430	-1,230	430
External services	-2,293	-789	-2,270	-763
- of which auditors's fees	-158	-164	-147	-148
Other operational expenses	-1,650	-2,922	-1,594	-2,885
Total	**-15,497**	**-13,529**	**-15,372**	**-13,411**

D6.3 Auditor's fees

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Fees for statutory audit	-122	-91	-111	-75
Fees for expert services provided by auditors	-37	-73	-37	-73
Total	**-158**	**-164**	**-147**	**-148**

D7 Depreciation and amortisation on tangible and intangible assets

D7.1 Depreciation and amortisation on tangible and intangible assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Intangible assets	**-4,536**	**-4,248**	**-4,536**	**-4,248**
- Digitalisation	-2,068	-1,782	-2,068	-1,782
- IT applications and other intangible assets	-1,041	-1,053	-1,041	-1,053
- Right-of-use assets (IFRS 16)	-1,427	-1,384	-1,427	-1,384
- Correction of calculation method in depreciations[1]	-	-29	-	-29
Tangible assets	**-2,738**	**-2,774**	**-2,738**	**-2,774**
- Machinery and equipment	-372	-444	-372	-444
- Right-of-use assets (IFRS 16)	-2,366	-2,318	-2,366	-2,318
- Correction of calculation method in depreciations[1]	-	-12	-	-12
Total	**-7,275**	**-7,022**	**-7,275**	**-7,022**

1 The format of the disclosure regarding intangible and tangible assets has been changed in 2019.

D7.2 IFRS 16 impact on the income statement

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Income statement item				
- Interest expenses, IFRS 16	-169	-169	-169	-169
- Depreciation and amortisation, IFRS 16	-3,794	-3,692	-3,794	-3,692
Other operational expenses				
- Expenses relating to leases of low-value assets	-297	-423	-297	-423
Operating profit/loss	**-4,259**	**-4,284**	**-4,259**	**-4,284**
- Change in deferred taxes	-	-	-	-
Profit (+) / loss (-) for the period	**-4,259**	**-4,284**	**-4,259**	**-4,284**
Cash outflow for leases	**-3,403**	**-3,379**	**-3,403**	**-3,379**

D8 Other operating expenses

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Rental expenses				
- Office rental expenses, gross	-2,331	-2,331	-2,331	-2,331
- Reversal entry of right-of-use assets (IFRS 16)	2,192	2,097	2,192	2,097
Expenses from property in own use	-277	-256	-277	-256
Return of the surplus in export credit financing to Finnish Export Credit Ltd	-	-	-11,732	-11,860
Change of the cost provision associated with the collection of export credit guarantee receivables[1]	50	670	50	670
Total	**-367**	**181**	**-12,099**	**-11,680**

1 Reversal entry of cost provision during the period.

D9 Expected credit losses (ECL)

D9.1 Realised credit losses and change in expected credit losses, net

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Total realised credit losses	**-132,215**	**-32,128**	**-132,253**	**-32,128**
- Loans	-24,898	-12,384	-24,935	-12,384
- Guarantees	-20,309	-21,090	-20,309	-21,090
- Export credit guarantees and special guarantees	-87,008	1,345	-87,008	1,345
Credit loss compensation from the State	**36,196**	**16,737**	**36,196**	**16,737**
Change in expected credit losses (ECL) decrease (+) / increase (-)	**-1,137,029**	**-27,993**	**-1,137,041**	**-28,087**
Expected credit losses at the beginning of the period, gross[1]	241,602	213,609	241,405	213,318
Expected credit losses at the end of the period, gross[2]	1,378,631	241,602	1,378,446	241,405
Total, net	**-1,233,047**	**-43,385**	**-1,233,098**	**-43,479**

1 In August 2020, Finnvera sold the receivable from export credit and special guarantee operations related to the export credit guarantees of the Brazilian company Oi S.A., for which compensation was paid in 2016. The transaction resulted in a net loss of EUR 26 million for the financial period after the reversal of expected credit losses (EUR 57.7 million).
2 In the 2020 financial period, the method of recording ECL for export and special guarentees was changed, so that the ECL figures to be reported for 2020 include the guarentee premiums paid up-front from export credit and special guarantee operations. The change in the recording method decreases ECL from export and special guarentee operations by 121 million euros. The comparison period figures have not been changed.

D9.2 Changes in expected credit losses

Financial assets (EUR 1,000)	Finnvera Group 2020 ECL 31 Dec 2019	Finnvera Group 2020 ECL 31 Dec 2020	Finnvera Group 2020 Change in ECL	Finnvera Group 2019 ECL 31 Dec 2018	Finnvera Group 2019 ECL 31 Dec 2019	Finnvera Group 2019 Change in ECL
Loans and receivables form credit institutions	-93	-701	**-608**	-176	-93	**83**
Investment accounts and deposits	-	-369	**-369**	-	-	**-**
Loans and receivables form customers[1]	-187,837	-1,167,447	**-979,610**	-167,684	-187,837	**-20,153**
Debt securities	-	-5,745	**-5,745**	-	-	**-**
Other assets	-155	-132	**23**	-239	-155	**84**
Prepayments and accrued income	-1,534	-851	**683**	-1,418	-1,534	**-116**
Assets of disposal groups classified as held for sale	-38	-4	**35**	-43	-38	**5**
Change in expected credit losses: decrease (+) / increase (-)	**-189,658**	**-1,175,249**	**-985,591**	**-169,560**	**-189,658**	**-20,098**
Financial liabilities (EUR 1,000)						
Provisions[1]	-51,205	-199,309	**-148,103**	-43,415	-51,205	**-7,790**
Equity - Fair value	-739	-4,072	**-3,334**	-633	-739	**-106**
Change in expected credit losses: decrease (+) / increase (-)	**-51,944**	**-203,381**	**-151,437**	**-44,048**	**-51,944**	**-7,896**
Change in expected credit losses: decrease (+) / increase (-), net			**-1,137,029**			**-27,994**

Financial assets (EUR 1,000)	Finnvera plc 2020 ECL 31 Dec 2019	ECL 31 Dec 2020	Change in ECL	Finnvera plc 2019 ECL 31 Dec 2018	ECL 31 Dec 2019	Change in ECL
Loans and receivables form credit institutions	-90	-652	**-562**	-154	-90	**64**
Investment accounts and deposits	-	-369	**-369**	-	-	**-**
Loans and receivables form customers[1]	-138,915	-47,555	**91,360**	-137,941	-138,915	**-974**
Debt securities	-	-5,745	**-5,745**	-	-	**-**
Prepayments and accrued income	-1,534	-851	**683**	-1,418	-1,534	**-116**
Change in expected credit losses: decrease (+) / increase (-)	**-140,539**	**-55,172**	**85,367**	**-139,513**	**-140,539**	**-1,026**
Financial liabilities (EUR 1,000)						
Provisions[1]	-100,127	-1,319,202	**-1,219,075**	-73,172	-100,127	**-56,712**
Equity - Fair value	-739	-4,072	**-3,334**	-633	-739	**-106**
Change in expected credit losses: decrease (+) / increase (-)	**-100,866**	**-1,323,274**	**-1,222,408**	**-44,048**	**-100,866**	**-56,818**
Change in expected credit losses: decrease (+) / increase (-), net			**-1,137,041**			**-57,844**

1 In the 2020 financial period, the method of recording ECL for export and special guarantees was changed, so that the ECL figures to be reported for 2020 include the guarantee premiums paid up-front from export credit and special guarantee operations. The change in the recording method decreases ECL from export and special guarantee operations by 121 million euros. The comparison period figures have not been changed.

D9.3 Transfers of expected credit losses between stages

D9.3.1 Transfers of expected credit losses between stages - Receivables form credit institutions

(EUR 1,000)	Finnvera Group 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Finnvera Group 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total
ECL at the beginning of the period	**114**	**-**	**-**	**114**	**175**	**-**	**-**	**175**
Changes in ECL during the reporting period	-21	-	-	**-21**	2	-	-	**2**
Transfers to stage 1 from stages 2 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 2 from stages 1 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 3 from stages 1 and 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 1	-	-	-	**-**	-	-	-	**-**
Additions from stage 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 3	-	-	-	**-**	-	-	-	**-**
ECL from new receivables form credit institutions	61	-	-	**61**	90	-	-	**90**
Decrease of receivables form credit institutions	-92	-	-	**-92**	-153	-	-	**-153**
Change in PD parameters	638	-	-	**638**	-	-	-	**-**
ECL at the end of the period	**700**	**-**	**-**	**700**	**114**	**-**	**-**	**114**
Net change of ECL during the reporting period				586				-61

(EUR 1,000)	Finnvera plc 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Finnvera plc 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total
ECL at the beginning of the period	**111**	**-**	**-**	**111**	**167**	**-**	**-**	**167**
Changes in ECL during the reporting period	-21	-	-	**-21**	7	-	-	**7**
Transfers to stage 1 from stages 2 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 2 from stages 1 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 3 from stages 1 and 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 1	-	-	-	**-**	-	-	-	**-**
Additions from stage 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 3	-	-	-	**-**	-	-	-	**-**
ECL from new receivables form credit institutions	58	-	-	**58**	90	-	-	**90**
Decrease of receivables form credit institutions	-90	-	-	**-90**	-153	-	-	**-153**
Change in PD parameters	594	-	-	**594**	-	-	-	**-**
ECL at the end of the period	**652**	**-**	**-**	**652**	**111**	**-**	**-**	**111**
Net change of ECL during the reporting period				541				-56

D9.3.2 Transfers of expected credit losses between stages - Investment accounts and deposits

(EUR 1,000)	Finnvera Group 2020 Stage 1	Stage 2	Stage 3	Total	Finnvera Group 2019 Stage 1	Stage 2	Stage 3	Total
ECL at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in ECL during the reporting period	-	-	-	**-**	-	-	-	**-**
Transfers to stage 1 from stages 2 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 2 from stages 1 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 3 from stages 1 and 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 1	-	-	-	**-**	-	-	-	**-**
Additions from stage 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 3	-	-	-	**-**	-	-	-	**-**
ECL from new investments	30	-	-	**30**	-	-	-	**-**
Decrease of receivables form credit institutions	-	-	-	**-**	-	-	-	**-**
Change in PD parameters	339	-	-	**339**	-	-	-	**-**
ECL at the end of the period	**369**	**-**	**-**	**369**	**-**	**-**	**-**	**-**
Net change of ECL during the reporting period				369				-

D9.3.3 Transfers of expected credit losses between stages - Loans and receivables from customers

	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
(EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**11,465**	**51,900**	**126,393**	**189,758**	**10,549**	**34,216**	**125,241**	**170,006**
Changes in ECL during the reporting period	-183	-14,115	23,414	**9,116**	-934	25,250	-5,024	**19,292**
Transfers to stage 1 from stages 2 and 3	-	-888	-1,410	**-2,298**	-	-1,125	-2,187	**-3,312**
Transfers to stage 2 from stages 1 and 3	-2,571	-	-2,955	**-5,526**	-664	-	-499	**-1,163**
Transfers to stage 3 from stages 1 and 2	-521	-667	-	**-1,188**	-300	-960	-	**-1,260**
Additions from stage 1	-	1,098,961	8,129	**1,107,090**	-	17,812	6,459	**24,271**
Additions from stage 2	250	-	2,700	**2,950**	124	-	5,370	**5,494**
Additions from stage 3	124	165	-	**289**	125	91	-	**216**
ECL from new finances	1,423	841	10,304	**12,568**	1,709	588	21,872	**24,169**
Repayments/Expirations of guarantees	-1,442	-36,704	-100,631	**-138,777**	-911	-24,951	-24,831	**-50,693**
Portfolio reinsurance	-9,944	-9,944	-	**-19,888**	-	-	-	**-**
Change in PD parameters	5,337	41,507	4	**46,848**	1,774	978	3	**2,755**
Change in State's credit loss compensation rate	-3,371	-4,542	-24,473	**-32,386**	-	-	-	**-**
Correction	-	-	-	**-**	-5	-	-12	**-17**
ECL at the end of the period	**567**	**1,126,514**	**41,475**	**1,168,556**	**11,465**	**51,900**	**126,393**	**189,758**
Net change of ECL during the reporting period				978,798				19,752

	Finnvera plc 31 Dec 2020				Finnvera plc 31 Dec 2019			
(EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**6,469**	**7,825**	**126,393**	**140,687**	**5,977**	**8,842**	**125,241**	**140,061**
Changes in ECL during the reporting period	-481	-969	23,414	**21,964**	-844	-1,262	-5,024	**-7,130**
Transfers to stage 1 from stages 2 and 3	-	-1,386	-1,410	**-2,796**	-	-1,125	-2,187	**-3,312**
Transfers to stage 2 from stages 1 and 3	-454	-	-2,955	**-3,409**	-455	-	-499	**-954**
Transfers to stage 3 from stages 1 and 2	-521	-667	-	**-1,188**	-300	-960	-	**-1,260**
Additions from stage 1	-	2,624	8,129	**10,753**	-	2,643	6,459	**9,102**
Additions from stage 2	237	-	2,700	**2,937**	124	-	5,370	**5,494**
Additions from stage 3	124	165	-	**289**	125	91	-	**216**
ECL from new finances	1,218	841	10,304	**12,363**	1,642	588	21,872	**24,102**
Repayments/Expirations of guarantees	-902	-463	-100,631	**-101,996**	-671	-1,376	-24,831	**-26,878**
Change in PD parameters	557	750	4	**1,311**	872	383	3	**1,258**
Change in State's credit loss compensation rate	-3,371	-4,542	-24,473	**-32,386**	-	-	-	**-**
Correction	-	-	-	**-**	-	-	-12	**-12**
ECL at the end of the period	**2,876**	**4,178**	**41,475**	**48,529**	**6,469**	**7,825**	**126,393**	**140,687**
Net change of ECL during the reporting period				-92,158				626

D9.3.4 Transfers of expected credit losses between stages - Debt securities carried at amortised cost

	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
(EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in ECL during the reporting period	-	-	-	**-**	-	-	-	**-**
Transfers to stage 1 from stages 2 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 2 from stages 1 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 3 from stages 1 and 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 1	-	-	-	**-**	-	-	-	**-**
Additions from stage 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 3	-	-	-	**-**	-	-	-	**-**
ECL from new receivables form credit institutions	1,585	-	-	**1,585**	-	-	-	**-**
Decrease of receivables form credit institutions	-	-	-	**-**	-	-	-	**-**
Change in PD parameters	4,159	-	-	**4,159**	-	-	-	**-**
ECL at the end of the period	**5,744**	**-**	**-**	**5,744**	**-**	**-**	**-**	**-**
Net change of ECL during the reporting period				5,744				-

D9.3.5 Transfers of expected credit losses between stages - Provisions

	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
(EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**30,637**	**16,532**	**4,037**	**51,206**	**23,643**	**12,801**	**6,986**	**43,430**
Changes in ECL during the reporting period	1,222	3,431	-19,409	**-14,756**	-1,405	-2,285	-422	**-4,112**
Transfers to stage 1 from stages 2 and 3	-	-965	71	**-894**	-	-1,066	-13	**-1,079**
Transfers to stage 2 from stages 1 and 3	-7,352	-	-33	**-7,385**	-632	-	-	**-632**
Transfers to stage 3 from stages 1 and 2	-154	-881	-	**-1,035**	-62	-68	-	**-130**
Additions from stage 1	-	109,256	42,026	**151,282**	-	13,408	1,653	**15,061**
Additions from stage 2	131	-	1,985	**2,116**	242	-	317	**559**
Additions from stage 3	2	3	-	**5**	-	-	-	**-**
ECL from new finances	25,597	939	1,107	**27,643**	12,220	695	472	**13,387**
Repayments/Expirations of guarantees	-9,251	-8,676	-2,201	**-20,128**	-7,744	-7,635	-3,605	**-18,984**
Portfolio reinsurance	-1,037	-1,037	-1,037	**-3,111**	-	-	-	**-**
Change in PD parameters	13,741	24,329	-	**38,070**	4,375	682	-1,350	**3,707**
Change in State's credit loss compensation rate	-17,787	-4,315	-1,602	**-23,704**	-	-	-	**-**
ECL at the end of the period	**35,749**	**138,616**	**24,944**	**199,309**	**30,637**	**16,532**	**4,037**	**51,205**
Net change of ECL during the reporting period				148,103				7,776

D9.3.5 Transfers of expected credit losses between stages - Provisions

	Finnvera plc 31 Dec 2020				Finnvera plc 31 Dec 2019			
(EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**35,483**	**60,607**	**4,037**	**100,127**	**27,976**	**38,174**	**6,986**	**73,136**
Changes in ECL during the reporting period	1,537	-9,715	-19,409	**-27,587**	-1,412	31,562	-422	**29,729**
Transfers to stage 1 from stages 2 and 3	-	-468	71	**-397**	-	-1,066	-13	**-1,079**
Transfers to stage 2 from stages 1 and 3	-9,469	-	-33	**-9,502**	-841	-	-	**-841**
Transfers to stage 3 from stages 1 and 2	-154	-881	-	**-1,035**	-62	-68	-	**-130**
Additions from stage 1	-	1,205,593	42,026	**1,247,619**	-	21,242	1,653	**22,894**
Additions from stage 2	145	-	1,985	**2,130**	242	-	317	**559**
Additions from stage 3	2	3	-	**5**	-	-	-	**-**
ECL from new finances	25,802	939	1,107	**27,848**	12,287	695	472	**13,454**
Repayments/Expirations of guarantees	-9,791	-44,917	-2,201	**-56,909**	-7,984	-31,211	-3,605	**-42,800**
Portfolio reinsurance	-7,667	-7,667	-7,667	**-23,000**	-	-	-	**-**
Change in PD parameters	18,521	65,086	-	**83,607**	5,277	1,277	-1,350	**5,204**
Change in State's credit loss compensation rate	-17,787	-4,315	-1,602	**-23,704**	-	-	-	**-**
ECL at the end of the period	**36,622**	**1,264,265**	**18,314**	**1,319,201**	**35,483**	**60,606**	**4,037**	**100,127**
Net change of ECL during the reporting period				1,219,074				26,991

D9.3.6 Transfers of expected credit losses between stages - Debt securities carried at fair value (OCI)

	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
(EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL at the beginning of the period	**490**	**-**	**-**	**490**	**393**	**-**	**-**	**393**
Changes in ECL during the reporting period	-5	-	-	**-5**	-	-	-	**-**
Transfers to stage 1 from stages 2 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 2 from stages 1 and 3	-	-	-	**-**	-	-	-	**-**
Transfers to stage 3 from stages 1 and 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 1	-	-	-	**-**	-	-	-	**-**
Additions from stage 2	-	-	-	**-**	-	-	-	**-**
Additions from stage 3	-	-	-	**-**	-	-	-	**-**
ECL from new receivables form credit institutions	349	-	-	**349**	347	-	-	**347**
Decrease of receivables form credit institutions	-311	-	-	**-311**	-249	-	-	**-249**
Change in PD parameters	3,601	-	-	**3,601**	-	-	-	**-**
Correction	-174	-	-	**-174**	-	-	-	**-**
ECL at the end of the period	**3,950**	**-**	**-**	**3,950**	**490**	**-**	**-**	**490**
Net change of ECL during the reporting period				3,460				97

D9.4 Distribution of capital by credit ratings

D9.4.1 Loans and receivables from credit institutions by credit ratings and realised and expected credit losses

(EUR 1,000)	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
AAA	-	-	-	**-**	-	-	-	**-**
AA	316,437	-	-	**316,437**	13,458	-	-	**13,458**
A	102,236	-	-	**102,236**	596,684	-	-	**596,684**
BBB	-	-	-	**-**	-	-	-	**-**
BB	52,886	-	-	**52,886**	-	-	-	**-**
B	-	-	-	**-**	-	-	-	**-**
CCC	-	-	-	**-**	-	-	-	**-**
No credit rating	-	-	-	**-**	8,820	-	-	**8,820**
Total	**471,559**	**-**	**-**	**471,559**	**618,963**	**-**	**-**	**618,963**
Expected credit loss	701	-	-	**701**	114	-	-	**114**
Realised credit losses				**-**				**-**

(EUR 1,000)	Finnvera plc 31 Dec 2020				Finnvera plc 31 Dec 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
AAA	-	-	-	**-**	-	-	-	**-**
AA	296,844	-	-	**296,844**	12,499	-	-	**12,499**
A	92,193	-	-	**92,193**	586,584	-	-	**586,584**
BBB	-	-	-	**-**	-	-	-	**-**
BB	52,886	-	-	**52,886**	-	-	-	**-**
B	-	-	-	**-**	-	-	-	**-**
CCC	-	-	-	**-**	-	-	-	**-**
No credit rating	-	-	-	**-**	-	-	-	**-**
Total	**441,923**	**-**	**-**	**441,923**	**599,083**	**-**	**-**	**599,083**
Expected credit loss	652	-	-	**652**	111	-	-	**111**
Realised credit losses				**-**				**-**

D9.4.2 Investment accounts and deposits by credit ratings and realised and expected credit losses

(EUR 1,000)	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Credit rating	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	-	-	-	-
AA	-	-	-	-	-	-	-	-
A	199,463	-	-	**199,463**	-	-	-	-
BBB	-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-
No credit rating	-	-	-	-	-	-	-	-
Total	**199,463**	**-**	**-**	**199,463**	**-**	**-**	**-**	**-**
Expected credit loss	369	-	-	**369**	-	-	-	-
Realised credit losses				**-**				**-**

D9.4.3 Loans and receivables from customers by credit ratings and realised and expected credit losses[1]

(EUR 1,000)	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Credit rating	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	87	-	-	**87**	19	-	-	**19**
AA	1,803	-	-	**1,803**	2,834	-	-	**2,834**
A	23,641	71	222	**23,933**	757,573	181	93	**757,847**
BBB	2,416,588	2,288	2,159	**2,421,035**	3,310,626	2,781	3,355	**3,316,761**
BB	1,593,837	10,537	10,775	**1,615,149**	3,501,894	13,830	9,541	**3,525,265**
B	76,830	2,368,738	20,760	**2,466,329**	132,324	61,337	19,884	**213,545**
CCC	410	1,568,970	7,130	**1,576,510**	564	113,742	9,959	**124,265**
D	109	49	101,363	**101,521**	30	54	275,110	**275,194**
No credit rating	30,649	-	-	**30,649**	38,065	-	-	**38,065**
Total	**4,143,955**	**3,950,653**	**142,408**	**8,237,016**	**7,743,928**	**191,926**	**317,942**	**8,253,797**
Expected credit loss	567	1,126,514	41,475	**1,168,555**	11,234	51,900	126,393	**189,527**
Realised credit losses				**24,898**				**12,384**

(EUR 1,000)	Finnvera plc 31 Dec 2020				Finnvera plc 31 Dec 2019			
Credit rating	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	87	-	-	**87**	19	-	-	**19**
AA	1,803	-	-	**1,803**	2,834	-	-	**2,834**
A	23,641	71	222	**23,933**	24,993	181	93	**25,268**
BBB	94,041	2,288	2,159	**98,488**	114,920	2,781	3,355	**121,055**
BB	318,899	10,537	10,775	**340,211**	349,454	13,830	9,541	**372,826**
B	76,830	56,280	20,760	**153,870**	99,690	61,337	19,884	**180,911**
CCC	410	18,569	7,130	**26,110**	564	17,730	9,959	**28,253**
D	109	49	101,363	**101,521**	30	54	275,110	**275,194**
No credit rating	-	-	-	**-**	-	-	-	**-**
Total	**515,820**	**87,794**	**142,408**	**746,023**	**592,504**	**95,914**	**317,942**	**1,006,360**
Expected credit loss	2,876	4,178	41,475	**48,529**	6,232	7,825	126,393	**140,450**
Realised credit losses				**24,898**				**12,384**

1 The table includes SME loans, guarantee receivables, receivables from export credit and special guarantee operations, interest receivables, fee and commission receivables and debt securities. In addition, Group figures include Veraventure Ltd's trade receivables of venture capital investments and Finnish Export Credit Ltd's drawn export credits. Finnvera Plc's figures do not include loans to Group companies.

D9.4.4 Debt securities (amortised cost) by credit ratings and realised and expected credit losses

(EUR 1,000)	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Credit rating	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	-	-	-	-
AA	591,523	-	-	**591,523**	-	-	-	-
A	48,947	-	-	**48,947**	-	-	-	-
BBB	275,068	-	-	**275,068**	-	-	-	-
BB	-	-	-	-	-	-	-	-
B	47,950	-	-	**47,950**	-	-	-	-
CCC	-	-	-	-	-	-	-	-
No credit rating	-	-	-	-	-	-	-	-
Total	**963,488**	**-**	**-**	**963,488**	**-**	**-**	**-**	**-**
Expected credit loss	5,745	-	-	**5,745**				-
Realised credit losses				**-**				-

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D9.4.5 Debt securities carried at fair value (OCI) by credit ratings and realised and expected credit losses

(EUR 1,000)	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
AAA	385,146	-	-	**385,146**	-	-	-	-
AA	870,649	-	-	**870,649**	-	-	-	-
A	1,041,140	-	-	**1,041,140**	-	-	-	-
BBB	67,768	-	-	**67,768**	-	-	-	-
BB	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-
No credit rating	-	-	-	-	-	-	-	-
Total	**2,364,703**	**-**	**-**	**2,364,703**	**-**	**-**	**-**	**-**
Expected credit loss	3,950	-	-	**3,950**	-	-	-	-
Realised credit losses				-				-

D9.4.6 Off-balance sheet items by credit rating and realised and expected credit losses

(EUR 1,000)	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
AAA	680	-	-	**680**	350	-	-	**350**
AA	24,166	-	-	**24,166**	36,809	-	-	**36,809**
A	76,905	-	-	**76,905**	66,243	-	-	**66,243**
BBB	1,443,681	-	-	**1,443,681**	1,218,490	-	-	**1,218,490**
BB	2,843,993	-	-	**2,843,993**	3,207,750	-	-	**3,207,750**
B	569,322	1,083,294	-	**1,652,616**	1,166,686	52,983	-	**1,219,668**
CCC	4,622	330,883	-	**335,505**	232	61,208	-	**61,439**
D	261	-	87,880	**88,141**	388	-	9,705	**10,092**
No credit rating	149,850	46,246	-	**196,096**	-	-	-	-
Total	**5,113,480**	**1,460,423**	**87,880**	**6,661,783**	**5,696,947**	**114,190**	**9,705**	**5,820,842**
Expected credit loss	35,749	138,616	24,944	**199,309**	30,637	16,532	4,037	**51,205**
Realised credit losses				**107,317**				**19,745**

(EUR 1,000)	Finnvera plc 31 Dec 2020				Finnvera plc 31 Dec 2019			
Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
AAA	680	-	-	**680**	350	-	-	**350**
AA	24,166	-	-	**24,166**	36,809	-	-	**36,809**
A	76,905	-	-	**76,905**	2,768,749	-	-	**2,768,749**
BBB	3,935,814	-	-	**3,935,814**	8,656,109	-	-	**8,656,109**
BB	4,348,138	-	-	**4,348,138**	7,361,189	-	-	**7,361,189**
B	569,322	7,629,397	-	**8,198,719**	1,413,250	52,983	-	**1,466,233**
CCC	4,622	3,094,883	-	**3,099,505**	778	187,078	-	**187,856**
D	261	-	87,880	**88,141**	388	-	9,705	**10,092**
No credit rating	173,884	46,246	-	**220,130**	304,788	-	-	**304,788**
Total	**9,133,792**	**10,770,526**	**87,880**	**19,992,198**	**20,542,409**	**240,061**	**9,705**	**20,792,175**
Expected credit loss	36,623	1,264,265	18,314	**1,319,202**	35,483	60,606	4,037	**100,127**
Realised credit losses				**107,317**				**19,745**

D9.5 Disposal groups classified as held for sale by ECL-stages and realised and expected credit losses

	Finnvera Group 31 Dec 2020				Finnvera Group 31 Dec 2019			
Assets (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables form credit institutions	2,021	-	-	**2,021**	2,270	-	-	**2,270**
Loans and receivables form customers	400	-	-	**400**	1,085	-	-	**1,085**
Total	**2,421**	**-**	**-**	**2,421**	**3,355**	**-**	**-**	**3,355**
Expected credit loss from HFS items	4	-	-	**4**	-38			**-38**
Realised credit losses				**-16**				-

D9.6 Expected credit losses in balance sheet

D9.6.1 Expected credit losses by balance sheet item

	Finnvera Group 31 Dec 2020			Finnvera Group 31 Dec 2019		
Assets (EUR 1,000)	**Gross**	**ECL**	**Net**	**Gross**	**ECL**	**Net**
Loans and receivables form credit institutions	475,560	-701	474,859	253,164	-93	253,072
Investment accounts and deposits	199,463	-369	199,094	408,145	-	408,145
Loans and receivables form customers	8,255,056	-1,167,447	7,087,608	8,271,200	-187,837	8,083,363
Debt securities	3,465,712	-5,745	3,459,967	3,216,802	-	3,216,802
Other assets	379,936	-132	379,804	17,644	-155	17,489
Prepayments and accrued income	128,666	-851	127,814	196,322	-1,534	194,788
Assets of disposal groups classified as held for sale	48,138	-4	48,135	49,977	-38	49,939
Total	**12,952,531**	**-1,175,249**	**11,777,282**	**12,413,255**	**-189,658**	**12,223,597**

Liabilities (EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019
Provisions	-199,309	-51,205
Equity - Fair value	-4,072	-739
Total	**-203,381**	**-51,944**

	Finnvera plc 31 Dec 2020			Finnvera plc 31 Dec 2019		
Assets (EUR 1,000)	**Gross**	**ECL**	**Net**	**Gross**	**ECL**	**Net**
Loans and receivables form credit institutions	393,037	-652	392,385	194,938	-90	194,849
Investment accounts and deposits	199,463	-369	199,094	408,145	-	408,145
Loans and receivables form customers	7,128,717	-47,555	7,081,162	8,193,857	-138,915	8,054,942
Debt securities	3,465,712	-5,745	3,459,967	3,216,802	-	3,216,802
Prepayments and accrued income	91,285	-851	90,433	150,549	-1,534	149,015
Total	**11,278,214**	**-55,172**	**11,223,042**	**12,164,270**	**-140,539**	**12,023,731**

Liabilities (EUR 1,000)	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Provisions	-1,319,202	-100,127
Equity - Fair value	-4,072	-739
Total	**-1,323,274**	**-100,866**

D9.6.2 Expected credit loss from disposal groups classified as held for sale by balance sheet item

	Finnvera Group 31 Dec 2020			Finnvera Group 31 Dec 2019		
Assets (EUR 1,000)	**Gross**	**ECL**	**Net**	**Gross**	**ECL**	**Net**
Loans and receivables form credit institutions	2,331	-4	2,327	2,270	0	2,270
Loans and receivables form customers	400	0	400	1,265	-38	1,228
Investments in Group companies	-	-	-	-	-	-
Investments in assosiated companies	9,871	-	9,871	10,034	-	10,034
Other shares and participations	23,561	-	23,561	23,218	-	23,218
Prepayments and accrued income	-	-	-	-	-	-
Deferred tax receivables due to expected credit loss	-	-	-	-	-	-
Total	**48,138**	**-4**	**48,135**	**36,788**	**-38**	**36,750**

D10 Income tax expense

	Finnvera Group	
(EUR 1,000)	**31 Dec 2020**	**31 Dec 2019**
Current period tax	-4,669	-3,991
Adjustment for prior periods	1	-
Deferred taxes (Note E7)	-3,666	-1,901
Total	**-8,335**	**-5,892**

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

E Notes to the balance sheet

E1 Loans to and receivables from credit institutions

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Payable on demand	420,301	212,995	388,385	190,849
Payable on demand, reclassified to assets of disposal groups held for sale (Note E19)	-2,327	-2,270	-	-
Investment accounts and deposits	199,094	408,145	199,094	408,145
Export credit loans	52,885	38,346	-	-
Escrow accounts	4,000	4,000	4,000	4,000
Total	**673,954**	**661,216**	**591,479**	**602,994**

E2 Loans to and receivables from customers

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Loans	**7,031,585**	**7,920,345**	**8,145,032**	**7,940,845**
- Subordinated loans	5,123	5,439	5,123	5,439
- Other loans	8,164,092	8,007,741	655,235	745,998
- Expected credit losses / Impairment losses	-1,137,230	-91,569	-17,338	-42,648
- Reclassified to assets of disposal groups held for sale (Note E19)	-400	-1,265	-	-
- Loans to Group companies	-	-	7,502,011	7,232,056
Debt securities[1]	**10,725**	**10,865**	**10,725**	**10,865**
- SME and midcap financing bonds	10,725	10,865	10,725	10,865
Guarantee receivables	**27,055**	**16,612**	**27,055**	**16,612**
- Guarantee receivables, gross 31 Dec	32,462	28,419	32,462	28,419
- Expected credit losses	-5,407	-11,807	-5,407	-11,807
Receivables from export credit and special guarantee operations	**18,243**	**135,542**	**18,243**	**135,542**
- Fee and commission receivables	2,999	7,302	2,999	7,302
- Book value of recovery receivables on 31 Dec	15,244	128,240	15,244	128,240
- Nominal value of recovery receivables	40,054	212,700	40,054	212,700
- Impairment losses on recovery receivables	-24,810	-84,460	-24,810	-84,460
Total	**7,087,608**	**8,083,363**	**8,201,055**	**8,103,863**

1 The SME and midcap financing debt securities have been transferred from "Investments" to "Loans to and receivables from customers". The comparative figures have been updated to reflect the new presentation method.

E3 Investments

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Debt securities				
Certificates of deposits and bonds	2,441,159	2,131,047	2,441,159	2,131,047
Commercial papers	306,317	185,975	306,317	185,975
Local authority papers	712,492	899,780	712,492	899,780
Total	**3,459,967**	**3,216,802**	**3,459,967**	**3,216,802**
Investments in Group companies				
Acquisition cost at 31 Dec	**-**	**-**	**90,269**	**90,269**
- Acquisition cost at 1 Jan	-	-	90,269	129,006
- Investments	-	-	-	-
- Sales	-	-	-	-
- Decrease in equity	-	-	-	-38,737
- Transfers between groups	-	-	-	-
Accumulated impairment losses at 31 Dec	**-**	**-**	**-44,935**	**-44,935**
- Accumulated impairment losses at 1 Jan	-	-	-44,935	-44,935
- Impairment losses during the period	-	-	-	-
Reclassified to assets of disposal groups held for sale (Note E19)	**-**	**-**	**-15,256**	**-15,256**
Total	**-**	**-**	**30,078**	**30,078**
Investments in associated companies[1]				
Acquisition cost at 31 Dec	**5,503**	**4,889**	**-**	**-**
- Acquisition cost at 1 Jan	4,889	7,264	-	-
- Investments	568	250	-	-
- Sales	-	-	-	-
- Transfers between groups	47	-2,626	-	-
Accumulated fair value adjustments at 31 Dec	**4,368**	**5,146**	**-**	**-**
- Accumulated fair value adjustments at 1 Jan	5,146	9,673	-	-
- Fair value adjustments during the period	-778	-4,527	-	-
Reclassified to assets of disposal groups held for sale (Note E19)	**-9,871**	**-10,034**	**-**	**-**
Total	**-**	**-**	**-**	**-**
Other shares and participations				
Acquisition cost at 31 Dec	**43,903**	**44,298**	**25,698**	**26,912**
- Acquisition cost at 1 Jan	44,298	46,680	26,912	27,088
- Investments	1,080	1,438	368	997
- Sales	-3,787	-8,480	-1,581	-1,173
- Transfers between groups	951	2,943	-	-
Accumulated fair value adjustments at 31 Dec	**5,356**	**5,831**	**-**	**-**
- Accumulated fair value adjustments at 1 Jan	5,831	3,017	-	-
- Fair value adjustments during the period	-475	2,814	-	-
Reclassified to assets of disposal groups held for sale (Note E19)	**-35,536**	**-36,407**	**-11,975**	**-13,189**
Total	**13,723**	**13,723**	**13,723**	**13,723**
Investments total[2]	**3,473,690**	**3,230,525**	**3,503,768**	**3,260,603**

1 Investments in associated companies: investments by subsidiaries engaged in venture capital financing in the Group.
2 Other shares and participations do not include publicly listed shares or participations.

E4 Intangible and tangible assets

E4.1 Intangible assets

	Finnvera Group/Finnvera plc 2020				
(EUR 1,000)	Digitalisation	IT applications and other intangible assets	Right-of-use-assets (IFRS 16)	Projects in progress	Total
Carrying amount at 1 Jan	**5,535**	**2,850**	**10,839**	**523**	**19,748**
- Acquisition cost at 1 Jan	9,945	5,124	12,223	523	**27,815**
- Additions	1,264	343	129	811	**2,547**
- Disposals	-345	-239	-	-	**-584**
Acquisition cost at 31 Dec	**10,864**	**5,227**	**12,352**	**1,334**	**29,778**
- Accumulated amortisation and impairment losses at 1 Jan	-4,410	-2,273	-1,384	-	**-8,067**
- Accumulated amortisation on disposals	345	239	-	-	**584**
- Amortisation for the period	-2,068	-1,041	-1,427	-	**-4,536**
Accumulated amortisation and impairment losses at 31 Dec	**-6,133**	**-3,075**	**-2,811**	**-**	**-12,019**
Carrying amount at 31 Dec	**4,731**	**2,153**	**9,541**	**1,334**	**17,759**

	Finnvera Group/Finnvera plc 2019				
(EUR 1,000)	Digitalisation	IT applications and other intangible assets	Right-of-use-assets (IFRS 16)	Projects in progress	Total
Carrying amount at 1 Jan	**4,861**	**3,879**	**-**	**-**	**8,740**
- Acquisition cost at 1 Jan	7,867	5,362	12,223	-	**25,452**
- Additions	2,456	25	-	523	**3,004**
- Disposals	-378	-192	-	-	**-570**
Acquisition cost at 31 Dec	**9,945**	**5,195**	**12,223**	**523**	**27,886**
- Accumulated amortisation and impairment losses at 1 Jan	-3,006	-1,483	-	-	**-4,489**
- Accumulated amortisation on disposals	378	192	-	-	**570**
- Amortisation for the period	-1,782	-1,053	-1,384	-	**-4,219**
Accumulated amortisation and impairment losses at 31 Dec	**-4,410**	**-2,344**	**-1,384**	**-**	**-8,138**
Carrying amount at 31 Dec	**5,535**	**2,850**	**10,839**	**523**	**19,748**

E4.2 Tangible assets

	Finnvera Group/Finnvera plc 2020		
(EUR 1,000)	Machinery and equipment	Right-of-use-assets (IFRS 16)	Total
Carrying amount at 1 Jan	**640**	**11,608**	**12,248**
- Acquisition cost at 1 Jan	2,186	13,916	**16,103**
- Additions	126	3,699	**3,824**
- Disposals	-640	-	**-640**
Acquisition cost at 31 Dec	**1,672**	**17,615**	**19,287**
- Accumulated depreciation and impairment losses at 1 Jan	-1,546	-2,308	**-3,854**
- Accumulated depreciation on disposals	640	-	**640**
- Depreciation for the period	-372	-2,366	**-2,738**
Accumulated depreciations and impairment losses at 31 Dec	**-1,278**	**-4,674**	**-5,953**
Carrying amount at 31 Dec	**394**	**12,941**	**13,335**

	Finnvera Group/Finnvera plc 2019		
(EUR 1,000)	Machinery and equipment	Right-of-use-assets (IFRS 16)	Total
Carrying amount at 1 Jan	**1,072**	**-**	**1,072**
- Acquisition cost at 1 Jan	2,265	13,800	**16,064**
- Additions	12	126	**139**
- Disposals	-90	-	**-90**
Acquisition cost at 31 Dec	**2,187**	**13,926**	**16,113**
- Accumulated depreciation and impairment losses at 1 Jan	-1,193	-	**-1,193**
- Accumulated depreciation on disposals	90	-	**90**
- Depreciation for the period	-444	-2,318	**-2,762**
Accumulated depreciations and impairment losses at 31 Dec	**-1,546**	**-2,318**	**-3,864**
Carrying amount at 31 Dec	**640**	**11,608**	**12,248**

E4.3 Notes to the tangible and intangible assets according to IFRS 16, balance sheet items of the right-of-the-use assets

(EUR 1,000)	Finnvera Group/Finnvera plc 31 Dec 2020	31 Dec 2019
Right-of-use-asset		
Intangible assets		
- IT Applications	9,541	10,839
Total	**9,541**	**10,839**
Tangible assets		
- Office properties	12,720	11,504
- Lease cars	221	104
Total	**12,941**	**11,608**

(EUR 1,000)	Finnvera Group/Finnvera plc 31 Dec 2020	31 Dec 2019
Other liabilities		
Lease liabilities		
- IT applications	9,607	10,877
- Office properties	13,052	11,679
- Lease cars	243	133
Total	**22,902**	**22,688**

E5 Other assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Credit loss receivables from the State[1]	24,068	9,549	24,068	9,549
Internal other receivables from subsidiaries[2]	-	-	-	3,788
Transaction price receivable associated with venture capital investment activities	6,483	7,619	-	-
Fund payment from The State Guarantee Fund	349,023	-	349,023	-
Other	230	321	230	322
Total	**379,804**	**17,489**	**373,321**	**13,658**

1 The state and the European Regional Development Fund (ERDF) has granted Finnvera commitments to partially compensate Finnvera for the credit and guarantee losses. The commitments enable Finnvera to take higher risks in domestic business than financiers operating on commercial grounds.
2 In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. At the end of the financial period 2019, the accumulated fair value receivable from Finnish Export Credit Ltd amounted to EUR 3.7 million. At the end of the financial period 2020, the accumulated fair value liability (EUR 2.4 million) is presented in note E11.

E6 Prepayments and accrued income

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Interest and interest subsidy receivables	89,390	122,430	48,308	48,773
Group internal interest receivables	-	-	3,778	27,960
Fee and commission receivables	5,591	6,006	3,191	3,531
Group internal fee and commission receivables	-	-	2,325	2,398
Reinsurance premiums paid in advance	28,143	24,815	28,143	24,815
Cash collateral given for derivatives	2,360	38,030	2,360	38,030
Prepayments and other accrued income	2,330	3,507	2,329	3,507
Total	**127,814**	**194,788**	**90,433**	**149,015**

E7 Tax assets and liabilities

(EUR 1,000)	Finnvera Group 2020	2019
Deferred tax assets at 1 Jan	2,946	4,878
Increase/decrease to income statement during the period	-2,916	-1,932
Deferred tax assets at 31 Dec	**30**	**2,946**
Deferred tax assets, reclassified to assets of disposal groups held for sale (Note E19)	-	-
Total deferred tax assets	**30**	**2,946**
Current income tax assets	**-**	**-**
Total tax assets	**30**	**2,946**

(EUR 1,000)	Finnvera Group 2020	2019
Deferred tax liabilities at 1 Jan	2,708	2,739
Increase/decrease to income statement during the period	750	-31
Deferred tax liabilities at 31 Dec	**3,458**	**2,708**
Deferred tax liabilities, reclassified to liabilities of disposal groups held for sale (Note E19)	-2,796	-2,708
Total deferred tax liabilities	**661**	**-**
Current income tax liabilities	**1,085**	**514**
Total tax liabilities	**1,746**	**514**
Deferred tax, net at 31 Dec	**-3,428**	**238**

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

E8 Liabilities to credit and other institutions

	Finnvera Group 2020		Finnvera plc 2020	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities to credit and other institutions				
1 Jan 2020	**82,042**	**82,042**	**75,000**	**75,000**
Long-term loans withdrawn	-	-	-	-
Long-term loans repaid	-7,458	-7,458	-	-
Net proceeds (+) and repayments (-) of short-term loans[1]	0	0	11,000	11,000
Foreign exchange differences	-	-	-	-
Liabilities 31 Dec 2020	**74,583**	**74,583**	**86,000**	**86,000**

	Finnvera Group 2019		Finnvera plc 2019	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities to credit and other institutions				
1 Jan 2019	**268,902**	**268,902**	**236,943**	**236,943**
Long-term loans withdrawn	-	-	-	-
Long-term loans repaid	-190,902	-190,902	-175,986	-175,986
Net proceeds (+) and repayments (-) of short-term loans[1]	0	0	10,014	10,014
Foreign exchange differences	4,042	4,042	4,028	4,028
Liabilities 31 Dec 2019	**82,042**	**82,042**	**75,000**	**75,000**

1 The gross amounts of short-term liabilities are presented in the notes of the cash flow statement.

E9 Debt securities in issue

Issuer and ISIN						Finnvera plc/Finnvera Group Carrying amount	
(EUR 1,000)	Interest	Nominal (thousands)	Currency	Issue date	Maturity date	31 Dec 2020	31 Dec 2019
Finnvera plc - XS1951364915	2.800%	30,000	AUD	14.2.2019	14.8.2029	21,304	20,111
Finnvera plc - XS1951364915	2.800%	30,000	AUD	13.11.2019	14.8.2029	21,304	20,111
Finnvera plc - XS1140297000	0.625%	750,000	EUR	19.11.2014	19.11.2021	758,093	764,906
Finnvera plc - XS1294518318	0.625%	1,000,000	EUR	22.9.2015	22.9.2022	1,020,985	1,027,770
Finnvera plc - XS1392927072	0.500%	1,000,000	EUR	13.4.2016	13.4.2026	1,045,618	1,027,215
Finnvera plc - XS1613374559	1.125%	750,000	EUR	17.5.2017	17.5.2032	864,758	820,922
Finnvera plc - XS1613374559	1.125%	100,000	EUR	3.7.2017	17.5.2032	115,301	109,456
Finnvera plc - XS1613374559	1.125%	150,000	EUR	6.9.2017	17.5.2032	172,952	164,184
Finnvera plc - XS1791423178	1.250%	1,000,000	EUR	14.3.2018	14.7.2033	1,189,220	1,122,684
Finnvera plc - XS1904312318	0.750%	500,000	EUR	7.11.2018	7.8.2028	543,885	530,363
Finnvera plc - XS1979447064	0.375%	1,000,000	EUR	9.4.2019	9.4.2029	1,061,747	1,021,464
Finnvera plc - XS2230845328	0.000%	1,000,000	EUR	15.9.2020	15.9.2027	1,025,592	-
Finnvera plc - XS1538285807	1.910%	1,500,000	SEK	20.12.2016	20.12.2028	162,724	153,798
Finnvera plc - XS1538285807	1.910%	1,500,000	SEK	23.1.2017	20.12.2028	162,724	153,798
Finnvera plc - XS1538285807	1.910%	500,000	SEK	23.1.2017	20.12.2028	54,241	51,266
Finnvera plc - XS1241947768	2.375%	500,000	USD	4.6.2015	4.6.2025	440,097	454,635
Finnvera plc - XS1692488262	1.875%	1,000,000	USD	5.10.2017	5.10.2020	-	890,335
Finnvera plc - XS1845379152	3.000%	1,000,000	USD	27.6.2018	27.6.2023	868,636	925,834
Finnvera plc - XS2068940753	1.625%	1,000,000	USD	23.10.2019	23.10.2024	849,748	879,397
Total						**10,378,929**	**10,138,250**

(EUR 1,000)	Finnvera Group 2020 Nominal value	Finnvera Group 2020 Carrying amount	Finnvera plc 2020 Nominal value	Finnvera plc 2020 Carrying amount
Debt securities in issue				
1 Jan 2020	**9,738,085**	**10,138,250**	**-9,738,085**	**10,138,250**
Debt securities issued	1,000,000	1,024,070	-1,000,000	1,024,070
Repayments at maturity	-849,762	-849,762	849,762	-849,762
Fair value changes	-	288,104	-	288,104
Foreign exchange differences	-214,450	-227,718	214,450	-227,718
Other changes	-	5,985	-	5,985
31 Dec 2020	**9,673,873**	**10,378,929**	**-9,673,873**	**10,378,929**
Average interest rate[1]		-0.1990%		-0.1720%

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

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

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

E10 Derivatives and hedge accounting

(EUR 1,000)	Finnvera plc/Finnvera Group Fair value positive	Fair value negative	Nominal value Total
31 Dec 2020			
Fair value hedges			
- Interest rate swaps	567,096	7,395	7,543,303
Cash flow hedges			
- Cross-currency interest rate swaps	67,734	-	1,334,103
Hedging derivatives not designated in hedge accounting relationships[1]			
- Interest rate swaps	58,109	2,140	2,292,465
- Cross-currency interest rate swaps	157,779	-	886,549
- Forward foreign exchange contracts	103	2,857	155,762
Total	**850,820**	**12,392**	**12,212,182**
31 Dec 2019			
Fair value hedges			
- Interest rate swaps	304,622	11,627	6,670,465
Hedging derivatives not designated in hedge accounting relationships[1]			
- Interest rate swaps	45,415	1,165	3,414,077
- Cross-currency interest rate swaps	41,793	23,874	2,003,277
- Forward foreign exchange contracts	909	4,607	864,620
Total	**392,739**	**41,274**	**12,952,440**

1 Other derivatives hedge foreign currency exchange risks and interest risk. Debt securities in issue hedged with derivatives that are not covered by fair value hedge accounting have been measured at fair value and the changes in their fair values have been recognised in the income statement (fair value option). The credit risk portion of the fair value change has been recognised in the tair value reserve within equity.

Fair value hedging

Fair value hedging is used to hedge the interest rate risk of issued bonds and investments. The hedged liabilities are measured at fair value with regard to the hedged risk and the changes in their fair values have been recognised in the income statement. Debt securities covered by hedge accounting are measured at fair value through other comprehensive income and the changes in the fair value with regard to the hedged risk is recognised in the income statement. Change in the fair value of derivatives is recognised in the income statement.

Hedge ineffectiveness[1] (EUR 1,000)	Finnvera plc/Finnvera Group 31 Dec 2020	31 Dec 2019
Hedging derivatives, debt securities	-7,863	-
Hedging derivatives, debt securities in issue	255,993	278,194
Hedging instruments total	**248,130**	**278,194**
Hedged items, debt securities	7,632	-
Hedged items, debt securities in issue	-254,820	-276,160
Hedged items total	**-247,188**	**-276,160**
Hedge ineffectiveness recognised in the income statement[2]	**942**	**2,034**

1 In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change.
2 Presented in the line item "Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses.

Accumulated fair value adjustments on hedged assets (EUR 1,000)	Finnvera plc/Finnvera Group 31 Dec 2020	31 Dec 2019
Debt securities carried at fair value through OCI	933,068	-
Of which accumulated amount of fair value hedge adjustments	7,632	-

Accumulated fair value adjustments on liabilities (EUR 1,000)	Finnvera plc/Finnvera Group 31 Dec 2020	31 Dec 2019
Debt securities in issue, carried at amortised cost	6,615,897	6,627,338
Accumulated amount of fair value hedge adjustments	577,675	334,155
Total	**7,193,572**	**6,961,492**

Maturity profile of the nominal amount of hedging instruments 31 Dec 2020	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Hegding instruments, interest rate risk, debt securities	-	21,600	585,044	306,800	-	913,444
Hegding instruments, interest rate risk, debt securities in issue	-	-	1,629,859	3,000,000	2,000,000	6,629,859
Total	**-**	**21,600**	**2,214,903**	**3,306,800**	**2,000,000**	**7,543,303**

31 Dec 2019	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Hegding instruments, interest rate risk, debt securities in issue	-	890,155	1,780,310	2,000,000	2,000,000	6,670,465
Total	**-**	**890,155**	**1,780,310**	**2,000,000**	**2,000,000**	**6,670,465**

Cash flow hedging

Hedging of cash flow hedges future cash flows against changes in reference rates in commitments in foreign currencies. The company uses cross-currency interest rate swaps for hedging. Change in the fair value of hedging instruments with regard to the hedged risk is reported in the hedging reserve under comprehensive income. The company has also elected to use the separation of the cost of hedging. The cross currency basis spread of the hedging instrument is not included in the hedging relationship but accounted for as cost of hedging and it is recognised in the cost of hedging reserve in other comprehensive income.

Hedge ineffectiveness (EUR 1,000)	Finnvera plc/Finnvera Group 31 Dec 2020	31 Dec 2019
Valuation gains and losses during the year	-8,984	-
Cost of hedging portion of the valuation gains and losses	-6,791	-
Valuation gains and lossed excl. Cost of hedging	**-2,194**	
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	1,950	-
Hedge ineffectiveness recognised in the income statement[1]	-243	-
Hedging gains or losses recognised in OCI	-8,741	-
Total	**-8,984**	**-**

1 Presented in the line item "Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses

Cash flow hedging reserves (EUR 1,000)	Finnvera plc/Finnvera Group Hedging reserve	Cost of hedging	Total
Balance at 1 Jan 2020	-	-	-
Fair value changes during the period	-1,950	-6,791	-8,741
Balance at 31 Dec 2020	**-1,950**	**-6,791**	**-8,741**

There are no balances in the cash flow hede reserve that relates to hedging relationships that have been discontinued.

Maturity profile of the nominal amount of hedging instruments 31 Dec 2020	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Hegding instruments, interest rate risk	-	-	-	867,808	466,295	1,334,103
Total	**-**	**-**	**-**	**867,808**	**466,295**	**1,334,103**

E11 Other liabilities

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Grants under repayment obligation	4,252	4,252	4,252	4,252
Grant from the Ministry of Employment and the Economy to ERDF-Seed Fund Ltd for venture capital investments	14,653	14,653	14,653	14,653
Prepayments received for ERDF financing	4,000	4,000	4,000	4,000
Accounts payable for investments in debt securities	19,005	28,013	19,005	28,013
Lease liabilities according to IFRS 16	22,902	22,688	22,902	22,688
Other	2,208	1,748	2,147	1,740
Group internal other liabilities[1]	-	-	14,092	11,860
Total	**67,020**	**75,354**	**81,051**	**87,206**

1 In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. At the end of the financial period 2020, the accumulated fair value liability from Finnish Export Credit Ltd amounted to EUR 2.4 million. At the end of the financial period 2019, the accumulated fair value receivable (EUR 3.7 million) is presented in note E5.

E12 Provisions

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Provisions for legal advising at 1 Jan	50	720	50	720
Provisions made during the period	-	-	-	-
Provisions used during the period	-	-	-	-
Reversal of provisions[1]	-50	-670	-50	-670
Total	**-**	**50**	**-**	**50**

1 Reversal entry of cost provision during the period.

Provisions according to IFRS 9 standard

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Provisions for large corporates at 1 Jan	28,196	24,309	77,139	54,067
Provisions made during the period[1]	152,263	3,887	1,223,212	23,073
Reversal of provisions	-	-	-	-
Provisions for large corporates at 31 Dec	**180,459**	**28,196**	**1,300,352**	**77,139**
Provisions for SME and midcap financing at 1 Jan	23,009	19,106	23,009	19,106
Provisions made during the period	-	3,904	-	3,904
Reversal of provisions	-4,159	-	-4,159	-
Provisions for SME and midcap financing at 31 Dec	**18,850**	**23,009**	**18,850**	**23,009**
Total provisions for IFRS 9 at 1 Jan	51,205	43,415	100,148	73,172
Provisions made during the period	152,263	7,791	1,219,053	26,976
Reversal of provisions	-4,159	-	-	-
Total provisions for IFRS 9 at 31 Dec	**199,309**	**51,205**	**1,319,202**	**100,148**
Total provisions at 31 Dec	**199,309**	**51,255**	**1,319,202**	**100,198**

1 The recognition principles of the IFRS 9 standard are presented under the accounting principles of the financial statements. In the provisions according to the IFRS 9 standard, the portion of export credit guarantee provisions that concerns Finnish Export Credit Ltd's export credits has been deducted from the Group's figure. In the Group, the expected credit loss (ECL) on export credits has been recorded as an export credit deduction in balance sheet items Receivables from clients and Receivables from credit institutions. The change in ECL of export credits in 2020 were total of EUR 1,221,804,223.

E13 Accruals and deferred income

(EUR 1,000)	Finnvera Group 31 Dec 2020	Finnvera Group 31 Dec 2019	Finnvera plc 31 Dec 2020	Finnvera plc 31 Dec 2019
Interest	67,994	99,068	32,503	55,379
Interest liabilities to subsidiaries	-	-	-54	-24
Advance interest payments received[1]	7	6	7	6
Guarantee premiums paid in advance[2]	262,298	270,066	262,298	270,066
Cash collateral received for derivatives	854,070	418,400	854,070	418,400
Other accruals and deferred income	9,035	7,360	5,442	5,481
Total	**1,193,403**	**794,900**	**1,154,266**	**749,308**

1 The classification of advance interest payments and guarantee premiums paid in advance has been adjusted from the comparison period.
2 Premiums on export credit guarantees are usually collected in advance for the entire guarantee period.

A B C D E F G H

E14 Financial instruments classification and fair values

Finnvera Group, IFRS 9

Financial assets (EUR 1,000)	Amortised cost	At fair value through profit or loss		Fair value through OCI	Total	Fair value[2]
		Mandatorily	Designated at fair value through profit or loss (Fair value option)			
31 Dec 2020						
Loans to and receivables from credit institutions	673,954	-	-	-	**673,954**	675,118
Loans to and receivables from customers[1]	7,076,883	-	-	10,725	**7,087,608**	7,233,363
Investments in debt securities – Short term debt securities	957,744	-	-	-	**957,744**	957,744
Investments in debt securities – Bonds[1]	-	-	137,520	2,364,703	**2,502,223**	2,502,223
Derivatives	-	850,820	-	-	**850,820**	850,820
Other shares and participations	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale	2,727	45,407	-	-	**48,135**	48,135
Other financial assets	452,955	-	-	-	**452,955**	452,955
Total	**9,164,263**	**909,950**	**137,520**	**2,375,428**	**12,587,161**	**12,734,081**

Financial assets (EUR 1,000)	Amortised cost	At fair value through profit or loss		Fair value through OCI	Total	Fair value[2]
		Mandatorily	Designated at fair value through profit or loss (Fair value option)			
31 Dec 2019						
Loans to and receivables from credit institutions	661,216	-	-		**661,216**	662,831
Loans to and receivables from customers[1]	8,072,498	-	-	10,865	**8,083,363**	8,215,601
Investments in debt securities – Short term debt securities	1,240,489	-	-	-	**1,240,489**	1,240,489
Investments in debt securities – Bonds[1]	-	83,966	136,542	1,755,804	**1,976,313**	1,976,313
Derivatives	-	392,739	-	-	**392,739**	392,739
Other shares and participations	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale	3,498	46,441	-	-	**49,939**	49,939
Other financial assets	175,279	-	-	-	**175,279**	175,279
Total	**10,152,980**	**536,869**	**136,542**	**1,766,670**	**12,593,061**	**12,726,914**

1 The SME and midcap financing debt securities have been transferred from "Investments" to "Loans to and receivables from customers". The comparative figures have been updated to reflect the new presentation method.
2 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).

Finnvera Group, IFRS 9

Financial liabilities (EUR 1,000)	Amortised cost	At fair value through profit or loss		Total	Fair value[1]
		Mandatorily	Fair value option		
31 Dec 2020					
Liabilities to credit institutions	-	-	-	**-**	-
Liabilities to other institutions	74,583	-	-	**74,583**	82,698
Debt securities in issue	7,193,572	-	3,185,357	**10,378,929**	10,362,960
Derivatives	-	12,392	-	**12,392**	12,392
Other financial liabilities	947,182	-	-	**947,182**	947,182
Subordinated liabilities	-	-	-	**-**	-
Liabilities of disposal groups held for sale	15,867	-	-	**15,867**	15,867
Total	**8,231,204**	**12,392**	**3,185,357**	**11,428,953**	**11,421,099**

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

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

Finnvera plc, IFRS 9

Financial assets (EUR 1,000)	Amortised cost	At fair value through profit or loss: Mandatorily	At fair value through profit or loss: Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	Fair value[2]
31 Dec 2020						
Loans to and receivables from credit institutions	591,479	-	-	-	**591,479**	591,479
Loans to and receivables from customers[1]	8,190,330	-	-	10,725	**8,201,055**	8,238,720
Investments in debt securities – Short term debt securities	957,744	-	-	-	**957,744**	957,744
Investments in debt securities – Bonds[1]	-	-	137,520	2,364,703	**2,502,223**	2,502,223
Derivatives	-	850,820	-	-	**850,820**	850,820
Other shares and participations	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale	-	11,975	-	-	**11,975**	11,975
Other financial assets	406,767	-	-	-	**406,767**	406,767
Total	**10,146,321**	**876,518**	**137,520**	**2,375,428**	**13,535,787**	**13,573,452**

Finnvera plc, IFRS 9

Financial assets (EUR 1,000)	Amortised cost	At fair value through profit or loss: Mandatorily	At fair value through profit or loss: Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	Fair value[2]
31 Dec 2019						
Loans to and receivables from credit institutions	602,994	-	-		**602,994**	602,994
Loans to and receivables from customers[1]	8,092,998	-	-	10,865	**8,103,863**	8,104,371
Investments in debt securities – Short term debt securities	1,240,489	-	-	-	**1,240,489**	1,240,489
Investments in debt securities – Bonds[1]	-	83,966	136,542	1,755,804	**1,976,313**	1,976,313
Derivatives	-	392,739	-	-	**392,739**	392,739
Other shares and participations	-	13,723	-	-	**13,723**	13,723
Assets of disposal groups classified as held for sale	-	13,189	-	-	**13,189**	13,189
Other financial assets	119,489	-	-	-	**119,489**	119,489
Total	**10,055,970**	**503,617**	**136,542**	**1,766,670**	**12,462,799**	**12,463,307**

1 The SME and midcap financing debt securities have been transferred from "Investments" to "Loans to and receivables from customers". The comparative figures have been updated to reflect the new presentation method.
2 The fair values for receivables that are not measured at fair value in accounting have been determined according to the following principles. The fair value of short-term receivables has been set at their carrying amount due to their short maturity. The fair value of long-term receivables is based on discounted cash flows (Level 2).

Finnvera plc, IFRS 9

Financial liabilities (EUR 1,000)	Amortised cost	At fair value through profit or loss: Mandatorily	At fair value through profit or loss: Fair value option	Total	Fair value[1]
31 Dec 2020					
Liabilities to credit institutions	-	-	-	**-**	-
Liabilities to other institutions	86,000	-	-	**86,000**	86,000
Debt securities in issue	7,193,572	-	3,185,357	**10,378,929**	10,362,960
Derivatives	-	12,392	-	**12,392**	12,392
Other financial liabilities	911,610	-	-	**911,610**	911,610
Subordinated liabilities	-	-	-	**-**	-
Liabilities of disposal groups held for sale	15,867	-	-	**15,867**	15,867
Total	**8,207,050**	**12,392**	**3,185,357**	**11,404,798**	**11,388,829**

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

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

Fair value measurement principles for items carried at fair value

1. Debt securities

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

2. Derivatives

The fair values of interest rate and currency swaps and currency futures are specified using a method based on the current value of cash flows, in which the market interest rates on the end date of the financial period and other market information serve as the accounting principle. The Group uses common valuation techniques in determining the fair value of these instruments. Fair values are equivalent to average market prices in situations where the Group would transfer or sell derivatives in the course of normal business under market conditions on the end date of the financial period. The credit risk related to derivatives is mitigated by means of collateral arrangements. Fair values are monitored on a daily basis using calculations from counterparties and those made in-house.

3. Other shares and participations

Group's and Finnvera plc's other shares and participations include EUR 13.7 million (EUR 13.7 million) in investments in unlisted companies outside the Group. The measurement of the shares is presented at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.

4. Assets of disposal groups classified as held for sale

Other shares and participations: The balance sheet item assets of disposal groups classified as held for sale includes EUR 11.9 million (EUR 13.2 million) investments recognized at fair value outside the Group, Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.

In addition, the item contains investments of EUR 9.9 million (EUR 10.0 million) in associated companies as well as EUR 23.6 million (EUR 23.2 million) investments in other shares and participations. These items consist of ERDF-Seed Fund Ltd's venture capital investments whose fair value is determined on the basis of the International Equity and venture Capital valuation (IPEV) guidelines and recommendations for early stage ventures. The determination of the investment's fair value is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund's Board of Directors. The valuation of companies is done continuously throughout the year, with valuations being updated on a biannually basis, for Group reporting in a separate process, where investments are examined by investment portfolio.

In accordance to the Government's policy outlines, Finnvera will give up its venture capital investments to a significant extent.

5. Financial liabilities at fair value through profit or loss

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

E15 Hierarchy for financial instruments carried at fair value

	Finnvera Group				Finnvera plc			
(EUR 1,000)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets 31 Dec 2020								
Financial instruments carried at fair value through profit and loss								
- Investments in debt securities – Bonds	-	137,520	-	**137,520**	-	137,520	-	**137,520**
- Derivatives	-	850,820	-	**850,820**	-	850,820	-	**850,820**
- Other Shares and participations	-	-	13,723	**13,723**	-	-	13,723	**13,723**
- Assets of disposal groups held for sale	-	-	45,407	**45,407**	-	-	11,975	**11,975**
Financial instruments carried at fair value through other comperehensive income (OCI)								
- Loans to and receivables from customers - debt securities	-	10,725	-	**10,725**	-	10,725	-	**10,725**
- Investments in debt securities – Bonds	-	2,364,703	-	**2,364,703**	-	2,364,703	-	**2,364,703**
Total	**-**	**3,363,769**	**59,130**	**3,422,899**	**-**	**3,363,769**	**25,698**	**3,389,467**
Financial liabilities 31 Dec 2020								
Financial instruments carried at fair value through profit and loss								
- Debt securities in issue	-	3,185,357	-	**3,185,357**	-	3,185,357	-	**3,185,357**
- Derivatives	-	12,392	-	**12,392**	-	12,392	-	**12,392**
Total	**-**	**3,197,749**	**-**	**3,197,749**	**-**	**3,197,749**	**-**	**3,197,749**
Financial liabilities 31 Dec 2019								
Financial instruments carried at fair value through profit and loss								
- Investments in debt securities – Bonds	-	220,509	-	**220,509**	-	220,509	-	**220,509**
- Derivatives	-	392,739	-	**392,739**	-	392,739	-	**392,739**
- Other Shares and participations	-	-	13,723	**13,723**	-	-	13,723	**13,723**
- Assets of disposal groups held for sale	-	-	46,441	**46,441**	-	-	13,189	**13,189**
Financial instruments carried at fair value through other comperehensive income (OCI)								
- Loans to and receivables from customers - debt securities	-	10,865	-	**10,865**	-	10,865	-	**10,865**
- Investments in debt securities – Bonds	-	1,755,804	-	**1,755,804**	-	1,755,804	-	**1,755,804**
Total	**-**	**2,379,917**	**60,164**	**2,440,081**	**-**	**2,379,917**	**26,912**	**2,406,829**
Financial liabilities 31 Dec 2019								
Financial instruments carried at fair value through profit and loss								
- Debt securities in issue	-	3,176,757	-	**3,176,757**	-	3,176,757	-	**3,176,757**
- Derivatives	-	41,274	-	**41,274**	-	41,274	-	**41,274**
Total	**-**	**3,218,031**	**-**	**3,218,031**	**-**	**3,218,031**	**-**	**3,218,031**

The table shows financial instruments that are measured at fair value on a recurring basis. The fair values of financial assets and liabilities measured at amortised cost and their fair value hierarchy levels are presented in Note E14.

Hierarchy

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

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

Level 3
Other shares and participations in unlisted companies outside the Group are measured at acquisition cost, which, according to the Group's estimate, equals the fair value of the shares.

Finnvera plc's and the Group's assets held for sale include other shares and participations: the item includes venture capital investments outside the Group, in Innovestor Kasvurahasto I Ky. Their value is tied to the acquisition cost of the investments on the basis of investment-related subordinated loan terms and other contractual terms so that the acquisition cost of the investments equals their fair value.

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

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

E16 Specification of events at hierarchy level 3

LEVEL 3, Financial assets	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets carried at fair value				
Balance at 1 Jan	**60,164**	**61,604**	**26,912**	**27,088**
Profits and losses recognised in the income statement, total	108	7	-	-
Acquisitions	1,647	2,006	368	997
Sales	-3,787	-3,453	-1,581	-1,173
Other	998	-	-	-
Balance at 31 Dec	**59,130**	**60,164**	**25,698**	**26,912**
Profits and losses recognised in the income statement for the instruments held by the Group/Finnvera plc	-1,246	-1,470	-	-

E17 Financial instruments set off in the balance sheet or subject to netting agreements

	Finnvera Group / Finnvera plc						
(EUR 1,000)	Gross recognised financial assets	Gross recognised financial liabilities set of in the balance sheet	Net carrying amount in the balance sheet	Financial instruments[1]	Financial instruments received/given as collateral[1]	Cash received/given as collateral[1]	Net amount[1]
Financial assets 31 Dec 2020							
Derivatives	850,820	-	850,820	-8,982	-	-854,070	-12,232
Total	**850,820**	**-**	**850,820**	**-8,982**	**-**	**-854,070**	**-12,232**
Financial liabilities 31 Dec 2020							
Derivatives	12,392	-	12,392	-8,982	-	-2,360	1,051
Total	**12,392**	**-**	**12,392**	**-8,982**	**-**	**-2,360**	**1,051**
Financial assets 31 Dec 2019							
Derivatives	392,739	-	392,739	-18,017	-	-418,400	-43,678
Total	**392,739**	**-**	**392,739**	**-18,017**	**-**	**-418,400**	**-43,678**
Financial liabilities 31 Dec 2019							
Derivatives	41,274	-	41,274	-18,017	-	-38,030	14,773
Total	**41,274**	**-**	**41,274**	**-18,017**	**-**	**-38,030**	**14,773**

1 Amounts not subject to netting but included in the main netting agreements and similar arrangements. The derivative figures in the table do not include accrued interest. With accrued interest included the net amount for derivative assets was EUR 18.4 million (EUR -24.4 million) and EUR 0.8 million (EUR 8.2 million) for derivative liabilities.

E18 Equity

		Finnvera Group				Finnvera plc		
(EUR 1,000)		31 Dec 2020		31 Dec 2019		31 Dec 2020		31 Dec 2019
Parent company's equity		**196,605**		**196,605**		**196,605**		**196,605**
Share premium reserve		**51,036**		**51,036**		**51,036**		**51,036**
Fair value reserve		**6,000**		**-5,403**		**6,978**		**1,662**
- Fair value changes of assets carried at fair value through OCI	11,646		945		11,646		945	
- Expected credit losses (ECL) of assets at fair value through OCI	4,072		717		4,072		717	
- Change in the credit risk associated with liabilities carried at fair value	-978		-7,065		-		-	
- Cash flow hedging, hedging reserve	-1,950		-		-1,950		-	
- Cash flow hedging, cost of hedging reserve	-6,791		-		-6,791		-	
Restricted equity, total		**253,641**		**242,238**		**254,619**		**249,303**
Non-restricted reserves		**1,126,404**		**1,053,616**		**1,126,404**		**1,053,616**
- Reserve for domestic operations	282,241		265,822		282,241		265,822	
- Reserve for export credit guarantees and special guarantees	828,911		772,541		828,911		772,541	
- Reserve for venture capital financing	15,252		15,252		15,252		15,252	
Retained earnings		**-653,143**		**166,985**		**-759,527**		**73,292**
- Profit/loss for previous periods	94,197		72,582		504		504	
- Profit/loss for the period	-747,954		94,264		-760,645		72,649	
- Direct entries to retained earnings	614		140		614		140	
Non-restricted equity, total		**473,261**		**1,220,601**		**366,876**		**1,126,907**
Total equity, equity attributable to the parent company's shareholers		**726,902**		**1,462,839**		**621,495**		**1,376,211**

Share capital and ownership:		**31 Dec 2020**			**31 Dec 2019**	
Owner	**Share capital (EUR 1,000)**	**Shares nb**	**Ownership**	**Share capital (EUR 1,000)**	**Shares nb**	**Ownership**
The Finnish State	196,605	11,565	100%	196,605	11,565	100%

Reserves:

Share premium reserve

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

Fair value reserve

IFRS 9: In accordance with the IFRS 9 standard, the change in the credit risk associated with liabilities carried at fair value through profit or loss, the change in the fair value of investments that are recognised at fair value through comprehensive income, as well as expected credit losses (ECL) associated with these investments are recorded in the fair value reserve.

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

Expected credit losses (ECL): The expected credit losses from bond investments in SME and midcap financing and other bond investments that have been classified as recognised at fair value through comprehensive income are recorded in the reserve.

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

Cash flow hedging, hedging reserve: In earlier financial periods, Finnvera has taken out long-term cross-currency interest rate swaps to cover foreign currency commitments. Since the beginning of 2020, cash flow hedge accounting has been applied to these hedge relationships. Change in the fair value of hedging instruments with regard to the hedged risk is reported in the cash flow hedging reserve.

Cash flow hedging, cost of hedging reserve: The company has also elected to use the separation of the cost of hedging. The cross currency basis spread of the hedging instrument is not included in the hedging relationship but accounted for as cost of hedging and it is recognised in the cost of hedging reserve in other comprehensive income.

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

Reserve for domestic operations and reserve for export credit guarantee and special guarantee operations

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

Reserve for venture capital financing

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

E19 Assets held for sale

As a whole, venture capital financing belongs to disposal groups classified as held for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities. The Group's figures include ERDF-Seed Fund Ltd's assets and liabilities as disposal groups classified as held for sale, as well as the capital input invested in Innovestor Kasvurahasto I Ky and the related subordinated loan. The shares of subsidiary ERDF-Seed Fund Ltd and the capital input of Innovestor Kasvurahasto I Ky, in which the parent company continues to have a 19.7 per cent holding, are presented as the parent company's assets of disposal groups classified as held for sale. The subordinated loan associated with investments outside the Group are presented as liabilities of disposal groups classified as held for sale in the parent company. Each year Finnvera conducts an impairment test on the investments of its subsidiaries, as laid down by IAS 36. The valuation principles of assets held for sale are presented in Note A11 to the financial statements.

E19.1 Assets held for sale by balance sheet items

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
ASSETS				
Loans to and receivables from credit institutions – payable on demand	2,327	2,270	-	-
Loans to and receivables from customers – credits	400	1,228	-	-
Investments in Group companies	-	-	15,256	15,256
Investments in associated companies	9,871	10,034	-	-
Investments in other shares and participations	35,536	36,407	11,975	13,189
Total	**48,135**	**49,939**	**27,231**	**28,445**
LIABILITIES				
Subordinated liabilities	15,867	15,867	15,867	15,867
Deferred tax liabilities	2,796	2,708	-	-
Total	**18,663**	**18,575**	**15,867**	**15,867**

E19.2 Information on the subordinated loan

				Finnvera Group		Finnvera plc	
(EUR 1,000)	**Purpose of use**	**Percentage of interest**	**Loan period**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Subordinated loan 2018	Innovestor Kasvurahasto I Ky[1]	0	15 years	15,867	15,867	15,867	15,867
Total				**15,867**	**15,867**	**15,867**	**15,867**

1 The loan has been granted to Finnvera for converting the subordinated loans granted for raising the share capital of Seed Fund Vera Ltd into a new subordinated loan as well as for executing Finnvera's investment commitments that were agreed in connection with Seed Fund Vera Ltd's merger with Innovestor Kasvurahasto I Ky. The loan will be repaid in one instalment in connection with Innovestor Kasvurahasto I Ky's dissolution or Finnvera plc's withdrawal from the ownership of the fund, provided that the sum of Finnvera plc's non-tied capital and all subordinated loans at the time of payment exceed the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements. The loan repayment amount is dependent on the value of the Innovestor Kasvurahasto I Ky investment at the time of the withdrawal. The Innovestor Kasvurahasto I Ky investment and the related subordinated loan are associated with items Disposal groups classified as held for sale.

F Notes on personnel and management

F1 Average number of employees

	Finnvera Group		Finnvera plc	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Average number of employees				
- Permanent	328	333	325	330
- Temporary	32	31	32	31
Total	**360**	**364**	**357**	**361**
Personnel as person-years	339	322	337	320

F2 Key management personnel in the Group

In the Group, key management personnel are members of the parent company's Board of Directors, members of the Supervisory Board, CEO Pauli Heikkilä, Deputy CEO Executive Vice President Jussi Haarasilta as well as the Management Group, which is comprised of the CEO and deputy CEO, along with, CFO Ulla Hagman, Executive Vice President Juuso Heinilä, Senior Vice President, Legal Affairs and Administration Risto Huopaniemi, Group Chief Credit Officer Tapio Jordan, Chief Digitalisation Officer Minna Kaarto, Chief Risk Officer Tina Schumacher, Communications Director Tarja Svartström.

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

F3 Key personnel benefit expenses

The table below shows the employment benefits received by key management personnel. Employee benefits include the bonus paid to the Chief Executive Officer and the other members of the Management Group in 2020. Post-employment benefits are dealt with as voluntary pension plans, which include both defined contribution and defined benefit pension plans.

	Finnvera plc	
(EUR 1,000)	**31 Dec 2020**	**31 Dec 2019**
Salaries and other short-term employee benefits	1,812	1,734
Supplementary pension commitments	157	190
Remuneration of the Board of Directors and Supervisory Board members	284	204
Total	**2,252**	**2,128**

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

The period of notice for the CEO is six months, in addition to which the CEO will receive termination benefits equivalent to 18 months' salary if the company terminates their employment.

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

The attendance allowance for members of the Supervisory Board are: EUR 800/meeting for the chairman, EUR 600/meeting for the deputy chairman and EUR 500/meeting for members.

F4 Salaries, remunerations and pension commitments for the key personnel

Finnvera plc	**31 Dec 2020**			**31 Dec 2019**		
		Pension commitments			**Pension commitments**	
(EUR 1,000)	**Salaries**	**Voluntary**	**Statutory**	**Salaries**	**Voluntary**	**Statutory**
Management salaries (incl. social security costs) as well as applicable pension commitments						
CEO Pauli Heikkilä	414	47	72	410	46	79
Deputy CEO Topi Vesteri until 31 August 2019	-	-	-	229	54	44
CEO's substitute Executive Vice President Jussi Haarasilta	235	-	41	118	-	43
Other members of the Management Group	1,163	22	203	977	22	233
Management salaries and remunerations, total	**1,812**	**69**	**317**	**1,734**	**122**	**399**
Members of the Board of Directors						
Pentti Hakkarainen, chairman	38	-	-	30	-	-
Tomi Lounema, I deputy chairman until 29 March 2019	-	-	-	7	-	-
Antti Neimala, I deputy chairman as of 29 March 2019	33	-	-	14	-	-
Terhi Järvikare, II deputy chairman	30	-	-	20	-	-
Kirsi Komi, member until 29 March 2019	-	-	-	7	-	-
Ritva Laukkanen, member	31	-	-	20	-	-
Juha-Pekka Nuuttila, member as of 29 March 2019	28	-	-	12	-	-
Pirkko Rantanen-Kervinen, member	29	-	-	18	-	-
Antti Zitting, member	31	-	-	18	-	-
Remunerations for the Board of Directors, total	**221**	**-**	**-**	**146**	**-**	**-**
Remunerations for the members of the Supervisory Board, total	**63**	**-**	**-**	**59**	**-**	**-**

F5 Defined benefit pension plans

The Group has several defined benefit group pension insurance plans, which cover personnel who transferred to Finnvera from previous organisations. At the end of 2020, there were 77 (74) people covered by the plans.

The plans are funded with annual contributions paid to the insurance company and based on actuarial calculations. The plans are subject to local tax and other legislation. The obligation is shown as the pledge made to all insurees and the asset is shown as the share of this obligation assumed by the insurance provider. The amount of assets is calculated using the same discount interest rate as an equivalent obligation. As a result, the risk posed by changes in the discounted interest rate only affects the net liabilities. As pensions rise with the credit issued by the insurance provider, the company has no risk with regard to these. A hypothetical 0.25% increase in salary would increase the obligation 0.9% (0.8%) and, correspondingly, an equivalent decrease would have the opposite effect.

Balance sheet items arising from the defined benefit:

Finnvera plc	Finnvera Group/Finnvera plc			
(EUR 1,000)	**31 Dec 2020**		**31 Dec 2019**	
Pension obligation				
Present value of funded obligations 1 Jan		**2,858**		**3,055**
Total change		**-832**		**-197**
Unrecognised actuarial gains or losses	48		40	
Interest on obligation	27		53	
Effect of fulfilling the plan an reducing the obligation	-923		-359	
Revaluation of defined benefit plans				
- Caused by changes in financial assumptions	205		75	
- Caused by changes in demographic assumptions	-		-	
- Based on experience	-190		-7	
Present value of funded obligations 31 Dec		**2,026**		**2,858**
Fair value of assets				
Fair value of plan assets 1 Jan		**3,017**		**3,196**
Total change		**-837**		**-178**
Interest income on assets	29		56	
Effect of fulfilling the obligation	-923		-359	
Return on plan assets, excluding items contained in interest expenses or income	629		208	
Contributions paid to the plan	-573		-84	
Fair value of plan assets 31 Dec		**2,180**		**3,017**
Net liabilities+/Net receivables- (difference between obligations and assets)		**-155**		**-159**
Consolidated comprehensive income statement – pension costs				
Unrecognised actuarial gains or losses		48		40
Effect of fulfilling the obligation		-		-
Net interest expenses		-2		-3
Consolidated income statement defined benefit pension costs		**47**		**37**
Items resulting from revaluation		**-614**		**-140**

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

	Finnvera Group/Finnvera plc	
(EUR 1,000)	**31 Dec 2020**	**31 Dec 2019**
Defined benefit net liabilities		
Pension debt (+) / Pension receivable (-) 1 Jan	-160	-141
Expenses recognised in the income statement	47	37
Paid pension contributions	573	84
Other items recognised in the consolidated statement of comprehensive income	-614	-140
Pension debt (+) / Pension receivable (-) 31 Dec	**-155**	**-160**

The plan assets inclue 100% qualifying insurance policies.

	Finnvera Group/Finnvera plc	
Actuarial assumptions	**31 Dec 2020**	**31 Dec 2019**
Discount rate	0.50%	0.95%
Future salary increases	1.80%	1.85%
Future pension increases	1.10%	0.90%

The duration based on the weighted obligation average is 18.8 years. It is forecast that in 2021, making net payments will not be needed to defined benefit arrangements, taking into consideration payment refunds and reimbursements.

G Shares and holdings

G1 Shares and holdings in group companies

		Finnvera plc					
		31 Dec 2020			31 Dec 2019		
Name and domicile of the company	Sector	Holding of all shares, %	Share of votes, %	Book value EUR 1,000)	Holding of all shares, %	Share of votes, %	Book value EUR 1,000)
Subsidiaries (holding over 50%)							
ERDF-Seed Fund Ltd, Kuopio	Development and investment company	100.00%	100.00%	15,256	100.00%	100.00%	15,256
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalisation	100.00%	100.00%	20,182	100.00%	100.00%	20,182
Veraventure Ltd, Kuopio	Development and investment company	100.00%	100.00%	9,897	100.00%	100.00%	48,634

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

ERDF-Seed Fund Ltd			31 Dec 2020		31 Dec 2019	
Name and domicile of the company		Sector	Holding of all shares, %	Share of votes, %	Holding of all shares, %	Share of votes, %
Aimodus Ltd	Helsinki	Research and development on other natural sciences	20.13%	20.13%	20.13%	20.13%
Aranda Pharma Ltd	Kuopio	Research and development on medical sciences	36.09%	36.09%	36.09%	36.09%
Bone Index Finland Ltd	Kuopio	Research and development on medical sciences	38.10%	38.10%	37.65%	37.65%
GlowWay Ltd	Pieksämäki	Manufacture of electric lighting equipment	26.44%	26.44%	26.44%	26.44%
Rocsole Ltd	Kuopio	Manufacture of electronic components	20.27%	20.27%	22.53%	22.53%
Savroc Ltd	Kuopio	Other manufacture of products not listed elsewhere	23.31%	20.11%	20.11%	20.11%

G3 Related party transactions , loans and receivables

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

	Finnvera Group		Finnvera Group	
	Group internal item	Other	Group internal item	Other
(EUR 1,000)	31 Dec 2020		31 Dec 2019	
Related party transactions, loans and receivables				
Services purchased	935		3,369	
Interest subsidies, compensation for losses and other items from the State		385,429		17,128
Interest income	55,535	-85,533	105,530	-43,556
Fee and commission income	14,197		13,223	
Interest expenses	55,535	2,341	105,530	2,689
Fee and commission expenses	14,197		13,223	268
Loans	7,502,011		7,232,056	
Other long-term receivables		349,023		
Short-term receivables	106,248	27,981	121,122	27,179
Long-term liabilities	7,502,011	74,583	7,232,056	67,125
Short-term liabilities	106,248	35,491	121,122	58,606
Receivables	13,317,203		14,072,432	

A B C D E F G H

G4 Separate result of activities referred to in the act on the State Guarantee Fund §4, and it’s share of the total result of Finnvera plc

(EUR 1,000)	Finnvera plc's profit 31 Dec 2020		Activities referred to in the Fund Act and their share of the profit 31 Dec 2020		Finnvera plc's profit 31 Dec 2019		Activities referred to in the Fund Act and their share of the profit 31 Dec 2019	
Net interest income		**41,262**		**2,040**		**32,511**		**3,060**
- Interest income	93,191		1,292		154,754		1,664	
- Interest expense	-51,929		749		-122,243		1,396	
Net fee and commission income		**142,410**		**86,725**		**140,066**		**92,472**
- Fee and commission income	161,893		105,325		161,518		113,037	
- Fee and commission expenses	-19,483		-18,599		-21,452		-20,565	
Gains and losses from financial instruments carried at fair value through profit and loss		**2,110**		**1,284**		**1,024**		**66**
Net income from investments		**289**		**-**		**120**		**-**
Other operating income		**349,468**		**349,129**		**2,816**		**96**
Operational expenses		**-43,713**		**-13,453**		**-41,707**		**-12,099**
- Personnel expenses	-28,342		-8,485		-28,295		-8,365	
- Other operational expenses	-15,372		-4,969		-13,411		-3,733	
Depreciation and amortisation on tangible and intangible assets		**-7,275**		**-1,371**		**-7,022**		**-2,301**
Other operating expenses		**-12,099**		**-64**		**-11,680**		**-101**
Realised credit losses and change in expected credit losses, net		**-1,233,097**		**-1,253,201**		**-43,478**		**-24,825**
- Realised credit losses	-132,253		-87,196		-32,128		2,015	
- Credit loss compensations from the State	36,196		-		16,737		-	
- Change in expected credit losses	-1,137,041		-1,166,004		-28,087		-26,840	
Operating profit/loss		**-760,645**		**-828,911**		**72,649**		**56,369**

H Key financial performance indicators

H1 Key figures

	Finnvera Group		Finnvera plc	
	2020	2019	2020	2019
Key P&L figures				
Net interest income, MEUR	51	41	41	33
Net fee and commission income, MEUR	143	141	142	140
Other operating income, MEUR	349	0	349	3
- Of which fund payment from The State Guarantee Fund, MEUR	349	-	349	-
Operational expenses, MEUR	-44	-42	-44	-42
- Of which salaries including social security costs, MEUR	-29	-29	-28	-28
Realised credit losses and change in expected credit losses, MEUR	-1,269	-60	-1,269	-60
Credit loss compensation from the State, MEUR	36	17	36	17
Operating profit/loss, MEUR	-740	100	-761	73
Profit/loss for the period, MEUR	-748	94	-761	73
Key balance sheet figures				
Loans to and receivables from customers, MEUR	7,088	8,083	8,201	8,104
Investments, MEUR	3,474	3,231	3,504	3,261
Liabilities, MEUR	11,946	11,202	13,048	11,207
- Of which debt securities in issue, MEUR	10,379	10,138	10,379	10,138
Shareholders' equity, MEUR	727	1,463	621	1,376
- Of which non-restricted equity, MEUR	473	1,221	367	1,127
Balance sheet total, MEUR	12,673	12,665	13,669	12,583
Key ratios				
Return on equity, ROE, %	-68.3	6.7	-76.2	5.4
Return on assets, ROA, %	-5.9	0.8	-5.8	0.6
Equity ratio, %	5.7	11.6	4.5	10.9
Expense-income ratio, %	26.4	25.4	33.8	34.2
Average number of employees	360	364	357	361

H2 Formulas for the key indicators

Return on equity % (ROE)

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

Return on assets % (ROA)

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

Equity ratio, %

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

Expense-income ratio, %

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

Average number of employees

based on monthly average for the whole period

Signatures

In Helsinki on 22 February 2021

Pentti Hakkarainen
Chairman of the Board of Directors

Antti Neimala
First Vice Chairman

Terhi Järvikare
Second Vice Chairman

Ritva Laukkanen

Pekka Nuuttila

Pirkko Rantanen-Kervinen

Antti Zitting

Pauli Heikkilä
CEO

Auditor's note

A report on the audit conducted was submitted today.

In Helsinki on 22 February 2021

KPMG Oy Ab

Marcus Tötterman
Authorised Public Accountant, APA

Auditor's Report

To the Annual General Meeting of Finnvera plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Finnvera plc (business identity code 1484332-4) for the year ended 31 December 2020. The financial statements comprise both the consolidated and the parent company's balance sheet, comprehensive income statement, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies.

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note D6.3 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

The Key Audit Matter	How the Matter was addressed in the Audit

Fee and commission income from export credit guarantees and special guarantees and guarantee premiums paid in advance (A Accounting principles, note D2 to the income statement and note E13 to the balance sheet)

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

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

Expected credit losses on receivables from customers and on contingent liabilities (A Accounting principles, B Risk management, Contingent liabilities, note D9 to the income statement and notes E2 and E12 to the balance sheet)

- The calculation of expected credit losses according to the IFRS 9 *Financial Instruments* standard involves assumptions, estimates and management judgment, for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk.
- In particular, the export credit guarantee portfolio includes significant individual guarantees which may bear risks and involve loss provisions that are material for the financial statements.
- In the financial year 2020 the COVID-19 pandemic has impacted the operating environment, credit risk level and the parameters applied by Finnvera in the accounting for expected credit losses.
- The parameters for the accounting for expected credit losses are updated and specified based on macroeconomic forecasts and the development of realized credit losses, among other things. The risk rating of clients plays an essential role in the accounting for ECL.
- Due to the significance of the carrying amounts involved, complexity of the accounting methods used for measurement purposes and management judgement involved, the ECL accounting is addressed as a key audit matter.

- We assessed risk management, monitoring systems and ECL accounting in respect of doubtful receivables and guarantees, and tested related internal controls.
- Concerning significant individual loss provisions and recovery receivables we assessed the appropriateness of the assumptions and methods used for accounting purposes, the financial status of the counterparty and coverage of the company's reinsurance protection.
- We assessed the models and the key assumptions for calculating expected credit losses, as well as tested the controls over the calculation process and credit risk models. Our IFRS and financial instruments specialists were involved in the audit.
- We considered the impacts of the COVID-19 pandemic on the credit risk position and the accounting for expected credit losses. Main areas were changes in macroeconomic parameters, payment schedules and the risk rating of clients.
- Finally, we considered the appropriateness of the disclosures provided in respect of expected credit losses.

The Key Audit Matter	How the Matter was addressed in the Audit
Debt securities, debt securities in issue and derivatives (A Accounting principles and notes E3, E10, E14-E17 to the balance sheet)	
- At the financial year-end the Group had debt securities carried at fair value amounting to EUR 2.5 billion. - At the financial year-end the Group had debt securities in issue amounting to EUR 10.4 billion. Debt securities in issue carried at fair value through profit or loss totaled EUR 3.2 billion and debt securities in issue carried at amortized cost totaled EUR 7.2 billion in the balance sheet as at 31 December 2020. - Derivatives are used to hedge the Group's funding-related currency and interest rate risks and they are measured at fair value in preparing financial statements. - The company applies hedge accounting to fixed interest rate bonds and to related interest rate and currency swap derivatives when the criteria for hedge accounting are fulfilled. Concerning certain liabilities in foreign currencies, cash flow hedge accounting has been applied since the financial year 2020. - Due to the significance of debt securities, debt securities in issue and derivatives, the related internal control and accounting are considered a key audit matter.	- We evaluated the company's principles for treasury operations, monitoring systems for investments and derivatives, related internal controls, risk management and valuation principles applied to financial assets and financial liabilities. - In respect of the hedge accounting we evaluated the appropriateness of the procedures and documentation by reference to the applicable international financial reporting standards. - We assessed the classification principles for financial instruments. - As part of our year-end audit procedures we compared the fair values used in measurement of debt securities, debt securities in issue and derivatives to market quotations and other external price references. - In addition, we considered the appropriateness of the disclosures provided in respect of debt securities, debt securities in issue and derivatives.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 1999, and our appointment represents a total period of uninterrupted engagement of 22 years.

Other Information

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

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

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

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

Other Opinions

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

Helsinki, 22 February 2021

KPMG Oy Ab

Marcus Tötterman
Authorised Public Accountant, APA

Statement by the Supervisory Board

We have reviewed the financial statements of Finnvera plc, including the consolidated financial statements, for the period 1 January–31 December 2020, as well as the auditors' report issued on 22 February 2021.

We propose to the Annual General Meeting that the financial statements, in which the consolidated income statement shows a loss of EUR 747 953 934,41 and the parent company's income statement shows a loss of EUR 760 645 048,52, be adopted and that the parent company's loss be used in accordance with the proposal made by the Board of Directors.

Helsinki 23 February 2021

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

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

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