



# Finnvera Group Half-Year Report H1/2021

1 January-30 June 2021



Finnvera Group, Stock Exchange Release 11 August 2021

# Finnvera Group's Half-Year Report 1 January-30 June 2021

**Finnvera's domestic financing still at a higher level than usual, demand for export financing decreased - the Group's result showed a profit of EUR 65 million**

## Finnvera Group, summary

- Result EUR 65 million (EUR -423 million) – during the first half of the year, no new significant loss provisions had to be made, and no material final losses were realised from exposure for export credit guarantees – however, there were no grounds for decreasing the credit loss provisions made in 2020
- Profit by segments: profit of the parent company Finnvera plc's SME and midcap business stood at EUR 11 million (EUR 36 million) and Large Corporates business at EUR 35 million (EUR -461 million); the subsidiaries had an impact of EUR 19 million (EUR 2 million) on the Group's profit,
- The separate result for export credit guarantee and special guarantee operations was EUR 38 million (EUR -476 million).
- Balance sheet total EUR 12.3 billion (EUR 12.7 billion) – the -3 per cent change was due to a decrease in outstanding export credits.
- Contingent liabilities stood at EUR 15.7 billion (EUR 15.4 billion) – an increase of 2 per cent, which was most significantly affected by the increase in outstanding domestic guarantees and binding credit commitments.
- The total exposure of the parent company Finnvera plc remained unchanged at EUR 25.0 billion (EUR 25.0 billion).
- As a result of the profitable result, non-restricted equity and the State Guarantee Fund, that is, the buffer reserves in total, increased to EUR 0.9 billion (EUR 0.8 billion).
- Equity ratio rose by 0.6 percentage points to 6.3 per cent (5.7 per cent).
- The expected credit losses based on the balance sheet items remained at the same level as at the end of the previous year, EUR 1.4 billion (EUR 1.4 billion).

- The expense-income ratio improved by 2.5 percentage points to 26.6 per cent (29.1 per cent).
- Net promoter score (NPS) index, measuring customer satisfaction, 70 (50) – the improvement in the NPS index for Locally operating small companies and Large Corporates boosted the average.

## Finnvera Group, financing granted and exposure H1/2021 (H1/2020)

- Loans and guarantees granted: EUR 918 million (EUR 926 million), change -1%
- Export credit guarantees and special guarantees granted: EUR 1,594 million (EUR 1,747 million), change -9%
- Export credits granted: EUR 346 million (EUR 402 million), change -14%
  - The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee
  - The fluctuation in the amount of export credit guarantees and export credits is influenced by the timing of individual major export transactions

## 30 June 2021 (31 December 2020)

- Exposure, drawn domestic loans and guarantees: EUR 2,753 million (EUR 2,430 million), change 13%
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export credit guarantees and export guarantees: EUR 21,971 million (EUR 22,408 million), change -2%
  - Drawn exposure: EUR 11,363 million (EUR 11,762 million), change -3%, of which Large Corporates' cruise shipping exposure in total EUR 4,501 million (EUR 4,427 million)
  - Undrawn exposure EUR 8,452 million (EUR 7,749 million) and binding offers EUR 2,155 million (EUR 2,896 million), total change 0%, of which Large Corporates' cruise shipping exposure in total EUR 6,991 million (EUR 7,089 million)
- Exposure, export credits drawn: EUR 7,292 million (EUR 7,561 million), change -4%

## Finnvera Group, H1/2021 and 30 June 2021

Result  
H1/2021

**65 MEUR**

H1/2020: -423 MEUR

Balance sheet total  
30 June 2021

**EUR 12.3 bn**

31 Dec 2020: EUR 12.7 bn  
change -3%

Total exposure, the parent  
company's domestic, export  
credit guarantee and special  
guarantee operations  
30 June 2021

**EUR 25.0 bn**

31 Dec 2020: EUR 25.0 bn  
change -0.3%

Non-restricted equity  
and The State  
Guarantee Fund  
after H1/2021 result  
30 June 2021

**EUR 0.9 bn**

31 Dec 2020: EUR 0.8 bn  
change 8%

Expense-income ratio  
H1/2021

**26.6%**

H1/2020: 29.1%  
change -2.5 pp

Equity ratio  
30 June 2021

**6.3%**

31 Dec 2020: 5.7%  
change 0.6 pp

NPS index  
(net promoter score)  
H1/2021

**70**

H1/2020: 50  
change 20 points

Expected credit  
losses based on the  
balance sheet items  
30 June 2021

**EUR 1.4 bn**

31 Dec 2020: EUR 1.4 bn  
change 0.2%

Finnvera Group, Stock Exchange Release 11 August 2021

**CEO Pauli Heikkilä:**

"During the first half of 2021, the global economy and the Finnish economy have taken an upward turn after the coronavirus year 2020, and the number of bankruptcies has not increased as feared. The financing system has worked well in Finland throughout the crisis. The banks have had access to Finnvera's 80 per cent guarantee and a record number of EU instruments. In January–June, Finnvera granted domestic loans and guarantees amounting to EUR 0.9 billion (EUR 0.9 billion). The volume of financing remains at a higher level than usual, even though demand has stabilised. During the first half of the year, of the sectors, the largest amount of financing was granted to industry. Its share of financing in relation to other sectors grew most, which is descriptive of the accelerating growth in industry.

In January–June, the amount of export credit guarantees and special guarantees came to EUR 1.6 billion (EUR 1.7 billion). The lack of individual large projects has reduced demand for export financing. The EGF guarantee programme of the European Investment Bank, introduced by Finnvera, enables working capital financing for large enterprises. As a whole, the Finnish export industry has come through the pandemic quite well.

In January–June 2021, the Finnvera Group made a profit of EUR 65 million. No new significant loss provisions had to be made during the first half of the year, and no material final losses were realised from exposure for export credit guarantees and special guarantees. However, there were no grounds for decreasing the substantial credit loss provisions made in 2020.

Of the key export financing sectors, the impacts of the coronavirus pandemic hit cruise shipping the worst. In 2020, Finnvera had to make credit loss provisions of EUR 1.2 billion, of which cruise shipping accounted for 90 per cent. This significantly reduced Finnvera's capital. To enable financing of new export projects, in the third supplementary budget for 2021 Parliament approved a provision for a transfer of EUR 650 million

Finnvera Group	H1/2021	H1/2020	Change	Change	2020
Financial performance	MEUR	MEUR	MEUR	%	MEUR
Net interest income	27	24	3	13%	51
Net fee and commission income	78	68	10	15%	143
Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses	-2	-2	-0.3	-13%	2
Other operating income	0.1	0.1	0	-34%	349
Operational expenses	-22	-22	0.2	1%	-44
Other operating expenses and depreciations	-5	-4	1	26%	-8
Realised credit losses and change in expected credit losses, net	-6	-481	-476	-99%	-1,233
Operating profit/loss	69	-418	487	-	-740
Profit/loss for the period	65	-423	488	-	-748

to the State Guarantee Fund in order to capitalise Finnvera's export credit guarantee and special guarantee operations. The State Guarantee Fund is a fund not included in the state budget, which covers losses from export credit guarantee and special guarantee operations if the assets of the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet are not sufficient to cover an unprofitable result.

Finnvera's role is to supplement the financial market and to accelerate business growth and exports to ensure that Finnish enterprises can be involved in the recovery of the global economy. Although the pandemic is not over, the economic outlook is brighter. In line with our strategy, in addition to dealing with the crisis, we will now increasingly focus on enabling growth, investment and internationalisation, taking care of our corporate responsibility."

**Financial performance**

The Finnvera Group's result for January–June 2021 showed a profit after an unprofitable year 2020. The profit for the first half of 2021 was EUR 65 million, whereas the result for the corresponding period last year showed a loss of EUR 423 million. The profitable result is due to

the stabilisation in the credit loss provision development caused by the coronavirus over the first half of the year.

During January–June 2021, no new significant loss provisions had to be made, and no material final losses were realised in export credit guarantee and special guarantee operations. However, there were no grounds for decreasing the substantial credit loss provisions made in 2020. In January–June, the expected credit losses amounted to only EUR 2 million (EUR 477 million), and the final credit losses totalled EUR 14 million (EUR 17 million).

In terms of segments, both SME and midcap financing and export financing made a positive result. The result of the SME and midcap business totalled EUR 11 million (EUR 36 million) and that of Large Corporates was EUR 35 million (EUR -461 million). The result of the subsidiary Finnish Export Credit Ltd was EUR 19 million (2) and the result of venture capital financing was slightly positive (-1).

The Group's net interest income in January–June was EUR 27 million (EUR 24 million), increasing by 13 per cent from the corresponding period last year. Net fee and commission income increased by 15 per cent, totalling EUR 78 million (EUR 68 million). Totalling EUR 22 million (EUR 22 million), fee and commission expenses were on a par with the corresponding period last year.

**Outlook for financing**

In the second half of 2021, demand for Finnvera's domestic financing is expected to remain calm, and, in addition to working capital financing, demand is expected to shift to investments by SMEs. We also estimate that the investments made by large corporates will accelerate the launch and implementation of investment plans in the SME sector towards the end of the year. Banks have access to a higher number of guarantee programmes granted by the European Investment Bank group than before, which may reduce demand for financing from Finnvera.

Due to the prolonged coronavirus pandemic and uncertainty in the global economy, the number of new major export projects has decreased, affecting the future volumes of export guarantees and credits. As in previous years, the overall demand is affected by the realisation of individual major projects. The focus of demand for export financing is expected to be on the pulp and paper as well as telecommunications sectors. The prospects of and demand for export financing in cruise shipping sector are strongly influenced by when shipping companies will be able to restart their operations to a larger extent. Credit insurance is expected to remain at a slightly higher level than normal. Until the end of 2021, working capital financing for large corporates will be possible through the European Investment Bank's EGF guarantee programme.

The dissipation of uncertainty caused by the pandemic is a key factor in how financial performance will develop in 2021. If the economic development and the business operations of Finnvera's individual high-risk subjects are back on a sufficient growth path, which will thus limit or reduce significant loss provision and loss recognition entries, it is possible that the Finnvera Group's result for 2021 will show a profit. If, on the other hand, the economy and business operations recover at a slower pace, the Group's result may show even a significant loss, as it did in 2020.

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Half-year report 1 January–30 June 2021 (PDF)

**Distribution:**

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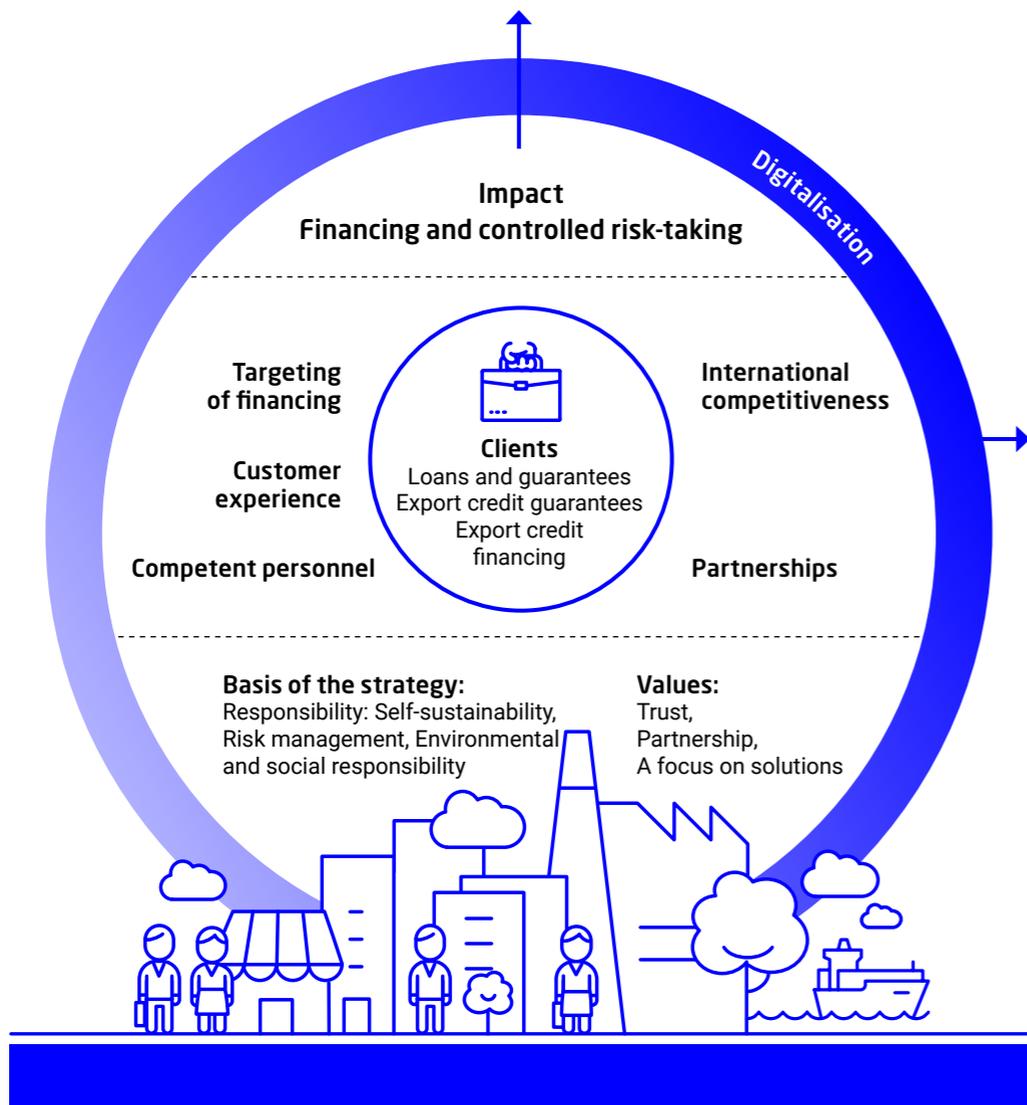
The half-year report is available in Finnish and English at

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

As from the beginning of 2022, Finnvera will publish its reviews quarterly.

## How Finnvera creates value

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



### Number of clients 30 June 2021: 26,319

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

### Products and services 1-6/2021

#### Loans and guarantees granted

EUR 0.9 billion in total

#### Export credit guarantees and special guarantees granted

EUR 1.6 billion in total

#### Export credits granted

EUR 0.3 billion in total

### Authorisations and exposures 30 June 2021

#### Loans and guarantees

- authorisation EUR 12.0 billion
- exposure EUR 2.8 billion including guarantee receivables EUR 39 million

#### Export credit guarantees and export guarantees\*

- authorisation EUR 38.0 billion
- exposure EUR 21.7 billion including export credit guarantee and export guarantee receivables EUR 41 million

#### Export credits

- authorisation EUR 33.0 billion
- exposure EUR 7.3 billion

#### Special guarantees

(shipping and environmental guarantees and raw material guarantees)

- authorisation EUR 3.15 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 19.2 billion on 30 June 2021. 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 30 June 2021, % Loans, guarantees and export guarantees, in total 2,941 MEUR

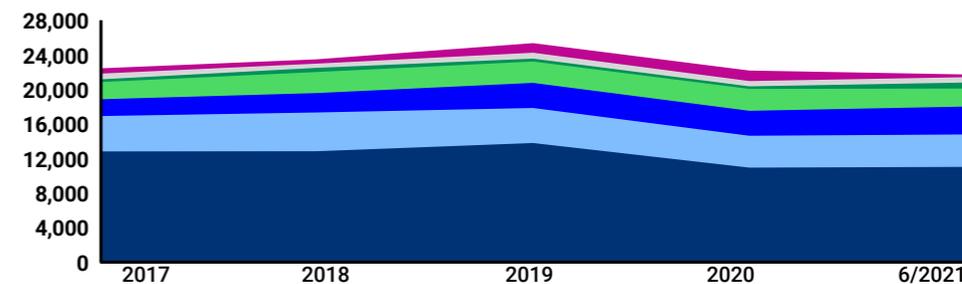


### Exposure by sector 30 June 2021, % Export credit guarantees and special guarantees, in total 21,720 MEUR\*



\* 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	2017	2018	2019	2020	6/2021
Other industries	611	497	1,108	1,215	314
Energy	667	492	684	616	622
Mining and metals	310	478	332	290	690
Others**	1,993	2,440	2,478	2,539	2,089
Pulp and paper	1,940	2,243	2,901	2,886	3,227
Telecommunications	4,092	4,487	4,055	3,688	3,752
Cruise shipping	12,814	12,835	13,786	10,938	11,025

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



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

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

# Finnvera Group's financial performance H1/2021

## Finnvera Group

Result for the period  
**65 MEUR**  
(H1/2020: -423 MEUR)

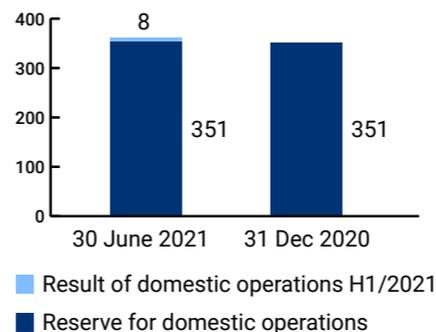
Expense-income ratio  
**26.6%**  
(H1/2020: 29.1%)

Balance sheet total  
**12,324 MEUR**  
(31 Dec 2020: 12,673 MEUR)

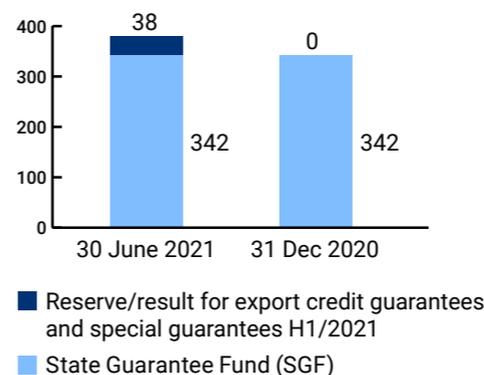
Equity ratio  
**6.3%**  
(31 Dec 2020: 5.7%)

Realised credit losses and change in expected credit losses, net  
**6 MEUR**  
(H1/2020: 481 MEUR)

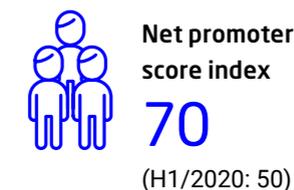
Reserve for domestic financing after result for the period H1/2021 and 2020, MEUR



Reserves for export financing after result for the period H1/2021 and 2020, MEUR



### Clients willing to recommend Finnvera



### The result for the first half of 2021 was profitable

The Finnvera Group's result for January–June 2021 showed a profit of EUR 65 million (EUR -423 million). The profitable result is due to the stabilisation in the credit loss provision development caused by the coronavirus over the first half of the year. No new significant loss provisions had to be made, and no material final losses were realised in export credit guarantee and special guarantee operations. However, there were no grounds for decreasing the substantial credit loss provisions made in 2020.

## Financial performance

### Finnvera Group in January-June 2021

The effects of the coronavirus pandemic on the world economy have been unprecedented. Since we have not been able to overcome the pandemic despite the vaccinations, the overall impacts are still difficult to assess. However, the pandemic will have very extensive overall economic and political consequences, which will differ from one country, region, sector and company to another. In spite of the upward turn in the global economy and the Finnish economy, the situation continues to be mainly characterised by uncertainty.

The Finnvera Group's result for January-June 2021 showed a profit after an unprofitable year 2020. The profit for the first half of 2021 was EUR 65 million, whereas the result for the corresponding period last year showed a loss of EUR 423 million. The profitable result is due to the stabilisation in the credit loss provision development caused by the coronavirus over the first half of the year. The negative result in 2020 was caused by the significant credit loss provisions in export credit guarantee and special guarantee operations, made due to the coronavirus pandemic.

During January-June 2021, no new significant loss provisions had to be made, and no material final losses were realised in export credit guarantee and special guarantee operations. However, there were no grounds for decreasing the substantial credit loss provisions made in 2020. In January-June, the expected credit losses amounted to only EUR 2 million (EUR 477 million), and the final credit losses totalled EUR 14 million (EUR 17 million).

Credit loss provisions are affected by changes in economic development forecasts and factors such as risk ratings of individual risk subjects. According to the IMF's April forecast, in 2021, the GDP is expected to grow globally by 6.0 per cent and in developed countries by 5.1 per cent. This year, Finland's GDP will grow by approximately 2.9 per cent according to

the Bank of Finland's forecast and by 2.6 per cent according to the Ministry of Finance's forecast. Although the economic forecasts expect growth, no significant recovery has taken place in the business operations of the major risk subjects in Finnvera's export credit guarantee and special guarantee operations in the first half of the year. Furthermore, the credit risk of guarantee commitments has not substantially decreased, which would have given grounds for decreasing loss provisions. Therefore, loss provisions in export credit guarantee and special guarantee operations have been kept unchanged in the half-year report in line with the previous year's financial statements. The company actively monitors any changes in risk subjects.

At the end of June, taking into account the result of January-June 2021 and of year 2020, the accumulated loss reserve amount for domestic financing was EUR 359 million (EUR 282 million) and, correspondingly, the reserve for export credit guarantee and special guarantee operations was EUR 380 million (EUR 342 million). In addition to the accumulated reserve for export credit guarantee and special guarantee operations included in Finnvera's balance sheet, the reserve also contains the State Guarantee Fund's assets, EUR 342 million (EUR 342 million). Since Finnvera's capital was significantly reduced by the loss provisions made in 2020, and in order to enable financing of new export projects, in the third supplementary budget for 2021 Parliament approved a provision for a transfer of EUR 650 million to the State Guarantee Fund in order to capitalise Finnvera's export credit and special guarantee operations.

The Group's net interest income in January-June was EUR 27 million (EUR 24 million), growing by 13 per cent year on year. Net fee and commission income increased by 15 per cent, totalling EUR 78 million (EUR 68 million). The changes in the value of items recognised at fair value through profit or loss totalled EUR -2 million (EUR -2 million), of which the change in the fair value of liabilities and interest rate and currency swaps accounted for EUR -3 million (EUR -3 million).

The Group's operating expenses were EUR 22 million (EUR 22 million), and other operating expenses and depreciation amounted to EUR 5 million

(EUR 4 million). The increase in other operating expenses and depreciation was due to a suspended IT system project and the resulting write-down. The quality of the domestic financing credit portfolio remained at the targeted level during the first half of the year. The coronavirus situation that began in 2020 has not had a notable impact on companies' credit performance, and in 2021, a significantly smaller amount of restructurings of financing for enterprises were made than in the previous year. Risks pertaining to individual clients and the amounts of non-performing credits and arrears have remained at a reasonable level. Expected loss (EL) for exposure increased slightly during the first six months of the year and was 3.51 per cent (3.21 per cent) of total exposure at the end of the period under review.

Approximately 80 per cent of the outstanding guarantees and binding offers in the Large Corporates business were associated with euro-area countries and OECD countries. The main sectors were cruise shipping, telecommunications and pulp and paper. These sectors accounted for a total of 83 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.

At the end of June, the most significant market risks associated with asset management were within the risk limits of the asset management policy. The most significant of these risks was the EUR 99 million investment portfolio price risk. The funding-related cost risk due to structural underfunding was EUR 37 million, the balance sheet's interest rate sensitivity was EUR -27 million for a 200-bps change, and the open foreign exchange position was EUR 19 million.

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

The profit of the parent company, Finnvera plc, for January-June stood at EUR 46 million (EUR -425 million), of which the SME and midcap business accounted for EUR 11 million (EUR 36 million) and the Large Corporates business for EUR 35 million (EUR -461 million).

The subsidiaries had an impact of EUR 19 million (EUR 2 million) on the Group's profit, which mostly consisted of the operations of Finnish Export Credit Ltd. The result of venture capital investment activities was slightly on profit (EUR -1 million).

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

In January–June, the separate result for export credit guarantee and special guarantee operations came to EUR 38 million (EUR -476 million).

### Analysis of financial performance in January–June 2021

#### Interest income and expenses and interest subsidies

The Group's net interest income in January–June was EUR 27 million (EUR 24 million), increasing by 13 per cent year on year. Due to the lower market interest rate, interest income amounted to only EUR 25 million (EUR 67 million) and, similarly, standing at EUR 2 million (EUR 43 million), interest expenses were significantly lower than in the corresponding period last year. The Group's net interest income increased as the net interest income from asset management grew, especially as a result of the gains made by the interest and investment positions.

In January–June, outstanding export credits decreased by 4 per cent to EUR 7,292 million (EUR 7,561 million), and the outstanding loans in domestic financing increased by 2 per cent to EUR 684 million (EUR 671 million). The carrying amount of debt securities in issue was EUR 10,217 million (EUR 10,379 million). No new long-term funding was carried out in January–June.

#### Fee and commission income and expenses

The net value of fee and commission income amounted to EUR 78 million (EUR 68 million), increasing by 15 per cent from the corresponding period last year. The gross amount of fee and commission income increased by 13 per cent, totalling EUR 86 million (EUR 76 million). There was growth

in fee and commission income from both export credit guarantees and domestic guarantees. During the first half of the year, fee and commission income from export credit guarantees and special guarantees increased by 14 per cent to EUR 56 million (EUR 49 million), and, correspondingly, fee and commission income from domestic guarantees increased by 18 per cent to EUR 22 million (EUR 19 million). The fee and commission income from export credits decreased by 7 per cent from the corresponding period last year.

In January–June, drawn exposure arising from export credit guarantees and special guarantees decreased by 3 per cent to EUR 11,363 million (EUR 11,762 million), whereas, due to increased demand caused by the coronavirus pandemic, the exposure for domestic financing increased by 18 per cent to EUR 2,070 million (EUR 1,759 million).

Totalling EUR 9 million (EUR 9 million), fee and commission expenses were on a par with the corresponding period last year. Fee and commission expenses consisted nearly entirely of the expenses of reinsurance taken out by the parent company for its export credit guarantee and special guarantee operations.

#### Gains and losses from financial instruments carried at fair value through P&L and foreign exchange gains and losses

During the first half of the year, 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 -2 million), of which the change in the fair value of liabilities, debt securities and interest rate and currency swaps accounted for EUR -3 million (EUR -3 million). The change in the fair value of venture capital investments and gains and losses from sales from venture capital investments was EUR 1 million (EUR -1 million) on profit. Net income from foreign currency operations was less than EUR 1 million (EUR 2 million) on profit.

Finnvera applies hedge accounting in the valuation of liabilities, when the liabilities in question can be classified as financial liabilities included

in hedge accounting. The liabilities are hedged from changes caused by market interest rates. Credit risk changes are not part of the hedging relation. During the financial period, the change in the fair value of the liabilities covered by hedge accounting and the derivatives that are used for hedging them had a positive impact of less than EUR 1 million on profit (EUR -5 million).

The fair value option is applied to the valuation of liabilities that fall outside hedge accounting when they are hedged with derivative contracts. The valuation of the liabilities is based on market quotes. The share of the credit risk in the value change of liabilities is presented in other comprehensive income. During the financial period, the liabilities subject to the fair value option and the derivatives that are used for hedging them had a negative impact of less than EUR -4 million (EUR 1 million).

In addition to derivatives that are used in hedging liabilities, Finnvera has taken out individual long-term cross currency swaps to cover foreign currency commitments. These derivatives are included in the scope of cash flow hedge accounting, and the change in fair value had a total negative impact of less than EUR -1 million on profit (EUR 0).

Finnvera applies fair value hedge accounting to some of the debt securities that are covered with interest rate swaps. These, and specifically debt securities recognised at fair value through profit and loss (the fair value option), interest rate swaps hedging them and other interest rate swaps taken out for liquidity management purposes had a positive impact of less than EUR 1 million on profit (EUR 0 million).

#### Operational expenses, depreciation and other operating expenses

In January–June, the Group's operational expenses were EUR 22 million (EUR 22 million), and depreciation and other operating expenses amounted to EUR 5 million (EUR 4 million). Of operational expenses, personnel expenses accounted for EUR 15 million (EUR 15 million), or

68 per cent, and other administrative expenses for EUR 7 million (EUR 7 million).

The total amount of operational expenses and depreciation increased by 5 per cent year on year. The increase was due to the growth in depreciation and the write-down made as a result of a suspended financing system project.

### Realised and expected credit losses

The effects of the coronavirus pandemic on the world economy have been unprecedented, and the overall economic and political consequences of the pandemic will be very extensive. However, for the time being the situation continues to be mainly characterised by uncertainty. Since we have not been able to overcome the pandemic despite the vaccinations, the overall impacts are still difficult to assess. Finnvera's credit loss provisions are affected by factors such as changes in economic development forecasts and risk ratings of individual risk subjects.

According to the IMF's April forecast, in 2021, the GDP is expected to grow globally by 6.0 per cent and in developed countries by 5.1 per cent. This year, Finland's GDP will grow by approximately 2.9 per cent according to the Bank of Finland's forecast and by 2.6 per cent according to the Ministry of Finance's forecast.

Although the economic forecasts expect growth, no significant recovery has taken place in the business operations of the major risk subjects in Finnvera's export credit guarantee and special guarantee operations in the first half of the year. Furthermore, the credit risk of guarantee commitments has not substantially decreased, which would have given grounds for decreasing loss provisions. The company actively monitors any changes in risk subjects.

In January–June, the Group's realised and expected credit losses amounted to EUR 17 million (EUR 494 million). Realised losses totalled

EUR 14 million (EUR 17 million), and the expected losses, or loss provisions, increased by a total of EUR 2 million (EUR 477 million). The credit loss compensation covering these losses amounted to EUR 11 million (EUR 12 million). As a consequence of the coronavirus pandemic, the State's credit loss compensation for domestic loans and guarantees was raised from 50 per cent to 80 per cent, after which the Group's liability for losses during the first half of the year amounted to EUR 6 million (EUR 481 million).

The expected losses in domestic financing, including export guarantees for SMEs and midcap companies, increased by EUR 10 million in January–June. Loss provisions stood at EUR 59 million at the end of June and at EUR 49 million at the end of last year. The PIT-PD (point in time probability of default) tables of macroeconomic indicators for domestic financing have been kept unchanged in the half-year report in line with the financial statements for 2020.

As a consequence of the deterioration in macroeconomic forecasts and risk ratings of individual risk subjects, significant credit loss provisions of EUR 1,222 million had to be made for export credit guarantee and special guarantee operations in 2020. Cruise shipping accounted for about 90 per cent of the loss provisions made. During the first half of 2021, no new significant loss provisions had to be made in export credit guarantee and special guarantee operations, and no material final losses were realised. There were no grounds for decreasing the substantial credit loss provisions made in 2020. Loss provisions in export credit guarantee and special guarantee operations have been kept unchanged in the half-year report in line with the previous year's financial statements. Loss provisions on the balance sheet thus stood at EUR 1,295 million (EUR 1,295 million) at the end of June. Based on Finnvera's concentration risks, the macroeconomic forecast applied to calculating loss provisions is the IMF economic forecast used in the financial statements for 2020, weighted with three different scenario realisation likelihoods.

### Non-performing exposure

Calculated according to the method harmonised at the EU level, the amount of non-performing exposure in SME and midcap financing stood at EUR 113 million at the end of June (30 June 2020: EUR 111 million).

When the loss provisions made are considered, non-performing exposure accounted for 3.8 per cent (4.3 per cent) of total exposure. The ratio of non-performing exposure to total exposure was 0.8 per cent (0.9 per cent) when the compensation for credit losses received from the State is taken into account.

The amount of non-performing exposure in export financing stood at EUR 6 million at the end of June (30 June 2020: EUR 77 million). The ratio of non-performing exposure to total exposure was 0.03 per cent (0.3 per cent).

### Long-term economic self-sustainability

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

Self-sustainability in Finnvera's SME and midcap financing has been attained over a 10-year period when the cumulative result is calculated up to the end of June. Correspondingly, Finnvera's export financing has been economically self-sustainable over a 20-year period of operation up to 2019, during which time the company has been accumulating loss reserves to cover potential future losses. As a result of the extensive loss provisions made for export credit guarantee and special guarantee operations due to the coronavirus pandemic, the result of export credit guarantee and special guarantee operations in 2020 showed a loss of EUR 1,178 million. The amount of EUR 829 million of the loss was covered by retained earnings from earlier financial periods, and the remaining share, EUR 349 million, was covered by the State Guarantee Fund.

The company's risk-based pricing, the extent and risk level of Finnvera's total exposure, and the spread of the coronavirus pandemic and the dissipation of the uncertainty caused by the pandemic will have a significant impact on the company's financial performance and long-term economic self-sustainability in 2021 and in the coming years.

### Balance sheet and contingent liabilities 30 June 2021

At the end of June, the consolidated balance sheet total was EUR 12,324 million (EUR 12,673 million). The balance sheet total decreased by 3 per cent, or EUR 349 million, during the first half of the year, especially due to a decrease in outstanding export credits. At the end of June, the Group's outstanding credits came to EUR 6,710 million (EUR 7,032 million), or 5 per cent less than at the end of the previous year. The balance sheet value of debt securities in issue was EUR 10,217 million (EUR 10,379 million).

The parent company's outstanding guarantees in SME and midcap financing increased 18 per cent during the first six months of the year and was EUR 2,070 million at the end of June (EUR 1,759 million).

The maximum amount of exposure for export credit guarantees defined in the Act on the State's Export Credit Guarantees, or commitments and half of offers given at the closing date's exchange rate, totalled EUR 19,179 million at the end of June (EUR 19,497 million), i.e., slightly lower than at the end of last year. The parent company's total exposure arising from export credit guarantees and special guarantees, or commitments and offers given, including export guarantees, totalled EUR 21,971 million (EUR 22,408 million). During the first half of the year, drawn exposure decreased by 3 per cent, amounting to EUR 11,363 million (EUR 11,762 million).

The Group's off-balance sheet exposure for export credit guarantees and special guarantees amounted to EUR 15,662 million (EUR 15,426 million). At the end of June, the maximum indemnity amount of reinsurance arrangements for export credit guarantee and special guarantee

operations was approximately EUR 1.2 billion, of which a portfolio reinsurance contract of EUR 0.2 billion expired on 30 June 2021.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments, and consequently, the assets and liabilities of venture capital investment activities are presented under assets and liabilities held for sale. At the end of June, the Group's assets held for sale totalled EUR 47 million (EUR 48 million) and liabilities held for sale EUR 19 million (EUR 19 million). The Group's long-term liabilities as per 30 June totalled EUR 10,307 million (EUR 10,469 million), nearly all of this sum consisting of bonds.

At the end of June, the Group's non-restricted equity was EUR 538 million (EUR 473 million), of which the reserve for domestic operations accounted for EUR 351 million (EUR 282 million), the reserve for export credit guarantee and special guarantee operations for EUR 0 million (EUR 829 million), the reserve for venture capital investments for EUR 15 million (EUR 15 million) and retained earnings for EUR 171 million (EUR -653 million).

Taking into account the January–June result, as per 30 June the accumulated loss reserve amount in export credit guarantee and special guarantee operations was EUR 380 million (EUR 342 million), when the State Guarantee Fund's non-restricted assets, EUR 342 million (EUR 342 million), are taken into account in addition to the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet. After the loss provisions made, the Group's loss reserves totalled to EUR 880 million (EUR 815 million), or 4 per cent of exposures (3 per cent).

The reserve for venture capital investments, 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	30 June 2021	31 Dec 2020	Change	Change
Balance sheet	MEUR	MEUR	MEUR	%
Share capital	197	197	0	0%
Share premium and fair value reserve	45	57	-12	-21%
Non-restricted equity, in total	538	473	65	14%
Reserve for domestic operations	351	282	69	24%
Reserve for export credit guarantees and special guarantees	0	829	-829	-100%
Reserve for venture capital financing	15	15	0	0%
Retained earnings	171	-653	825	-
Equity attributable to the parent company's shareholders	780	727	53	7%
Balance sheet total	12,324	12,673	-349	-3%

### Funding

Similarly to the same period last year, no long-term funding was carried out in January–June. In January–June, EUR 0.05 million in long-term loans was paid back (EUR 7 million).

### Capital adequacy

The Act on Finnvera (443/1998) stipulates that domestic operations must be kept separate from export credit guarantee and special guarantee operations. In consequence, losses from domestic operations are covered from the reserve for domestic operations, while losses from export credit guarantees and special guarantees are covered from the reserve for export credit guarantee and special guarantee operations.

According to the Act on the State Guarantee Fund (444/1998), the State is responsible for export credit guarantees and special guarantees. Should the reserve for export credit guarantee and special guarantee operations lack sufficient assets to cover the losses incurred in the respective operations, the losses are covered from assets in the State Guarantee

Fund, which are supplemented, whenever necessary, by an appropriation from the State Budget.

### Capital adequacy in domestic operations

According to the goal set by the State of Finland, the owner of Finnvera, the Group's capital adequacy ratio for domestic operations should be at least 15 per cent. Finnvera's capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of June, the Group's capital adequacy ratio for domestic operations, Tier 1, stood at 22.4 per cent (25.1 per cent) and the leverage ratio was 20.0 per cent (21.9 per cent).

The risk-weighted receivables in the Group's domestic operations totalled EUR 2,756 million at the end of June (EUR 2,436 million). Of them, loans and guarantees pertaining to business proper amounted to EUR 2,379 million (EUR 2,079 million), or 86 per cent (85 per cent) of risk-weighted receivables.

Finnvera Group, Domestic operations	30 June 2021	31 Dec 2020	Change	Change
Capital for calculating capital adequacy	MEUR	MEUR	MEUR	%
Equity for domestic operations	628	629	-2	-0.3%
Intangible assets	-10	-18	8	46%
<b>Total</b>	<b>618</b>	<b>612</b>	<b>7</b>	<b>1%</b>
Finnvera Group, Domestic operations	30 June 2021	31 Dec 2020	Change	Change
Risk-weighted items	MEUR	MEUR	MEUR	%
Receivables from credit institutions	6	5	1	17%
Receivables from clients	2,379	2,079	300	14%
Investments and derivatives	65	68	-4	-5%
Interest receivables, other receivables, prepayments, other assets	15	16	-1	-7%
Binding promises for loans	114	91	23	26%
Operational risk	177	177	0	0%
<b>Total</b>	<b>2,756</b>	<b>2,436</b>	<b>320</b>	<b>13%</b>

### Capital adequacy in export financing

No specific requirement has been set for the capital adequacy of Finnvera's export financing. Ultimately, it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for export financing, considering its special industrial policy task in promoting exports. However, if capital adequacy is calculated taking into account the assets in the State Guarantee Fund, in addition to the assets in the reserve for export credit guarantee and special guarantee operations, the estimated capital adequacy of export financing in accordance with Tier 1 would be 1.3 per cent (1.3 per cent).

## Risk position

In June 2021, exposure for domestic financing, including SME and midcap financing, export guarantees and export credit guarantees, was EUR 3,220 million (EUR 2,871 million), or EUR 349 million less than at the turn of the year. The exposure increase was mainly due to a few relatively large projects and business operations picking up, which required funding for investment and working capital needs.

The quality of the domestic financing credit portfolio remained at the targeted level during the first half of the year. The coronavirus situation that began in 2020 has not had a notable impact on companies' credit performance, and in 2021, a significantly smaller amount of restructurings of financing for enterprises were made than in the previous year. Risks pertaining to individual clients and the amounts of non-performing credits and arrears have remained at a reasonable level. Expected loss (EL) for exposure increased slightly during the first six months of the year and was 3.51 per cent (3.21 per cent) of total exposure at the end of the period

under review. The distribution of exposure by risk category also remained virtually unchanged. Altogether 83 per cent of Finnvera's exposure fell into the credit rating category B- or a better category. Credit and guarantee losses and loss provisions totalled EUR 21 million (EUR -3 million), or 0.64 per cent of the exposure. The exceptional amount of credit losses last year was due to the change in the State's credit and guarantee loss compensation, which in 2020 reduced the IFRS credit loss provisions in financing subject to the Act on Credits and Guarantees Provided by the State-Owned Specialist Financing Company.

At the end of the period under review, the total exposure arising from export credit guarantees and special guarantees in the Large Corporates business was EUR 21,544 million (EUR 22,000 million), which is EUR 456 million less than in the end of the previous year. Approximately 80 per cent of the outstanding guarantees totalling EUR 19,464 million (EUR 19,183 million) and binding offers totalling EUR 2,080 million (EUR 2,817 million) were associated with the EU Member States and OECD countries.

The main sectors were cruise shipping, telecommunications and pulp and paper. These sectors accounted for a total of 83 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.

In 2020 or the first half of 2021, there were no significant final export credit guarantee losses, but the calculated expected loss (ECL) is considerably higher than in June 2020. This increase in loss provisions was mainly due to the strong deterioration of the economic outlook, caused by the coronavirus pandemic, and the decline of shipping companies' risk ratings.

Among the subsidiaries, the exposure arisen for Finnish Export Credit Ltd from the financing of export credits totalled EUR 13,066 million at the end of June (EUR 13,335 million), which was EUR 269 million less than at the

beginning of the year. The exposure includes outstanding credits and binding credit commitments. The amount of offers was EUR 193 million. The credit risk for export credits is covered by the parent company Finnvera plc's export credit guarantees. These export credit guarantees are included in the above-mentioned total exposure for export financing.

At the end of June, asset management's liquidity portfolio consisting of deposits in banks and investments in liquid assets stood at EUR 4,277 million (EUR 4,013 million). All investments were at least in risk category BBB (Finnvera's risk category), which reflects investment grade, or in better risk categories, and all long-term (exceeding 12 months) investments are made in assets with a minimum credit rating of A- (S&P and Fitch) or A3 (Moody's). A total of 95 per cent of assets were in investments or account banks with a minimum rating of A- (Finnvera's risk category). Expected loss (EL) for deposits and investments was EUR 2.2 million, or 0.05 per cent.

The company hedges interest rate and currency risks using derivatives, the nominal value of which was EUR 12,817 million (EUR 12,212 million) at the end of June. The minimum credit rating was A3 (Moody's) for all derivative contract counterparties and for most, it was A- (S&P and Fitch). The derivative-related counterparty risk is mitigated with collateral agreements, the collateral premiums of which are agreed on a daily basis.

At the end of June, the most significant market risks associated with asset management were within the risk limits of the asset management policy. The most significant of these risks was the EUR 99 million investment portfolio price risk. The funding-related cost risk due to structural underfunding was EUR 37 million, the balance sheet's interest rate sensitivity was EUR -27 million for a 200-bps change, and the open foreign exchange position was EUR 19 million.

## Corporate governance

### Personnel

At the end of June, the Group had 369 employees (30 June 2020: 372), of whom 342 (328) held a permanent post and 27 (44) a fixed-term post. Of the fixed-term personnel, 12 (20) were summer workers. The Group's average number of employees during the period under review was 365 (360) and personnel expenses totalled EUR 15 million (EUR 15 million). In addition, at the end of June the personnel included 21 (48) temporary agency workers recruited to clear the application backlog, caused by the coronavirus pandemic.

### Supervisory Board, Board of Directors and auditor

On 12 March 2021, Finnvera's Annual General Meeting appointed Petri Ekman, M. Sc. (Eng.), to a new Chairman of Finnvera's Board of Directors. Hannu Jaatinen, M. Sc. (Econ.), was appointed as a new member to the Board of Directors.

Antti Neimala, Director General, continued as First Vice Chairman of the Board of Directors and Terhi Järviokare, Director General, as Second Vice Chairman. Ritva Laukkanen, M.Sc. (Econ.); Pirkko Rantanen-Kervinen, B.Sc. (Econ.); and Antti Zitting, Enterprise Councillor, Chairman of the Board, continued as members of the Board of Directors.

Three committees assist the Board in managing its tasks: the Audit Committee, the Risk Committee and the Remuneration Committee.

Anni Marttinen, Economist in The Central Organisation of Finnish Trade Unions SAK; Martin Paasi, Chairman in The Finnish Business School Graduates; and Arja Parkkinen, development manager in Finnvera, were appointed as new members to the Supervisory Board.

Sofia Vikman, Member of Parliament, continued as Chairman of the Supervisory Board and Johannes Koskinen, Member of Parliament, as Vice

Chairman. As members of the Supervisory Board continued Members of Parliament Eeva-Johanna Eloranta, Mari Holopainen, Anne Kalmari, Juho Kautto, Juha Pylväs, Lulu Ranne, Wille Rydman and Joakim Strand; as well as 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); Anne Niemi, Vice President (Federation of Finnish Entrepreneurs); and Tommi Toivola, Director (Confederation of Finnish Industries).

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

### Demand for domestic financing stabilised, export financing focused on the forest and telecommunications sectors

Demand for Finnvera's domestic financing stabilised during the first half of 2021 compared to the exceptional period in the previous year. More applications than usual for loan arrangements, extensions of instalments and working capital financing required for growth were still received, but demand was lower than in the previous year. The number of instalment-free periods applied for by companies in the tourism and restaurant sector received by Finnvera was twice as high as that received in normal times.

Apart from the extensions of instalments, the coronavirus pandemic has not been notably manifested in the customers' ability to manage their credits. In spring, the number of bankruptcies and corporate restructuring increased slightly but has come down since then.

Of the sectors, the largest amount of financing was granted to industry, which accounted for up to 67 per cent (41 per cent) of the financing

granted during the first half of the year. The shares of services to business, trade, consumer services and tourism of the financing granted decreased from the corresponding period last year.

As a result of the coronavirus pandemic, transfers of ownership clearly decreased in 2020. The backlog in the transfers of ownership began to dissolve at the beginning of 2021, and Finnvera's funding for transfers of ownership rose to its highest level in five years right after the turn of the year. By the end of June, EUR 83 million (EUR 65 million) of financing had been granted for transfers of ownership.

Demand for export financing decreased during the first half of the year due to lack of large individual applications and, in particular, new ship projects. The number of financing decisions was increased by the fact that, due to the coronavirus period, Finnvera received special permission to grant credit insurance for exports to western countries.

The negative impacts of the coronavirus pandemic continued to be most clearly visible in cruise shipping. In the cruise shipping sector, Finnvera granted Rauma Marine Constructions an export guarantee for the pre-delivery financing of a passenger vessel ordered by the shipping company Tallink. The focus of major financing projects was on the forest and telecommunications sectors. One of the largest individual projects was the Metsä Fibre bioproduct mill in Kemi, for which Finnvera granted an 80 per cent export guarantee cover for a EUR 500 million loan. Finnvera also participated in the issuance of Fintoil Hamina Oy's EUR 70 million Senior Secured Green Bond with a significant share.

### **Finnvera joined the European Investment Bank's guarantee programme**

On 1 April 2021, Finnvera joined the Pan-European Guarantee Fund (EGF) programme of the European Investment Bank (EIB), which will enable Finnvera to grant a total of EUR 650 million of working capital and investment loans, mainly for the financing needs of large enterprises. This

funding will have a 75% EIB guarantee. The guarantee programme will be in force until the end of 2021.

### **Finnvera promotes the accountability of its operations - joined the Poseidon Principles**

In April 2021, Finnvera became signatory to the Poseidon Principles to measure the environmental impact of ship finance. The shipyard cluster is significant in Finland, and half of Finnvera's approximately EUR 22 billion export credit guarantee and special guarantee exposure is related to ship finance. Commitment to the Poseidon Principles is a concrete step in Finnvera's sustainability and corporate responsibility.

Finnvera has started the work for defining how the climate targets recorded in the Finnish Government Programme affect Finnvera's operations. A project was launched to develop a Sustainable Finance Framework, and studies will be made on the impacts of climate change on the credit risk of companies and projects, and the use of estimates in the credit process.

### **Estimated amount of funding EUR 1.0-1.5 billion in 2021**

No long-term funding was carried out in the first half of the year. In accordance with Finnvera's funding plan, the estimated amount of funding for 2021 is between EUR 1.0 billion and EUR 1.5 billion.

### **Parliament approved a provision for capitalisation of export credit guarantee and special guarantee operations**

On 23 June 2021, Parliament approved a provision for capitalising Finnvera's export credit guarantee and special guarantee operations with EUR 650 million as part of the third supplementary budget for the year. The purpose of the arrangement is to prepare for a situation in which the remaining State Guarantee Fund assets would not be sufficient to cover the deficit in Finnvera's separate result for export credit guarantee and special guarantee operations. 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. According to the Act on the State Guarantee Fund, the State shall cover the deficit in Finnvera's export credit guarantee and special guarantee operations if the company's retained earnings from export credit and special guarantee operations accumulated on Finnvera's balance sheet are not sufficient to cover the deficit.

### **Industrial and ownership policy goals were complemented by a guidance letter**

In its mid-term policy review and spending limits session, the Finnish Government outlined measures to accelerate exports and business growth by developing Finnvera's credit instruments and making their use more effective.

In April 2020, the Ministry of Economic Affairs and Employment gave Finnvera a guidance letter to complement the industrial and ownership policy goals to help enterprises overcome the crisis caused by the coronavirus pandemic. The goals included adjusting Finnvera's services and operations to meet the needs of enterprises. The Ministry extended its guidance until the end of 2021 by a letter dated 22 June 2021.

The Ministry of Economic Affairs and Employment actively monitors the impacts of the coronavirus pandemic on Finnish companies and will make the necessary adjustments to both Finnvera's financing authorisations and the State's credit and guarantee loss compensation commitment. In May 2020, Parliament approved the raising of Finnvera's domestic loan and guarantee financing authorisation from EUR 4.2 billion to EUR 12 billion. In addition, the State raised the credit and guarantee loss compensation paid to Finnvera from 50 per cent to 80 per cent. The increase is valid until further notice, but at most until the end of 2022.

### **Working capital financing for large enterprises continues**

Finnvera can guarantee working capital needs of large corporates up to EUR 100 million in situations caused by the coronavirus until the end of

2021. The possibility to continue financing the working capital needs of large enterprises will continue in accordance with the decision taken by the Ministerial Committee on Economic Policy on 22 June 2021. Finnvera's guarantee may be 80 per cent at a maximum, and the maximum amount of liabilities is EUR 100 million, provided in a manner that ensures that Finnvera does not become the main provider of financing.

### **Finnvera pilots a debt fund as a domestic guarantee beneficiary**

The diversification of financial markets and the new providers of corporate financing that have arisen alongside the banks have created a need to assess the possibility of expanding the range of domestic guarantee beneficiaries at Finnvera too. In a limited pilot project, Finnvera has approved GOS Private Debt I Ky as a beneficiary and can thus guarantee credits granted by the fund. GOS Private Debt I Ky is a domestic debt fund of EUR 10 million launched in May 2020 that provides debt financing for Finnish SMEs. The debt fund's investors are the institutional investors Finnish Industry Investment Ltd (TESI, 50 per cent) and the Savings Bank Group (40 per cent), as well as GOS Consulting Oy (10 per cent). The amount of credit provided by the fund ranges from EUR 100,000 to 1,000,000. During the piloting, practical experience will be collected on how cooperation with a debt fund works as part of Finnvera's financing operations.

### **The terms of the COSME agreement between the European Investment Fund and Finnvera were updated**

An amendment in the terms of the COSME agreement between the European Investment Fund (EIF) and Finnvera was agreed upon, enabling the use of COSME counter-guarantee for covering the working capital needs of SMEs caused by the coronavirus pandemic until 31 December 2021 instead of the previously agreed 30 June 2021. The COSME counter-guarantee is applied to in Finnvera's SME Guarantee. The guarantee coverage of an SME Guarantee is 80 per cent of the amount of the loan granted by the bank.

### **Procurement of the financing system renewal to be redesigned**

The procurement procedure for an extensive renewal of Finnvera's financing system was suspended in March 2021. The planning of the procurement was relaunched.

### **Mauri Kotamäki appointed Chief Economist at Finnvera**

Mauri Kotamäki, Ph.D. (Pol. Sc.), was appointed Chief Economist at Finnvera. He took up his new position on 2 August 2021. Kotamäki analyses the impact of financing provided on the success of companies and the Finnish economy and brings Finnvera's perspectives to the economic debate.

## **Outlook for financing**

In the second half of 2021, demand for Finnvera's domestic financing is expected to remain calm, and, in addition to working capital financing, demand is expected to shift to investments by SMEs. We also estimate that the investments made by large corporates will accelerate the launch and implementation of investment plans in the SME sector towards the end of the year.

Banks have access to a higher number of guarantee programmes granted by the European Investment Bank group than before, which may reduce demand for financing from Finnvera.

Due to the prolonged coronavirus pandemic and uncertainty in the global economy, the number of new major export projects has decreased, affecting the future volumes of export guarantees and credits. As in previous years, the overall demand is affected by the realisation of individual major projects. The focus of demand for export financing is expected to be on the pulp and paper as well as telecommunications sectors. The prospects of and demand for export financing in cruise

shipping sector are strongly influenced by when shipping companies will be able to restart their operations to a larger extent. Credit insurance is expected to remain at a slightly higher level than normal. Until the end of 2021, working capital financing for large corporates will be possible through the European Investment Bank's EGF guarantee programme.

The dissipation of uncertainty caused by the pandemic is a key factor in how financial performance will develop in 2021. If the economic development and the business operations of Finnvera's individual high-risk subjects are back on a sufficient growth path, which will thus limit or reduce significant loss provision and loss recognition entries, it is possible that the Finnvera Group's result for 2021 will show a profit. If, on the other hand, the economy and business operations recover at a slower pace, the Group's result may show even a significant loss, as it did in 2020.

## Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group	
		1-6 2021	1-6 2020
Interest income			
- Interest from loans passed on to customers		24,399	60,899
- Subsidies passed on to customers		1	35
- Other interest income		559	5,855
<b>Total interest income</b>	<b>3</b>	<b>24,959</b>	<b>66,789</b>
Interest expense <sup>1</sup>		1,817	-43,011
<b>Net interest income</b>		<b>26 775</b>	<b>23,778</b>
Net fee and commission income	4	77,625	67,603
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	6	-2,469	-2,181
Net income from investments		251	6
Other operating income		79	119
Total operational expense		-22,381	-22,173
- Personnel expenses	-15,219	-14,765	-14,765
- Other operational expenses	-7,162	-7,408	-7,408
Depreciation and amortisation on tangible and intangible assets		-4,630	-3,622
Other operating expenses		-198	-203
Realised credit losses and change of expected credit losses, net	5	-5,676	-481,441
- Realised credit losses	-14,158	-16,575	
- Credit loss compensations from the State	10,905	12,155	
- Expected credit losses	-2,423	-477,022	
<b>Operating profit/loss</b>		<b>69,376</b>	<b>-418,113</b>
Income tax		-4,843	-5,122
<b>Profit/loss for the period</b>		<b>64,533</b>	<b>-423,235</b>

<sup>1</sup> The interest expenses item consists of a one-time EUR 1.8 million item due to the change in a reference rate for the collateral on derivatives.

(EUR 1,000)	Note	Finnvera Group	
		1-6 2021	1-6 2020
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
- Revaluation of defined benefit pension plans		-	-
- Change in the credit risk associated with liabilities carried at fair value		-3,517	8,076
Items that may be reclassified subsequently to profit or loss			
- Change in fair value of investments		329	1,617
- Change in the expected credit losses of investments		-1,660	484
- Cash flow hedging		-6,937	1,024
<b>Total other comprehensive income</b>		<b>-11,785</b>	<b>11,201</b>
<b>Total comprehensive income for the period</b>		<b>52,748</b>	<b>-412,034</b>
<b>Distribution of the profit/loss for the period attributable to equity holders of the parent company</b>		<b>64,533</b>	<b>-423,235</b>
<b>Distribution of the total comprehensive income for the period attributable to equity holders of the parent company</b>		<b>52,748</b>	<b>-412,034</b>

## Balance sheet

(EUR 1,000)	Note	Finnvera Group	
		30 June 2021	31 Dec 2020
<b>ASSETS</b>			
Loans to and receivables from credit institutions	7		
- Payable on demand		698,014	417,974
- Investment accounts and deposits		203,732	199,094
- Other		55,535	56,885
		<b>957,281</b>	<b>673,954</b>
Loans to and receivables from customers	7		
- Loans		6,709,630	7,031,585
- Debt Securities		42,461	10,725
- Guarantee receivables		32,801	27,055
- Receivables from export credit and special guarantee operations		19,033	18,243
		<b>6,803,924</b>	<b>7,087,608</b>
Investments			
- Debt securities	6, 7, 8	3,438,733	3,459,967
- Investments in group companies		-	-
- Other shares and participations	6, 7, 8, 9	13,723	13,723
		<b>3,452,456</b>	<b>3,473,690</b>
Derivatives	6, 7, 8	554,203	850,820
Intangible assets		9,570	17,759
Tangible assets		10,733	13,335
Other Assets			
- Credit loss receivables from the state		10,933	24,068
- Other		355,016	355,735
		<b>365,949</b>	<b>379,804</b>
Prepayments and accrued income	7	122,466	127,814
Tax assets		35	30
Assets of disposal groups classified as held for sale	7	47,058	48,135
<b>ASSETS</b>		<b>12,323,674</b>	<b>12,672,948</b>

(EUR 1,000)	Note	Finnvera Group	
		30 June 2021	31 Dec 2020
<b>LIABILITIES</b>			
Liabilities to other institutions	7, 10	74,583	74,583
Debt securities in issue	6, 7, 8, 10, 11	10,216,736	10,378,929
Derivatives	6, 7, 8	6,136	12,392
Provisions	5	204,154	199,309
Other liabilities	7	104,668	67,020
Accruals and deferred income	7	915,605	1,193,403
Tax liabilities		3,313	1,746
Liabilities of disposal groups classified as held for sale	7	18,830	18,663
<b>Liabilities</b>		<b>11,544,024</b>	<b>11,946,046</b>
<b>EQUITY</b>			
Equity attributable to the parent company's shareholders			
Share capital		196,605	196,605
Share premium		51,036	51,036
Fair value reserve		-5,785	6,000
Non-restricted reserves			
- Reserve for domestic operations		351,120	282,241
- Reserve for export credit guarantees and special guarantees		-	828,911
- Reserve for venture capital financing		15,252	15,252
Retained earnings		171,422	-653,143
Non-restricted equity		<b>537,794</b>	<b>473,261</b>
<b>Total equity, equity attributable to the parent company's shareholders</b>		<b>779,650</b>	<b>726,902</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,323,674</b>	<b>12,672,948</b>

## Contingent liabilities

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

**Table 1: Contingent liabilities according to the status of commitments**

(EUR 1,000)	Finnvera Group	
	30 June 2021	31 Dec 2020
Current drawn commitments (A+D+G)	5,679,221	5,440,731
Current undrawn commitments (B+E+F+H)	7,724,210	6,927,088
Offers given (C+I)	2,258,859	3,058,416
<b>Contingent liabilities, total</b>	<b>15,662,290</b>	<b>15,426,234</b>

**Table 2: Contingent liabilities by business area**

(EUR 1,000)	Finnvera Group	
	30 June 2021	31 Dec 2020
<b>Domestic operations</b>		
A) Valid guarantees	2,069,581	1,758,619
B) Binding credit commitments	124,213	18,994
C) Guarantee offers	103,819	162,197
<b>Domestic operations total</b>	<b>2,297,612</b>	<b>1,939,811</b>
<b>Export credit guarantees, special guarantees and export credit commitments</b>		
Current commitments (drawn and undrawn)		
D) Drawn export and special guarantees, not included export loans	3,506,238	3,566,524
E) Undrawn export and special guarantees, not included export loans	1,582,376	1,091,445
F) The Group: undrawn export credits granted by the subsidiary (credit commitments)	5,962,918	5,793,152
G) Export and special guarantee interest commitments, drawn commitments)	103,403	115,587
H) Export and special guarantee interest commitments, undrawn commitments)	54,703	23,497
<b>Offers given</b>		
I) Export and special guarantees	2,155,040	2,896,218
<b>Export credit guarantees, special guarantees and export credit commitments</b>	<b>13,364,678</b>	<b>13,486,424</b>
<b>Contingent liabilities, total</b>	<b>15,662,290</b>	<b>15,426,234</b>

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

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

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

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

(EUR 1,000)	Finnvera plc	
	30 June 2021	31 Dec 2020
<b>Liability according to the Act on the State's Export Credit Guarantees</b>	19,179,468	19,496,798

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**

(EUR 1,000)	Finnvera Group	
	30 June 2021	31 Dec 2020
Possible obligation arising to cover losses of fund payment in accordance with The State Guarantee Fund Act	349,023	349,023

## Change in equity

(EUR 1,000)	Fair value through OCI					Reserve for domestic operations	Reserve for export credit guarantees and special guarantees	Reserve for venture capital financing	Retained earnings	Total equity
	Share capital	Share premium reserve	Fair value through OCI	Cash flow hedging	Change in the credit risk associated with liabilities carried at fair value					
<b>30 June 2021</b>										
<b>Finnvera Group's equity 2020, equity attributable to the parent company's shareholders</b>										
Reported equity at 1 Jan	196,605	51,036	15,719	-8,741	-978	282,241	828,911	15,252	-653,143	726,902
Profit/loss from the previous accounting period transfer to reserves	-	-	-	-	-	68,879	-828,911	-	760,031	-
Re-determination of defined benefit pensions recognised at fair value through comprehensive income	-	-	-	-	-	-	-	-	-	-
Change in the credit risk associated with liabilities carried at fair value	-	-	-	-	-3,517	-	-	-	-	-3,517
Cash flow hedging	-	-	-	-6,937	-	-	-	-	-	-6,937
Change in the fair value of investments recognised at fair value through comprehensive income	-	-	329	-	-	-	-	-	-	329
Change in the ECL of investments recognised at fair value through comprehensive income	-	-	-1,660	-	-	-	-	-	-	-1,660
Profit/loss for the period	-	-	-	-	-	-	-	-	6,533	64,533
<b>Total equity at 30 June</b>	<b>196,605</b>	<b>51,036</b>	<b>14,387</b>	<b>-15,678</b>	<b>-4,495</b>	<b>351,120</b>	<b>-</b>	<b>15,252</b>	<b>171,422</b>	<b>779,650</b>
<b>31 Dec 2020</b>										
<b>Finnvera Group's equity 2019, equity attributable to the parent company's shareholders</b>										
Reported equity at 1 Jan	196,605	51,036	1,662	-	-7,065	265,822	772,541	15,252	166,985	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 in 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
<b>Total equity at 31 Dec</b>	<b>196,605</b>	<b>51,036</b>	<b>15,719</b>	<b>-8,741</b>	<b>-978</b>	<b>282,241</b>	<b>828,911</b>	<b>15,252</b>	<b>-653,143</b>	<b>726,902</b>

## Statement of cash flows

(EUR 1,000)	Finnvera Group	
	30 June 2021	30 June 2020
<b>Cash flows from operating activities</b>		
Withdrawal of loans granted	-273,701	-578,643
Repayments of loans granted	672,235	647,173
Purchase of investments	-1,684	-496
Proceeds from investments	3,902	700
Interest received	33,719	76,781
Interest paid	122	-49,487
Net interest subsidy received (+) / repaid to the State (-)	-	191
Net payments received (+) / paid (-) from commission income and expense	68,005	63,981
Payments received from other operating income	136	261
Payments for operating expenses	-22,737	-21,325
Claims paid (-) and recovered amounts (+)	-14,755	-9,146
Net credit loss compensation from the State	24,041	9,518
Net taxes paid	-3,115	-1,792
<b>Net cash used in (-) / from (+) operating activities (A)</b>	<b>486,167</b>	<b>137,718</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment and intangible assets	-1,671	-1,001
Sale of property and equipment and intangible assets	-	-
Short-term and other liquid investments made	-2,094,537	-3,816,626
Proceeds and maturities of short-term and other liquid investments	2,155,755	3,392,455
Other investments	-135	-217
Proceeds from other investments	1,673	592
Dividends received from investments	6	6
<b>Net cash used in (-) / from (+) investing activities (B)</b>	<b>61,092</b>	<b>-424,791</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans	-	-
Repayment of long-term loans	-51	-7,378
Net proceeds (+) and repayments (-) of short-term loans	-	-
Payments of lease liabilities	-1,869	-1,806
Proceeds from subordinated liabilities	-	-
Repayment of subordinated liabilities and repayable debt to the State	-	-
Payments (-) / receipts (+) from derivative collaterals	-265,880	279,870
<b>Net cash used in (-) / from (+) financing activities (C)</b>	<b>-267,800</b>	<b>270,686</b>
<b>Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)</b>	<b>279,459</b>	<b>-16,387</b>
<b>Cash and cash equivalents at the beginning of the period<sup>1</sup></b>	<b>620,469</b>	<b>408,923</b>
Foreign exchange differences <sup>1</sup>	6,619	5,204
<b>Cash and cash equivalents at the end of the period<sup>1</sup></b>	<b>906,547</b>	<b>397,740</b>

<sup>1</sup> Cash and cash equivalents comprise of cash and investment accounts held in credit institutions and deposits with a maturity less than 3 months. Cash and cash equivalents are included in the balance sheet line item "Loans to and receivables from credit institutions -payable on demand" and "Loans to and receivables from credit institutions -investment accounts and deposits"

(EUR 1,000)	Finnvera Group	
	30 June 2021	30 June 2020
<b>Cash and cash equivalents at the end of the period</b>		
Cash and investment accounts held in credit institutions	786,851	397,740
Short-term deposits	119,695	-
<b>Total</b>	<b>906,547</b>	<b>397,740</b>

### Changes in liabilities arising from financing activities

(EUR 1,000)	Finnvera Group 2021						
	Opening balance 1 Jan	Cash inflows from financing activities	Cash outflow from financing activities	Fair value changes	Foreign exchange differences	Other changes	Closing balance 30 June 2021
Long-term liabilities to credit institutions	-	-	-	-	-	-	-
Short-term liabilities to credit institutions	-	-	-	-	-	-	-
Long-term liabilities to other institutions	74,583	-	-	-	-	-	74,583
Debt securities in issue	10,378,929	-	-	-231,076	67,325	1,558	10,216,736
Subordinated liabilities	15,867	-	-	-	-	-	15,867
Security given for derivatives <sup>1</sup>	-2,360	1,170	-	-	-	-	-1,190
Security received for derivatives <sup>2</sup>	854,070	-267,050	-	-	-	-	587,020
<b>Total</b>	<b>11 321,089</b>	<b>-265,880</b>	<b>0</b>	<b>-231,076</b>	<b>67,325</b>	<b>1,558</b>	<b>10,893,016</b>

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

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

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

## Notes to the half-year report

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

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

The half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard as adopted by the EU. The half-year report does not contain all the information and notes required by IFRS standards. The principles for drawing up the financial statements are presented in the Group's financial statements for 2020. The half-year report must be read in conjunction with the consolidated financial statements for 2020. The half-year report only contains information about the Group.

On 10 August 2020, Finnvera's Board of Directors approved the half-year report for the period 1 January–30 June 2021. The half-year report is unaudited.

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

As from the beginning of 2022, Finnvera will publish its reviews quarterly.

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

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 constitute the most significant expense 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 and the principles applied to calculating loss provisions are covered in more detail in the section Calculation of expected credit losses (ECL) in the Accounting Principles of the Annual Report and Financial Statements for 1 January–31 December 2020.

In connection with the drawing up of this half-year report, the management's estimates related the Group's accounting principles and key uncertainties were similar to those applied in the previous financial statements, Credit loss provisions are affected by changes in economic development forecasts and factors such as risk ratings of individual risk subjects. According to the IMF's April forecast, in 2021, the GDP is expected to grow globally by 6.0 per cent and in developed countries by 5.1 per cent. Although the economic forecasts expect growth, no significant recovery has taken place in the business operations of Finnvera's major risk subjects in export credit guarantee and special guarantee operations in the first half of the year. Furthermore, the credit risk of guarantee commitments has not substantially decreased, which would have given grounds for decreasing loss provisions. Therefore, loss provisions in export credit guarantee and special guarantee operations have been kept unchanged in the half-year report in line with the previous year's financial statements. The company actively monitors any changes in risk subjects.

## 2 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		
<b>Finnvera Group</b>							
<b>1-6/2021</b>							
Net interest income	2,575	5,576	4,493	654	13,451	27	26,775
Net fee and comission income	4,458	11,250	10,275	45,113	6,529	-1	77,625
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-	-	-	91	-3,388	828	-2,469
Net income from investments	-	-	-	-	251	-	251
Other operating income	2	16	8	53	0	-	79
Administrative expenses	-3,537	-6,062	-5,036	-6,037	-1,619	-91	-22,381
Depreciation and amortisation on tangible and intangible assets	-746	-1,565	-1,007	-1,005	-308	-	-4,630
Other operating expenses	-43	-57	-44	-44	-11	-	-198
Realised credit losses and change of expected credit losses, net	-1,195	-3,067	-5,388	-4,249	8,196	27	-5,676
- Realised credit losses	-3,617	-3,650	-7,424	533	-	-	-14,158
- Credit loss compensations from the State	2,880	2,905	5,120	-	-	-	10,905
- Change in expected credit losses (increase - / decrease +)	-458	-2,322	-3,084	-4,782	8,196	27	-2,423
Operating profit/loss	1,514	6,090	3,302	34,577	23,103	791	69,376
Income tax	-	-	-	-	-4,589	-253	-4,843
<b>Profit/loss for the period</b>	<b>1,514</b>	<b>6,090</b>	<b>3,302</b>	<b>34,577</b>	<b>18,514</b>	<b>538</b>	<b>64,533</b>
<b>Finnvera Group</b>							
<b>1-6/2020</b>							
Net interest income	3,511	6,407	4,534	1,174	8,119	33	23,778
Net fee and comission income	3,767	10,018	11,003	35,965	6,850	0	67,603
Gains and losses from financial instruments carried at fair value through profit and loss and foreign exchange gains and losses	-91	-243	-151	716	-1,909	-503	-2,181
Net income from investments	-	-	-	-	6	-	6
Other operating income	32	74	35	36	0	-59	119
Administrative expenses	-4,194	-6,213	-5,068	-5,054	-1,487	-158	-22,173
Depreciation and amortisation on tangible and intangible assets	-714	-1,125	-822	-838	-124	-	-3,622
Other operating expenses	-49	-77	-45	-25	-6	-	-203
Realised credit losses and change of expected credit losses, net	10,539	15,626	-10,783	-492,775	-4,118	70	-481,441
- Realised credit losses	-3,741	-8,965	-2,821	-1,075	-	27	-16,575
- Credit loss compensations from the State	2,993	6,995	2,167	-	-	-	12,155
- Change in expected credit losses (increase - / decrease +)	11,288	17,596	-10,130	-491,700	-4,118	43	-477,022
Operating profit/loss	12,802	24,469	-1,297	-460,801	7,332	-618	-418,113
Income tax	-	-	-	-	-5,020	-102	-5,122
<b>Profit/loss for the period</b>	<b>12,802</b>	<b>24,469</b>	<b>-1,297</b>	<b>-460,801</b>	<b>2,311</b>	<b>-719</b>	<b>-423,235</b>

### 3 Interest income from financial instruments carried at fair value through profit or loss

(EUR 1,000)	Finnvera Group	
	30 June 2021	30 June 2020
Interest income from items carried at amortised cost	25,834	63,713
Interest income from items carried at fair value through other comprehensive income	-486	-402
Interest income from items carried at fair value through profit and loss	-390	3,479
<b>Total interest income</b>	<b>24,959</b>	<b>66,789</b>

### 4 Fee and commission income and expenses by income statement items

(EUR 1,000)	Finnvera Group	
	30 June 2021	30 June 2020
<b>Fee and commission income from guarantees</b>		
Export and credit guarantees and special guarantees	55,200	48,164
SME and midcap financing	20,664	16,586
<b>Sub total</b>	<b>75,864</b>	<b>64,750</b>
<b>Delivery and handling fees</b>		
Export and credit guarantees and special guarantees	1,015	1,009
SME and midcap financing	1,487	2,120
<b>Total</b>	<b>2,502</b>	<b>3,129</b>
<b>Fee and commission income from loans</b>		
Export loans	6,517	6,991
Commission income of SME and midcap financing, loans	885	966
<b>Sub total</b>	<b>7,402</b>	<b>7,958</b>
<b>Other fee and commission income</b>		
Interest balancing, export credit guarantees and special guarantees	180	176
Other fee and commission income, SME and midcap financing	288	120
<b>Sub total</b>	<b>468</b>	<b>296</b>
<b>Grand total</b>	<b>86,236</b>	<b>76,132</b>
<b>Other commission expenses</b>		
Reinsurance, export and credit guarantees and special guarantees	-8,428	-8,168
Borrowing	-9	-215
Payment transactions	-174	-146
<b>Grand total</b>	<b>-8,611</b>	<b>-8,530</b>
<b>Net fee and commission income</b>	<b>77,625</b>	<b>67,603</b>

### 5 Expected credit losses (ECL)

#### 5.1 Realised credit losses and change of expected credit losses, net

(EUR 1,000)	Finnvera Group	
	30 June 2021	30 June 2020
<b>Total realised credit losses</b>	<b>-14,158</b>	<b>-16,575</b>
- Loans	-4,469	-7,844
- Guarantees	-9,189	-7,323
- Export credit guarantees and special guarantees	-500	-1,407
<b>Credit loss compensation from the State</b>	<b>10,905</b>	<b>12,155</b>
<b>Change in expected credit losses (ECL) decrease (+) / increase (-)</b>	<b>-2,423</b>	<b>-477,022</b>
Expected credit losses at the beginning of the reporting period, gross	1,378,631	241,602
Expected credit losses at the end of the reporting period, gross	1,381,053	718,623
<b>Total, net</b>	<b>-5,676</b>	<b>-481,441</b>

#### 5.2 Changes in expected credit losses

Financial assets (EUR 1,000)	Finnvera Group 30 June 2021			Finnvera Group 30 June 2020		
	31 Dec 2020	ECL 30 June 2021	Change in ECL	31 Dec 2019	ECL 30 June 2020	Change in ECL
Loans and receivables from credit institutions	-701	-406	295	-115	-507	-392
Investment accounts and deposits	-369	-110	259	-	-348	-348
Loans and receivables from customers	-1,167,447	-1,171,960	-4,513	-187,837	-525,955	-338,118
Debt securities	-5,745	-813	4,932	-	-2,738	-2,738
Other assets	-132	-120	12	-155	-149	7
Prepayments and accrued income	-851	-1,077	-226	-1,534	-1,012	522
Assets of disposal groups classified as held for sale	-4	-1	3	-38	-1	37
<b>Change in expected credit losses: decrease (+) / increase (-)</b>	<b>-1,175,249</b>	<b>-1,174,487</b>	<b>762</b>	<b>-189,680</b>	<b>-530,711</b>	<b>-341,032</b>
<b>Financial liabilities (EUR 1,000)</b>						
Provisions	-199,309	-204,154	-4,845	-51,205	-186,711	-135,506
Equity – Fair value	-4,072	-2,412	1,660	-717	-1,201	-484
<b>Change in expected credit losses: decrease (+) / increase (-)</b>	<b>-203,381</b>	<b>-206,566</b>	<b>-3,185</b>	<b>-51,922</b>	<b>-187,912</b>	<b>-135,990</b>
<b>Change in expected credit losses: decrease (+) / increase (-), net</b>			<b>-2,423</b>			<b>-477,022</b>

### 5.3 Transfers of expected credit losses between stages

#### 5.3.1 Transfers of expected credit losses between stages - Receivables from credit institutions

(EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>701</b>	-	-	<b>701</b>	<b>114</b>	-	-	<b>114</b>
Changes in ECL during the reporting period	1	-	-	1	-21	-	-	-21
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new receivables from credit institutions	1 253	-	-	<b>1,253</b>	61	-	-	<b>61</b>
Decrease of receivables from credit institutions	-684	-	-	<b>-684</b>	-92	-	-	<b>-92</b>
Change in PD parameters	-865	-	-	<b>-865</b>	638	-	-	<b>638</b>
<b>ECL at the end of the period</b>	<b>406</b>	-	-	<b>406</b>	<b>701</b>	-	-	<b>701</b>
Net change of ECL during the reporting period				-295				586

#### 5.3.2 Transfers of expected credit losses between stages - Investment accounts and deposits

(EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>369</b>	-	-	<b>369</b>	-	-	-	-
Changes in ECL during the reporting period	-	-	-	-	-	-	-	-
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new investments	377	-	-	<b>377</b>	30	-	-	<b>30</b>
Decrease of receivables from credit institutions	-369	-	-	<b>-369</b>	-	-	-	-
Change in PD parameters	-267	-	-	<b>-267</b>	339	-	-	<b>339</b>
<b>ECL at the end of the period</b>	<b>110</b>	-	-	<b>110</b>	<b>369</b>	-	-	<b>369</b>
Net change of ECL during the reporting period				-259				369

#### 5.3.3 Transfers of expected credit losses between stages - Loans and receivables from customers<sup>1</sup>

(EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>567</b>	<b>1,126,512</b>	<b>41,474</b>	<b>1,168,554</b>	<b>11 465</b>	<b>51,900</b>	<b>126,393</b>	<b>189,757</b>
Changes in ECL during the reporting period	-183	-310	-1,203	<b>-1,696</b>	-10,128	-24,059	23,414	<b>-10,774</b>
Transfers to stage 1 from stages 2 and 3	-	-491	-62	<b>-553</b>	-	-888	-1,410	<b>-2,298</b>
Transfers to stage 2 from stages 1 and 3	-101	-	-155	<b>-256</b>	-2,571	-	-2,955	<b>-5,526</b>
Transfers to stage 3 from stages 1 and 2	-138	-473	-	<b>-611</b>	-521	-667	-	<b>-1,188</b>
Additions from stage 1	-	497	3,215	<b>3,712</b>	-	1,098,961	8,129	<b>1,107,091</b>
Additions from stage 2	79	-	1,604	<b>1,683</b>	250	-	2,700	<b>2,950</b>
Additions from stage 3	19	44	-	<b>63</b>	124	165	-	<b>289</b>
ECL from new finances	1,259	1,608	4,134	<b>7,001</b>	1,423	841	10,304	<b>12,569</b>
Repayments/Expirations of guarantees	-199	-128	-3,291	<b>-3,618</b>	-1,442	-36,704	-100,631	<b>-138,778</b>
Change in PD parameters	3	8	53	<b>63</b>	5,337	41,507	4	<b>46,848</b>
Change in State's credit loss compensation rate	-	-	-	-	-3,371	-4,542	-24,473	<b>-32,386</b>
<b>ECL at the end of the period</b>	<b>1,306</b>	<b>1,127,267</b>	<b>45,769</b>	<b>1,174,342</b>	<b>567</b>	<b>1,126,512</b>	<b>41,474</b>	<b>1,168,554</b>
Net change of ECL during the reporting period				5,789				978,796

<sup>1</sup> The table includes domestic finance loans, guarantee receivables, receivables from export credit and special guarantee operations, interest receivables, fee and commission receivables, debt securities, Veraventure Ltd's trade receivables of venture capital investments and Finnish Export Credit Ltd's drawn export credits.

#### 5.3.4 Transfers of expected credit losses between stages - Debt securities carried at amortised cost

(EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL at the beginning of the period</b>	<b>5,745</b>	-	-	<b>5,745</b>	-	-	-	-
Changes in ECL during the reporting period	-	-	-	-	-	-	-	-
Transfers to stage 1 from stages 2 and 3	-	-	-	-	-	-	-	-
Transfers to stage 2 from stages 1 and 3	-	-	-	-	-	-	-	-
Transfers to stage 3 from stages 1 and 2	-	-	-	-	-	-	-	-
Additions from stage 1	-	-	-	-	-	-	-	-
Additions from stage 2	-	-	-	-	-	-	-	-
Additions from stage 3	-	-	-	-	-	-	-	-
ECL from new receivables from credit institutions	1,470	-	-	<b>1,470</b>	1,585	-	-	<b>1,585</b>
Decrease of receivables from credit institutions	-5,514	-	-	<b>-5,514</b>	-	-	-	-
Change in PD parameters	-888	-	-	<b>-888</b>	4,159	-	-	<b>4,159</b>
<b>ECL at the end of the period</b>	<b>813</b>	-	-	<b>813</b>	<b>5,745</b>	-	-	<b>5,745</b>
Net change of ECL during the reporting period				-4,932				5,745



**5.4.3 Loans and receivables from customers by credit ratings and realised and expected credit losses<sup>1</sup>**

Credit rating (EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	87	-	-	87
AA	415	-	-	415	1,803	-	-	1,803
A	8,559	77	228	8,864	23,641	71	222	23,933
BBB	2,382,873	2,329	493	2,385,695	2,416,588	2,288	2,159	2,421,035
BB	1,445,157	5,941	9,192	1,460,291	1,593,837	10,537	10,775	1,615,149
B	241,466	2,334,037	17,213	2,592,715	76,830	2,368,738	20,760	2,466,329
CCC	17,139	1,591,480	5,960	1,614,579	410	1,568,970	7,130	1,576,510
D	1,807	1,999	132,052	135,857	109	49	101,363	101,521
No credit rating	30,010	-	-	30,010	30,649	-	-	30,649
<b>Total</b>	<b>4,127,426</b>	<b>3,935,862</b>	<b>165,138</b>	<b>8,228,425</b>	<b>4,143,955</b>	<b>3,950,653</b>	<b>142,408</b>	<b>8,237,016</b>
Expected credit loss	1,306	1,127,267	45,769	1,174,342	567	1,126,512	41,474	1,168,554
Realised credit losses				4,469				24,898

<sup>1</sup> The table includes SME loans, guarantee receivables, receivables from export credit and special guarantee operations, interest receivables, fee and commission receivables, debt securities, Veraventure Ltd's trade receivables of venture capital investments and Finnish Export Credit Ltd's drawn export credits.

**5.4.4 Debt securities (amortised cost) by credit ratings and realised and expected credit losses**

Credit rating (EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	-	-	-	-
AA	649,715	-	-	649,715	591,523	-	-	591,523
A	35,698	-	-	35,698	48,947	-	-	48,947
BBB	158,936	-	-	158,936	275,069	-	-	275,069
BB	-	-	-	-	47,950	-	-	47,950
B	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-
No credit rating	-	-	-	-	-	-	-	-
<b>Total</b>	<b>844,349</b>	<b>-</b>	<b>-</b>	<b>844,349</b>	<b>963,489</b>	<b>-</b>	<b>-</b>	<b>963,489</b>
Expected credit loss	813	-	-	813	5,745	-	-	5,745
Realised credit losses								

**5.4.5 Debt securities carried at fair value (OCI) by credit ratings and realised and expected credit losses**

Credit rating (EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	381,566	-	-	381,566	385,146	-	-	385,146
AA	845,601	-	-	845,601	870,649	-	-	870,649
A	1,180,467	-	-	1,180,467	1,041,141	-	-	1,041,141
BBB	50,618	-	-	50,618	67,768	-	-	67,768
BB	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-
No credit rating	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,458,252</b>	<b>-</b>	<b>-</b>	<b>2,458,252</b>	<b>2,364,703</b>	<b>-</b>	<b>-</b>	<b>2,364,703</b>
Expected credit loss	1,227	-	-	1,227	3,950	-	-	3,950
Realised credit losses								

**5.4.6 Off-balance sheet items by credit rating and realised and expected credit losses**

Credit rating (EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	680	-	-	680
AA	14,802	-	-	14,802	24,166	-	-	24,166
A	46,064	-	-	46,064	76,906	-	-	76,906
BBB	1,618,885	-	-	1,618,885	1,443,680	-	-	1,443,680
BB	2,589,543	23,059	-	2,612,602	2,843,994	-	-	2,843,994
B	1,320,842	868,953	-	2,189,795	569,323	1,083,293	-	1,652,616
CCC	271,334	469,719	-	741,053	4,622	330,883	-	335,505
D	419	-	84,988	85,407	261	-	87,880	88,141
No credit rating	76,324	61,653	-	137,977	149,850	46,246	-	196,096
<b>Total</b>	<b>5,938,212</b>	<b>1,423,384</b>	<b>84,988</b>	<b>7,446,585</b>	<b>5,113,482</b>	<b>1,460,422</b>	<b>87,880</b>	<b>6,661,784</b>
Expected credit loss	40,672	138,126	25,356	204,154	35,749	138,616	24,944	199,309
Realised credit losses				9,689				107,317

**5.5 Disposal groups classified as held for sale by ECL-stages and realised and expected credit losses**

Assets (EUR 1,000)	Finnvera Group 30 June 2021				Finnvera Group 31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and receivables from credit institutions	2,021	-	-	2,021	2,021	-	-	2,021
Loans and receivables from customers	300	-	-	300	400	-	-	400
<b>Total</b>	<b>2,321</b>	<b>-</b>	<b>-</b>	<b>2,321</b>	<b>2,421</b>	<b>-</b>	<b>-</b>	<b>2,421</b>
Expected credit loss from HFS items	1	-	-	1	4	-	-	4
Realised credit losses	-	-	-	-	-	-	-	-

**5.6 Expected credit losses in balance sheet**
**5.6.1 Expected credit losses by balance sheet item**

Assets (EUR 1,000)	Finnvera Group 30 June 2021			Finnvera Group 31 Dec 2020		
	Gross	ECL	Net	Gross	ECL	Net
Loans and receivables from credit institutions	753,954	-406	753,549	475,560	-701	474,859
Investment accounts and deposits	203,842	-110	203,732	199,463	-369	199,094
Loans and receivables from customers	7,975,884	-1,171,960	6,803,924	8,255,055	-1,167,447	7,087,608
Debt securities	3,439,546	-813	3,438,733	3,465,712	-5,745	3,459,967
Other assets	366,068	-120	365,949	379,936	-132	379,804
Prepayments and accrued income	123,543	-1,077	122,466	128,665	-851	127,814
Assets of disposal groups classified as held for sale	47,059	-1	47,058	48,139	-4	48,135
<b>Total</b>	<b>12,909,898</b>	<b>-1,174,487</b>	<b>11,735,410</b>	<b>12,952,530</b>	<b>-1,175,249</b>	<b>11,777,281</b>
<b>Liabilities (EUR 1,000)</b>						
Provisions		-204,154			-199,309	
Equity – Fair value		-2,412			-4,072	
<b>Total</b>		<b>-206,566</b>			<b>-203,381</b>	

**5.6.2 Expected credit loss from disposal groups classified as held for sale by balance sheet item**

Assets (EUR 1,000)	Finnvera Group 30 June 2021			Finnvera Group 31 Dec 2020		
	Gross	ECL	Net	Gross	ECL	Net
Loans and receivables from credit institutions	4,285	-1	4,284	2,331	-4	2,327
Loans and receivables from customers	300	0	300	400	0	400
Investments in Group companies	-	-	-	-	-	-
Investments in associated companies	9,696	0	9,696	9,871	0	9,871
Other shares and participations	32,778	0	32,778	35,536	0	35,536
Prepayments and accrued income	-	-	-	-	-	-
Deferred tax receivables due to expected credit loss	-	-	-	-	0	-
<b>Total</b>	<b>47,059</b>	<b>-1</b>	<b>47,058</b>	<b>48,139</b>	<b>-4</b>	<b>48,135</b>

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

(EUR 1,000)	Finnvera Group			
	Dividends	Gains and losses from sales	Changes in fair value	Total
<b>30 June 2021</b>				
<b>From financial instruments recognised through profit or loss</b>				
Derivatives	-	-	-230,100	-230,100
Debt securities in issue	-	-	234,593	234,593
Investments in debt securities	-	-	-7,874	-7,874
Shares and participations	6	1,187	-365	828
<b>Total for financial instruments recognised through profit or loss</b>	<b>6</b>	<b>1,187</b>	<b>-3,746</b>	<b>-2,553</b>
<b>By categories of financial instruments, IFRS 9</b>				
Items carried at amortised cost (fair value hedging)	-	-	188,901	188,901
Items carried at fair value through OCI (fair value hedging)	-	-	-7,375	-7,375
Items carried at fair value through profit and loss (fair value option)	-	-	45,192	45,192
Items carried at fair value through profit and loss (mandatory)	6	1,187	-230,465	-229,272
<b>Total</b>	<b>6</b>	<b>1,187</b>	<b>-3,746</b>	<b>-2,553</b>
<b>Foreign exchange gains (+) and losses (-)</b>				<b>84</b>
<b>Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses</b>				<b>-2,469</b>

(EUR 1,000)	Finnvera Group			
	Dividends	Gains and losses from sales	Changes in fair value	Total
<b>30 June 2020</b>				
<b>From financial instruments recognised through profit or loss</b>				
Derivatives	-	-	292,616	292,616
Debt securities in issue	-	-	-300,589	-300,589
Investments in debt securities	-	-	4,487	4,487
Shares and participations	6	392	-902	-503
<b>Total for financial instruments recognised through profit or loss</b>	<b>6</b>	<b>392</b>	<b>-4,388</b>	<b>-3,989</b>
<b>By categories of financial instruments, IFRS 9</b>				
Items carried at amortised cost (fair value hedging)	-	-	-249,302	-249,302
Items carried at fair value through profit and loss (fair value option)	-	-	-64,683	-64,683
Items carried at fair value through profit and loss (mandatory)	6	392	309,597	309,996
<b>Total</b>	<b>6</b>	<b>392</b>	<b>-4,388</b>	<b>-3,989</b>
<b>Foreign exchange gains (+) and losses (-)</b>				<b>1,808</b>
<b>Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses</b>				<b>-2,181</b>

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).

## 7 Financial instruments classification and fair values

Group, IFRS 9	At fair value through profit or loss					
	Amortised cost	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Fair value through OCI	Total	Fair value <sup>1</sup>
<b>Financial assets (EUR 1,000)</b>						
<b>30 June 2021</b>						
Loans to and receivables from credit institutions	957,281	-	-	-	<b>957,281</b>	958,770
Loans to and receivables from customers	6,761,463	-	-	42,461	<b>6,803,924</b>	6,943,114
Investments in debt securities – Short term debt securities	843,535	-	-	-	<b>843,535</b>	843,535
Investments in debt securities – Bonds	-	-	136,946	2,458,252	<b>2,595,198</b>	2,595,198
Derivatives	-	554,203	-	-	<b>554,203</b>	554,203
Other shares and participations	-	13,723	-	-	<b>13,723</b>	13,723
Assets of disposal groups classified as held for sale	4,584	42,474	-	-	<b>47,058</b>	47,058
Other financial assets	454,490	-	-	-	<b>454,490</b>	454,490
<b>Total</b>	<b>9,021,353</b>	<b>610,399</b>	<b>136,946</b>	<b>2,500,713</b>	<b>12,269,411</b>	<b>12,410,090</b>

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

<sup>1</sup> 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).

Group, IFRS 9	Financial liabilities (EUR 1,000)	Amortised cost	At fair value through profit or loss		Total	Fair value <sup>1</sup>
			Mandatorily	Fair value option		
	<b>30 June 2021</b>					
	Liabilities to other institutions	74,583	-	-	<b>74,583</b>	81,539
	Debt securities in issue	7,061,319	-	3,155,416	<b>10,216,736</b>	10,213,003
	Derivatives	-	6,136	-	<b>6,136</b>	6,136
	Other financial liabilities	730,607	-	-	<b>730,607</b>	730,607
	Subordinated liabilities	-	-	-	<b>-</b>	-
	Liabilities of disposal groups held for sale	15,867	-	-	<b>15,867</b>	15,867
	<b>Total</b>	<b>7,882,377</b>	<b>6,136</b>	<b>3,155,416</b>	<b>11,043,929</b>	<b>11,047,152</b>

Group, IFRS 9	Financial liabilities (EUR 1,000)	Amortised cost	At fair value through profit or loss		Total	Fair value <sup>1</sup>
			Mandatorily	Fair value option		
	<b>31 Dec 2020</b>					
	Liabilities to other institutions	74,583	-	-	<b>74,583</b>	82,698
	Debt securities in issue	7,193,572	-	3,185,357	<b>10,378,929</b>	10,362,960
	Derivatives	-	12,392	-	<b>12,392</b>	12,392
	Subordinated liabilities	947,182	-	-	<b>947,182</b>	947,182
	Subordinated liabilities	-	-	-	<b>-</b>	-
	Liabilities of disposal groups held for sale	15,867	-	-	<b>15,867</b>	15,867
	<b>Total</b>	<b>8,231,204</b>	<b>12,392</b>	<b>3,185,357</b>	<b>11,428,953</b>	<b>11,421,099</b>

<sup>1</sup> 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 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 10.4 million (EUR 11.9 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 9.7 million (EUR 9.9 million) in associated companies as well as EUR 23.3 million (EUR 23.6 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.

## 8 Hierarchy for financial instruments carried at fair value

(EUR 1,000)	Finnvera Group			
	Level 1	Level 2	Level 3	Total
<b>Financial assets 30 June 2021</b>				
Financial instruments carried at fair value through profit and loss				
- Investments in debt securities – Bonds	-	136,946	-	<b>136,946</b>
- Derivatives	-	554,203	-	<b>554,203</b>
- Other Shares and participations	-	-	13,723	<b>13,723</b>
- Assets of disposal groups held for sale	-	-	42,474	<b>42,474</b>
Financial instruments carried at fair value through other comprehensive income (OCI)				
- Loans to and receivables from customers – debt securities	-	42,461	-	<b>42,461</b>
- Investments in debt securities – Bonds	-	2,458,252	-	<b>2,458,252</b>
<b>Total</b>	-	<b>3,191,862</b>	<b>56,196</b>	<b>3,248,058</b>
<b>Financial liabilities 30 June 2021</b>				
Financial instruments carried at fair value through profit and loss				
- Debt securities in issue	-	3,155,416	-	<b>3,155,416</b>
- Derivatives	-	6,136	-	<b>6,136</b>
<b>Total</b>	-	<b>3,161,552</b>	-	<b>3,161,552</b>
<b>Financial assets 31 Dec 2020</b>				
Financial instruments carried at fair value through profit and loss				
- Investments in debt securities – Bonds	-	137,520	-	<b>137,520</b>
- Derivatives	-	850,820	-	<b>850,820</b>
- Other Shares and participations	-	-	13,723	<b>13,723</b>
- Assets of disposal groups held for sale	-	-	45,407	<b>45,407</b>
Financial instruments carried at fair value through other comprehensive income (OCI)				
- Loans to and receivables from customers – debt securities	-	10,725	-	<b>10,725</b>
- Investments in debt securities – Bonds	-	2,364,703	-	<b>2,364,703</b>
<b>Total</b>	-	<b>3,363,769</b>	<b>59,130</b>	<b>3,422,899</b>
<b>Financial liabilities 31 Dec 2020</b>				
Financial instruments carried at fair value through profit and loss				
- Debt securities in issue	-	3,185,357	-	<b>3,185,357</b>
- Derivatives	-	12,392	-	<b>12,392</b>
<b>Total</b>	-	<b>3,197,749</b>	-	<b>3,197,749</b>

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 7.

### 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.

## 9 Specification of events at hierarchy level 3

LEVEL 3, Financial assets (EUR 1,000)	Finnvera Group	
	30 June 2021	31 Dec 2020
<b>Financial assets carried at fair value</b>		
<b>Balance at 1 Jan</b>	<b>59,130</b>	<b>60,164</b>
Profits and losses recognised in the income statement, total	822	108
Acquisitions	1,819	1,647
Sales	-5,575	-3,787
Other	-	998
<b>Balance at end of period</b>	<b>56,196</b>	<b>59,130</b>
Profits and losses recognised in the income statement for the instruments held by the Group	-359	-1,246

## 10 Liabilities to credit and other institutions

(EUR 1,000)	Finnvera Group 2021	
	Nominal value	Carrying amount
<b>Liabilities to credit and other institutions</b>		
<b>1 Jan 2021</b>	<b>74,583</b>	<b>74,583</b>
Loans withdrawn	-	-
Repayments	-	-
Net proceeds (+) and repayments (-) of short-term loans <sup>1</sup>	-	-
Early repayments	-	-
Fair value changes	-	-
Foreign exchange differences	-	-
<b>30 June 2021</b>	<b>74,583</b>	<b>74,583</b>

(EUR 1,000)	Finnvera Group 2020	
	Nominal value	Carrying amount
<b>Liabilities to credit and other institutions</b>		
<b>1 Jan 2020</b>	<b>82,042</b>	<b>82,042</b>
Loans withdrawn	-	-
Repayments	-7,458	-7,458
Net proceeds (+) and repayments (-) of short-term loans <sup>1</sup>	0	0
Early repayments	-	-
Fair value changes	-	-
Foreign exchange differences	-	-
<b>31 Dec 2020</b>	<b>74,583</b>	<b>74,583</b>

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

## 11 Debt securities in issue

Issuer and ISIN (EUR 1,000)	Interest	Nominal (thousands)	Currency	Issue date	Maturity date	Finnvera plc/ Finnvera Group Carrying amount	
						30 June 2021	31 Dec 2020
Finnvera plc - XS1951364915	2,800%	30,000	AUD	14.2.2019	14.8.2029	20,523	21,304
Finnvera plc - XS1951364915	2,800%	30,000	AUD	13.11.2019	14.8.2029	20,523	21,304
Finnvera plc - XS1140297000	0,625%	750,000	EUR	19.11.2014	19.11.2021	753,491	758,093
Finnvera plc - XS1294518318	0,625%	1,000,000	EUR	22.9.2015	22.9.2022	1,014,725	1,020,985
Finnvera plc - XS1392927072	0,500%	1,000,000	EUR	13.4.2016	13.4.2026	1,032,582	1,045,618
Finnvera plc - XS1613374559	1,125%	750,000	EUR	17.5.2017	17.5.2032	828,627	864,758
Finnvera plc - XS1613374559	1,125%	100,000	EUR	3.7.2017	17.5.2032	110,484	115,301
Finnvera plc - XS1613374559	1,125%	150,000	EUR	6.9.2017	17.5.2032	165,725	172,952
Finnvera plc - XS1791423178	1,250%	1,000,000	EUR	14.3.2018	14.7.2033	1,131,872	1,189,220
Finnvera plc - XS1904312318	0,750%	500,000	EUR	7.11.2018	7.8.2028	531,648	543,885
Finnvera plc - XS1979447064	0,375%	1,000,000	EUR	9.4.2019	9.4.2029	1,035,112	1,061,747
Finnvera plc - XS2230845328	0,000%	1,000,000	EUR	15.9.2020	15.9.2027	1,008,984	1,025,592
Finnvera plc - XS1538285807	1,910%	1,500,000	SEK	20.12.2016	20.12.2028	157,717	162,724
Finnvera plc - XS1538285807	1,910%	1,500,000	SEK	23.1.2017	20.12.2028	157,717	162,724
Finnvera plc - XS1538285807	1,910%	500,000	SEK	23.1.2017	20.12.2028	52,572	54,241
Finnvera plc - XS1241947768	2,375%	500,000	USD	4.6.2015	4.6.2025	446,500	440,097
Finnvera plc - XS1845379152	3,000%	1,000,000	USD	27.6.2018	27.6.2023	884,226	868,636
Finnvera plc - XS2068940753	1,625%	1,000,000	USD	23.10.2019	23.10.2024	863,708	849,748
<b>Total</b>						<b>10,216,736</b>	<b>10,378,929</b>

(EUR 1,000)	Finnvera Group 2021	
	Nominal value	Carrying amount
<b>Debt securities in issue</b>		
<b>1 Jan 2021</b>	<b>9,673,873</b>	<b>10,378,929</b>
Debt securities issued	-	-
Repayments at maturity	-	-
Fair value changes	-	-231,076
Foreign exchange differences	63,801	67,325
Other changes	-	1,558
<b>30 June 2021</b>	<b>9,737,674</b>	<b>10,216,736</b>
Average interest rate <sup>1</sup>		-0.2295%

(EUR 1,000)	Finnvera Group 2021	
	Nominal value	Carrying amount
<b>Debt securities in issue</b>		
<b>1 Jan 2020</b>	<b>9,738,085</b>	<b>10,138,250</b>
Debt securities issued	1,000,000	1,024,070
Repayments at maturity	-849,762	-849,762
Fair value changes	-	288,104
Foreign exchange differences	-214,450	-227,718
Other changes	-	5,985
<b>31 Dec 2020</b>	<b>9,673,873</b>	<b>10,378,929</b>
Average interest rate <sup>1</sup>		-0.1720%

<sup>1</sup> The average interest rate 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.

## 13 Key figures and formulas for the key indicators

	Finnvera Group	
	30 June 2021	31 Dec 2020
Equity ratio, %	6.3	5.7
Expense-income ratio, %	26.6	26.4

### Formulas for the key indicators

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

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



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

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