Q2

# Interim Report
# 1 January–30 June 2014

FINNVERA

# The Finnvera Group's Interim Report for January–June 2014

## A substantial increase in the authority to grant export credit guarantees and export credits

Finnvera received substantially more authority for export financing during the Q2/2014 period. The maximum amount of export credit guarantees rose by EUR 4.5 billion to EUR 17 billion and the maximum amount of financing for export credits increased by EUR 4.0 billion to EUR 7.0 billion. Finnvera now has better possibilities to supplement the private financial markets with regard to financing arrangements for SMEs and for export transactions that require long-term financing. Finnvera also received the possibility to subscribe to SME bonds, thereby strengthening Finnvera's operational possibilities.

During the period under review, demand for Finnvera's financing was slightly lower than in the first quarter of the year. Financial markets functioned reasonably well in Finland in the first half of the year. The greatest impediments to arranging financing for companies were unprofitable activities and insufficient equity.

**Business operations and financial trend**

The euro value of the loan and guarantee offers given to SMEs in January–June increased by 10 per cent on the same period in 2013. As in 2013, most of the offers involved working capital. In contrast, the amount of offers given for export financing fell by one-third in comparison to the first half of the previous year.

The Finnvera Group's profit for January–June was EUR 34 million. This was EUR 10 million less than the profit for the corresponding period in the previous year (44 million). The most important factors decreasing the profits were the increase in the impairment losses on receivables and guarantee losses incurred by the parent company Finnvera plc, and losses on venture capital investments for items carried at fair value. At the same time, the downturn in profits was partially offset by higher fee and commission income and lower administrative expenses than in the corresponding period of 2013.

The profit of the parent company Finnvera plc amounted to EUR 40 million, or EUR 7 million less than the year before (46 million). The parent company's profit for export credit and special guarantee activities was EUR 31 million (39 million), while the result for credit and guarantee operations related to SME financing was EUR 4 million (8 million).

| **Finnvera Group Financial performance** | **Q2/2014 MEUR** | **Q1/2014 MEUR** | **Change %** | **Q2/2013 MEUR** | **Change %** | **H1/2014 MEUR** | **H1/2013 MEUR** | **Change %** |
|---|---|---|---|---|---|---|---|---|
| Net Interest income | 15 | 13 | 16 | 14 | 7 | 28 | 28 | 0 |
| Fee and commission income and expenses (net) | 34 | 37 | -9 | 30 | 12 | 71 | 62 | 15 |
| Gains/losses from items carried at fair value | -4 | -3 | 12 | -2 | 147 | -7 | -3 | 149 |
| Administrative expenses | -11 | -10 | 2 | -12 | -9 | -21 | -23 | -8 |
| Impairment losses, guarantee losses | -7 | -28 | -77 | -16 | -58 | -35 | -18 | 94 |
| Loans and domestic guarantees | -22 | -19 | 14 | -24 | -8 | -41 | -44 | -7 |
| Credit loss compensation from the state | 11 | 12 | -1 | 8 | 34 | 23 | 27 | -15 |
| Export credit guarantees and special guarantees | 4 | -21 | -119 | 0 | - | -17 | 0 | - |
| Operating profit | 27 | 7 | 290 | 15 | 85 | 34 | 44 | -23 |
| Profit for the period | 27 | 8 | 248 | 14 | 86 | 34 | 44 | -22 |

**The Group's key figures on 30 June 2014**

- Equity ratio 16.5 per cent (17.9)
- Capital adequacy 18.5 per cent (16.5)
- Cost-income ratio 25.8 per cent (29.5)

**CEO Pauli Heikkilä:**

"The amendments made to the Act on the State's Export Credit Guarantees in June increased the maximum amounts of Finnvera's export credit guarantees and export credits. When exports from Finland return to a growth track, we will be well prepared, alongside banks, to participate in the arrangement of financing for the international customers of Finnish export companies. We obtain the funds needed to finance export credits and SMEs from the capital markets. In April, we successfully launched a EUR 500 million bond, which is the largest bond to date for our acquisition of funds.

We can still provide coverage for political and commercial risks incurred by Finnish exporters for projects carried out in Russia. We abide by the sanctions approved by the EU and assess our possibilities to participate in projects on a case-by-case basis according to our normal criteria.

One of our targets is to identify growth companies and encourage them to grow internationally. In order to accelerate this process, together with Tekes and Finpro, we started the Team Finland LetsGrow project, which provides financing and advisory services to help companies implement their internationalisation plans. The LetsGrow programme allows Finnvera, for the first time ever, to offer unsecured financing on a broad basis."

# The Finnvera Group

## Interim Report 1 January–30 June 2014

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*In addition to the parent company Finnvera plc, the Finnvera Group consists of the following subsidiaries: Seed Fund Vera Ltd and Veraventure Ltd, which are engaged in venture capital investments; and Finnish Export Credit Ltd, which provides export credits and export financing based on withholding tax agreements and administers interest equalisation.*



FINNVERA

# The Group's financial trend

## The Finnvera Group in January–June 2014

The Finnvera Group's profit for January–June 2014 was EUR 34 million. This was EUR 10 million less than the profit for the corresponding period in the previous year (44 million). The most important factors decreasing the profits were the increase in the impairment losses on receivables and guarantee losses incurred by the parent company Finnvera plc and losses on venture capital investments for items carried at fair value. At the same time, the downturn in profits was partially offset by higher fee and commission income and lower administrative expenses than in the corresponding period of 2013.

The profit of the parent company Finnvera plc amounted to EUR 40 million, or EUR 7 million less than the year before (46 million). The impairment losses on receivables and guarantee losses incurred by the parent company in January–June 2014 totalled EUR 34 million, which was considerably higher than a year earlier (17 million). This had an appreciable impact on the weaker financial performance. A decline of EUR 1 million in net interest income also pushed profits downwards.

Both the parent company Finnvera plc's export financing and SME financing showed a profit: Export financing, or the separate result of export credit guarantee and special guarantee operations laid down in section 4 of the Act on the State Guarantee Fund, showed a profit of EUR 31 million (39 million), while the profit of SME credit and guarantee operations amounted to EUR 4 million (8 million). EUR 4 million of the parent company's result consisted of the surplus from the financing of export credits.

Subsidiaries and associated companies had an impact of EUR -5 million on the Group's profit (-2 million). Venture capital investments accounted for EUR -7 million (-3 million) of this impact. Interest equalisation, lending, and financing of export credits by Finnish Export Credit Ltd accounted for EUR one million (1 million).

## The Finnvera Group in April–June 2014

The Group's profit for the second quarter came to EUR 27 million, clearly better than the profit for the first quarter (8 million). The main factor affecting the better performance during the second quarter was the fact that impairment losses on receivables and guarantee losses were EUR 22 million lower than in the first quarter. Impairment losses on receivables and guarantee losses in April–June totalled EUR 7 million, while the corresponding figure for January–March was EUR 28 million. The fall in impairment losses on receivables and guarantee losses in the second quarter was mainly due to smaller losses and loss provisions in the parent company's export financing. A 16 per cent increase in net interest income, to EUR 15 million (13 million), also had a positive impact on performance. On the other hand, lower fee and commission income and losses on items carried at fair value that were greater than in the first quarter had a negative impact on the improved performance.

## Analysis of the financial performance for January–June 2014

**Interest income and expenses and interest subsidies**

The Group's net interest income for January–June came to EUR 28 million. The level was the same as in the previous year (28 million).

The interest subsidies paid by the State and the European Regional Development Fund (ERDF) and passed on directly to clients totalled EUR 4 million (5 million). The interest subsidies paid amounted to nearly 30 per cent less than in the same period of the previous year, which was due to a reduction in outstanding credits involving interest subsidies. The reduction in outstanding credits involving interest subsidies was particularly affected by the fact that the granting of new interest-subsidised financing was discontinued at the start of 2014.

**Fee and commission income and expenses**

The net value of the Group's fee and commission income and expenses amounted to EUR 71 million (62 million). This was 15 per cent more than in the same period of the previous year. The growth arose from individual major export credit guarantees that came into effect as well as from a general increase in risk premiums on the market, which also partially affected Finnvera.

The gross value of the Group's fee and commission income totalled EUR 74 million (64 million). Of this, the parent company's fee and commission income from export credit guarantees and special guarantees accounted for 74 per cent, or EUR 55 million (47 million), and that from SME financing for 25 per cent, or EUR 19 million (16 million). Finnish Export Credit Ltd's fee and commission income from interest equalisation, lending and export credit financing amounted to EUR 0.6 million (1 million).

The Group's fee and commission expenses came to EUR 3 million (2 million). The fee and commission expenses mainly consisted of the parent company Finnvera plc's reinsurance costs.

**Gains/losses from items carried at fair value**

The Group's losses from items carried at fair value through profit or loss totalled EUR 7 million (3 million). A change in the fair value of venture capital investments accounted for EUR 7 million of the losses (3 million). Changes in the fair value of debts and interest rate and currency swaps, as well as exchange rate differences, accounted for EUR 1 million of the loss (0.1 million). Net income of EUR 1 million (0.3 million) from foreign exchange transactions reduced the losses from items carried at fair value.

**Other income**

Net income from investments and other operating income for the Group in January–June totalled EUR 1 million (1 million). Net income from investments included net income from shares, holdings and debt securities. Other income included; for instance, rental income and the management fee paid by the State Guarantee Fund for managing the liability for export credit guarantees and special guarantees arisen before 1999.

**Impairment losses on receivables, guarantee losses**

The Group's impairment losses and guarantee losses on loans, domestic guarantees, export credit guarantees and special guarantees totalled EUR 58 million (45 million). After the compensation for credit losses by the State, the Group's liability for the impairment and losses in the period under review was EUR 35 million (18 million).

Impairment, losses and provisions for losses on loans and guarantees totalled EUR 41 million (44 million). The compensation for credit losses paid by the State and the ERDF amounted to EUR 23 million (27 million), or 51 per cent of the losses incurred (57 per cent).

Losses and provisions for losses on export credit guarantees and special guarantees totalled EUR 17 million (0 million). The provisions for losses are estimates, and have been adjusted from the amount of provisions in the Q1/2014 Interim Report. In relation to the outstanding commitments, the provisions at the end of June were at the so-called expected loss level.

Non-performing and 0-interest receivables accounted for 8.7 per cent of the outstanding commitments at the end of June. The increase in non-performing and 0-interest receivables was affected, among other things, by individual outstanding commitments. Finnvera is currently developing its method for calculating non-performing and 0-interest receivables, and as a result the ratio is not fully comparable with the calculation method used until the end of 2013. During 2014, Finnvera is adopting the calculation method for non-performing receivables that has been harmonised at the EU level.

| **Finnvera Group** Impairment losses on receivables, guarantee losses | **Q2/2014 MEUR** | **Q1/2014 MEUR** | **Change %** | **Q2/2013 MEUR** | **Change %** | **H1/2014 MEUR** | **H1/2013 MEUR** | **Change %** |
|---|---|---|---|---|---|---|---|---|
| Impairment losses, guarantee losses | -7 | -28 | -77 | -16 | -58 | -35 | -18 | -94 |
| Loans and domestic guarantees | -22 | -19 | 14 | -24 | -8 | -41 | -44 | -7 |
| Credit loss compensation from the State | 11 | 12 | -1 | 8 | -34 | 23 | 27 | -15 |
| Export credit guarantees and special guarantees | 4 | -21 | -119 | 0 | - | -17 | 0 | - |

**Other expenses**

The Group's administrative expenses came to EUR 21 million (23 million). Administrative expenses were almost EUR 2 million, or 8 per cent, lower than a year earlier.

Personnel expenses accounted for 68 per cent (68) of administrative expenses.

Other operating expenses totalled EUR 3 million (3) and comprised depreciation and costs associated with real property.

## Long-term economic self-sustainability

Under the economic self-sustainability target set out for Finnvera, the company must be able to cover its long-term operating expenses using income from its operations. In SME financing, the period of review for economic self-sustainability has been set at 10 years and in export financing 20 years. The economic self-sustainability of Finnvera's SME financing has been realised in a 10-year period, when the cumulative result is calculated until the end of June 2014. Correspondingly, export financing has been economically self-sustainable during Finnvera's more than 15 years of operation. If the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, from its last years of operation is taken into account when examining the economic self-sustainability of export financing, economic self-sustainability is also realised over a 20-year period.

The extent and risk level of Finnvera's outstanding commitments will have a significant impact on its financial performance and long-term economic self-sustainability in the coming years. In examining the financial performance, it is important to note that, at the end of June 2014, Finnvera's total outstanding commitments for export credit guarantee and special guarantee operations amounted to EUR 11.1 billion. Correspondingly, the credit and guarantee commitments and guarantee receivables for SME financing totalled EUR 2.5 billion. Seen against these commitments, the net profit building a loss buffer on the balance sheet is now an estimated 0.5 per cent at the annual level.

## Balance sheet 30 June 2014

At the end of June, the consolidated balance sheet total was EUR 5,354 million (4,603 million). The parent company Finnvera plc's balance sheet total came to EUR 2,882 million (2,423 million). The consolidated balance sheet increased by 16 per cent, or more than EUR 750 million, during the first half of 2014. The subsidiary with the most substantial impact on the consolidated balance sheet was Finnish Export Credit Ltd, with EUR 2,856 million (2,305 million).

At the end of June, the Group's outstanding credits amounted to EUR 4,134 million (3,650 million), or EUR 484 million more than at the start of the year. The parent company Finnvera plc's outstanding credits came to EUR 1,739 million (1,540 million). Of the parent company's outstanding credits, receivables from subsidiaries amounted to EUR 382 million (130 million).

The parent company's outstanding guarantees declined slightly during the first half of the year, amounting to EUR 1,027 million (1,047 million) at the end of June.

The book value of outstanding commitments, as laid down in the Act on the State's Export Credit Guarantees, amounted to EUR 9,776 million (9,761 million). Finnvera's total liabilities for export credit guarantees and special credit guarantees (current commitments and offers given, including export guarantees) totalled EUR 11,094 million (11,004 million).

At the end of June, the parent company's long-term liabilities amounted to EUR 1,557 million (1,148 million), of which bonds were EUR 1,464 million (1,060 million). The liabilities include subordinated loans of EUR 43 million (38 million) received from the State for investment in the share capital of Seed Fund Vera Ltd and Veraventure Ltd as well as a subordinated loan of EUR 50 million (50 million), which was granted to strengthen the capital adequacy of Finnvera plc.

At the end of the period under review, the Group's non-restricted reserves contained a total of EUR 629 million (595 million), of which the reserve for domestic operations accounted for EUR 135 million (137 million), the reserve for export credit guarantees and special guarantees EUR 436 million (358 million), the reserve for venture capital investments EUR 17 million (17 million) and retained profits for EUR 41 million (83 million).

Once the annual financial statements have been completed, the annual profits from SME financing and export financing are transferred to two separate reserves (domestic and export) on the parent company's balance sheet. Correspondingly, the losses from domestic operations are covered by the reserve for domestic operations, while the losses from export credit guarantees and special guarantees are covered by the reserve for export credit guarantees and special guarantees.

The reserve for venture capital investments, under unrestricted equity in the balance sheet, is used to monitor the assets allocated by the ERDF to venture capital investments.

| Finnvera Group<br>Equity and balance sheet total | 30 June 2014<br>MEUR | 31 Dec 2013<br>MEUR | Change<br>MEUR | Change<br>% |
|---|---|---|---|---|
| Share capital | 197 | 197 | 0 | 0 |
| Share premium and fair value reserve | 51 | 51 | 0 | -1 |
| Non-restricted reserves, in total | 629 | 595 | 34 | 6 |
| Reserve for domestic operations | 135 | 137 | -2 | -2 |
| Reserve for export credit guarantees and special guarantees | 436 | 358 | 78 | 22 |
| Other | 17 | 17 | 0 | 0 |
| Retained earnings | 41 | 83 | -41 | -50 |
| Equity attributable to the parent company's owners | 877 | 843 | 34 | 4 |
| Share of equity held by non-controlling interests | 5 | 6 | 0 | -2 |
| Balance sheet total | 5,354 | 4,603 | 751 | 16 |

**Acquisition of funds**

In January-June, the Group's long-term acquisition of funds totalled EUR 905 million (946 million). EUR 213 million in long-term liabilities was repaid (218 million).

**Capital adequacy**

According to the State of Finland, the owner of Finnvera, the Group's capital adequacy ratio should be at least 12.0 per cent. At the end of June, the Group had a capital adequacy ratio of 18.5 per cent (16.5 per cent), while the figure for the parent company Finnvera plc was 18.5 per cent (16.5 per cent). As in the 2013 financial statements, capital adequacy for June was still calculated in accordance with the Basel II accounting standards. During 2014, Finnvera will introduce a calculation method that is in accordance with CRD IV/CRR provisions, as applicable.

| Capital adequacy | 30 June 2014<br>% | 31 Dec 2013<br>% | Change<br>% points | 30 June 2013<br>% |
|---|---|---|---|---|
| Finnvera Group | 18.5 | 17.6 | 0.9 | 16.5 |
| Finnvera plc | 18.5 | 17.6 | 0.9 | 16.5 |

Under the Act on Finnvera (443/1998), domestic operations must be kept separate from export credit guarantee and special guarantee operations. The losses from domestic operations are covered by the reserve for domestic operations, while the losses from export credit guarantees and special guarantees are covered by the reserve for export credit guarantees and special guarantees. Under 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 guarantees and special guarantees lack sufficient assets to cover the losses incurred in the respective operations, the losses are covered by assets in the State Guarantee Fund and, whenever necessary, supplemented by an appropriation in the State budget. The above-mentioned legal separation and the State's responsibility for export credit guarantees are the reason why Finnvera calculates its capital adequacy (i.e. the ratio between its commitments and assets) only for domestic operations.

At the end of June, the Finnvera Group's risk-weighted receivables totalled EUR 2,508 million (2,616 million). Of these, loans and guarantees involving actual business operations amounted to EUR 2,146 million (2,211 million), or 86 per cent of risk-weighted receivables. Most of the remaining receivables were associated with the acquisition of funds and the investment of cash assets. Approximately 50 per cent of the loans and guarantees consisted of a large number of individual commitments of under EUR 1 million, whose risk weight was 75 per cent when calculated using the standard method. The risk weight of other loans and guarantees was 100 per cent.

| Finnvera Group<br>Capital for calculating capital adequacy | 30 June 2014<br>MEUR | 31 Dec 2013<br>MEUR | 30 June 2013<br>MEUR |
|---|---|---|---|
| Shareholders' equity | 883 | 849 | 816 |
| Subordinated loan | 50 | 50 | 50 |
| Intangible assets | -3 | -2 | -2 |
| Reserve for export credit guarantees and special guarantees | -436 | -358 | -358 |
| Profit for the period attributable to export credit guarantees | -31 | -78 | -39 |
| Total | 463 | 461 | 467 |

| Finnvera Group<br>Risk-weighted items | 30 June 2014<br>MEUR | 31 Dec 2013<br>MEUR | 30 June 2013<br>MEUR |
|---|---|---|---|
| Receivables from credit institutions | 47 | 55 | 66 |
| Receivables from clients | 2,064 | 2,117 | 2,217 |
| Investments and derivatives | 199 | 233 | 350 |
| Receivables, prepayments, interest and other receivables, other assets | 20 | 21 | 15 |
| Binding promises for loans | 81 | 94 | 87 |
| Operational risk | 96 | 96 | 96 |
| Total | 2,508 | 2,616 | 2,831 |

## Risk position

**Credit risks in SME financing**

The weak tone in the general economic situation continued and had an impact on credit risks in SME financing. This was reflected, for instance, in the high number of bankruptcies and restructuring applications. However, the changes in outstanding credits were relatively small in the short term and, when seen as a whole, no major changes occurred in the risk level during the first half of the year.

The comparable outstanding commitments declined by approximately EUR 70 million from the year's end and totalled EUR 2.6 billion. The reason for this decrease was that repayments of old loans exceeded new withdrawals. During the first six months of 2014, the number of new financing offers increased when compared against the same period a year earlier. The distribution of credit risks remained almost unchanged in the first half of the year. Commitments for enterprises in the weakest risk categories decreased slightly. The amount of non-performing and 0-interest receivables rose from the turn of the year, totalling 8.7 per cent of outstanding commitments (5.4).

In the first half of the year, impairment, losses and provisions for losses on loans and guarantees came to EUR 41 million, EUR 3 million less than the year before. The reasons underlying the high level of credit losses included not only the general economic uncertainty but also write-downs and provisions for losses recorded on some individual commitments because of higher credit risks.

**Venture capital investments and investments in subsidiaries**

Finnvera's subsidiaries follow the risks of their own investments independently and report on these risks separately. The investment portfolios of companies engaged in venture capital investment are valued according to the recommendations issued by the Finnish Venture Capital Association. In addition, the companies are monitored using risk classification methods applied to subsidiaries.

The parent company's existing commitments for investments in subsidiaries amounted to EUR 169 million. In the period under review, the parent company invested EUR 10 million of funds obtained through the Government in Seed Fund Vera Ltd.

**Export financing**

At the end of the review period, Finnvera's outstanding commitments for export financing totalled EUR 11.1 billion. This was EUR 0.1 billion more than at the start of the year. Remaining at about EUR 11 billion, the commitments mainly consist of guarantees for individual large projects.

The risk ratings of enterprises, banks and countries have remained virtually unchanged. Commitments in the poor B3 risk category were almost EUR 1 billion less than at the turn of the year. Uncertainties pertaining to the financial markets, the international situation and economic trends contribute to the relatively high probability for the realisation of credit losses. Individual risk concentrations are large in relation to the size of Finnvera's outstanding commitments, so a loss arising from even one counterparty may be considerable.

The loans arranged by Finnvera's subsidiary Finnish Export Credit Ltd for export financing at the end of June totalled EUR 3.8 billion (EUR 3.2 billion). Binding loan offers totalled EUR 0.5 billion at the end of June.

The State bears the responsibility for interest risks arising from interest equalisation; thus, the risks in interest equalisation do not affect the result of the Finnvera Group. The State Treasury monitors this risk and is responsible for any hedging measures.

## Personnel

At the end of June, the Group had 412 employees (429 on 30 June 2013), 372 (390) of whom held permanent positions and 40 (39) fixed-term positions. Of the fixed-term personnel, 23 (24) were summer workers.

## Changes in the operating environment and in industrial and ownership policies

**Increased authorisation for export financing**

There was a substantial increase in the maximum amounts of financing for export credit guarantees and export credits. The maximum amount of export credit guarantees rose from EUR 12.5 billion to EUR 17 billion and the maximum amount of funding for export credits increased from EUR 3 billion to EUR 7 billion. The amendments to legislation took effect on 1 July 2014.

In addition, the maximum amount of the State guarantee related to Finnvera's acquisition of funds was raised from EUR 5 billion to EUR 9 billion.

**Finnvera obtains a new form of financing**

On 12 June 2014, the Government authorised Finnvera to subscribe to a maximum of EUR 300 million of bonds issued by SMEs meeting the EU's definition between 1 June 2014 and 31 December 2017. These subscriptions will be implemented at market price. The new form of financing will become available for SMEs this autumn.

**Increased risk-taking by Finnvera**

The Government has raised the State's share of Finnvera's potential credit and guarantee losses. On 1 January 2015 the compensation outside assisted areas I and II, or mostly in Southern Finland, will increase from the previous 40 per cent to 55 per cent. This change will enable Finnvera to increase its risk-taking in the financing of enterprises located outside the assisted areas.

**Bond issued by Finnvera**

On 22 April 2014, Finnvera plc issued a fixed-interest bond of EUR 500 million. The bond has a maturity of five years. The bond was issued under Finnvera's EMTN (Euro Medium Term Note) programme.

Finnvera's EMTN programme and the bonds issued under it are guaranteed by the State. Finnvera will use the funds acquired through the programme to finance both the SME sector and export credits.

## Events after the period under review

In early August, the representatives of the State of Finland and the German shipbuilding company signed an agreement with STX Europe to acquire the stock of STX Finland Oy. Conclusion of the transaction still requires the approval of the German competition authorities and decisions by commercial banks. If the transaction is concluded TUI Cruises has announced that it will order two new TUI class cruise ships from the Turku shipyard. The vessels will be delivered during the spring of 2016 and 2017. Finnvera may issue a guarantee of no more than 80 per cent for the pre-delivery financing of the ships, granted to the shipyard by a bank. Finnvera has existing buyer credit guarantees for TUI Cruises and pre-delivery guarantees for the shipyard.

## Outlook for financing

During the latter half of the year, demand for SME financing will probably remain at moderate levels, a result of uncertain economic prospects and investments that are lower than normal. SMEs need financing for working capital and the rescheduling of existing credits.

The situation in Russia causes uncertainty in the financing of the exports and trade. Current sanctions and the threat of further sanctions and countermeasures by Russia impede the operation of banks. In practice, banks in the EU region will have to take account of the existing sanctions issued by the United States, and those anticipated, because they have operating licences in the US and extensive payment transactions denominated in the US dollar. Businesses in Russia are finding it more difficult to obtain financing. This situation has impacted on the demand for Finnvera's short-term guarantees, which is lower than in the corresponding period during 2013 in terms of both numbers and value. The value of guarantees applied for capital goods exports in January–June was only about half of the preceding year's figure although new orders received by Finnish industry have shown an upward trend during the first six months of the year. Finnvera expects the demand for export guarantees to revive in the latter half of the year. The outstanding commitments for export credit guarantees include some cases where credit rearrangement may become necessary or where the risk of loss has increased during the spring.

## Comprehensive income statement

| (EUR 1,000) | Note | Finnvera Group 1 Jan–30 June 2014 | Finnvera Group 1 Jan–30 June 2013 | Finnvera plc 1 Jan–30 June 2014 | Finnvera plc 1 Jan–30 June 2013 |
|---|---|---|---|---|---|
| Interest income | | | | | |
| Loans | | 51 780 | 47 286 | 22 057 | 21 489 |
| Subsidies passed on to customers | | 3 669 | 5 098 | 3 669 | 5 098 |
| Other | | 2 013 | 1 987 | 2 265 | 1 974 |
| **Total interest income** | | **57 462** | **54 371** | **27 991** | **28 561** |
| Interest expenses | | -29 505 | -26 289 | -2 096 | -1 803 |
| **Net interest income** | | **27 957** | **28 082** | **25 895** | **26 758** |
| | | | | | |
| Net fee and commission income | | 70 697 | 61 697 | 70 103 | 60 716 |
| Gains and losses from financial instruments carried at fair value | **2** | -7 185 | -2 886 | -438 | 286 |
| Net income from investments | | 555 | 959 | 43 | 32 |
| Other operating income | | 612 | 427 | 1 019 | 781 |
| Administrative expenses | | | | | |
| Wages and salaries | | -14 132 | -15 479 | -13 570 | -14 862 |
| Other administrative expenses | | -6 792 | -7 153 | -6 488 | -6 554 |
| **Total administrative expenses** | | **-20 924** | **-22 631** | **-20 058** | **-21 416** |
| | | | | | |
| Other operating expenses | | -2 957 | -3 438 | -2 955 | -3 418 |
| Impairment loss on financial assets | **3** | | | | |
| Impairment losses on credits and losses on guarantees | | -41 041 | -44 320 | -40 245 | -43 609 |
| Credit loss compensation from the State | | 22 915 | 26 811 | 22 915 | 26 811 |
| Losses on export credit guarantees and special guarantees | | -16 724 | -482 | -16 724 | -482 |
| **Net impairment loss on financial assets** | | **-34 849** | **-17 992** | **-34 054** | **-17 280** |
| **Operating profit** | | **33 906** | **44 217** | **39 556** | **46 460** |
| | | | | | |
| Income tax expense | | 322 | -155 | 0 | 0 |
| **Profit for the period** | | **34 228** | **44 062** | **39 556** | **46 460** |
| | | | | | |
| Other comprehensive income | | | | | |
| Items that may not be reclassified subsequently to the statement of income | | | | | |
| - Revaluation of defined benefit pension plans | | 0 | 0 | 0 | 0 |
| Items that may be reclassified subsequently to the statement of income | | | | | |
| - Change in the fair value of shares | | -110 | 96 | -154 | 65 |
| **Total other comprehensive income** | | **-110** | **96** | **-154** | **65** |
| | | | | | |
| **Total comprehensive income for the period** | | **34 119** | **44 159** | **39 403** | **46 525** |
| | | | | | |
| **Distribution of the profit for the period attributable to** | | | | | |
| Equity holders of the parent company | | 34 354 | 44 273 | | |
| Non-controlling interest | | -125 | -211 | | |
| | | **34 228** | **44 062** | | |
| | | | | | |
| **Distribution of the total comprehensive income for the period attributable to** | | | | | |
| Equity holders of the parent company | | 34 243 | 44 369 | | |
| Non-controlling interest | | -125 | -211 | | |
| | | **34 119** | **44 159** | | |

## Balance sheet

| (EUR 1,000) | Note | Finnvera Group 30 June 2014 | Finnvera Group 31 Dec 2013 | Finnvera plc 30 June 2014 | Finnvera plc 31 Dec 2013 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Loans and receivables from credit institutions** | | | | | |
| Payable on demand | | 210 171 | 250 271 | 156 235 | 215 646 |
| Other than payable on demand | | 26 843 | 26 172 | 21 172 | 26 172 |
| | | **237 014** | **276 443** | **177 407** | **241 818** |
| **Loans and receivables from customers** | | | | | |
| Loans | | 4 133 946 | 3 649 525 | 1 739 468 | 1 540 016 |
| Guarantee receivables | | 47 664 | 46 023 | 47 664 | 46 023 |
| Receivables from export credit and special quarantee operations | | 13 930 | 15 305 | 13 930 | 15 305 |
| | | **4 195 540** | **3 710 853** | **1 801 062** | **1 601 344** |
| **Investments** | | | | | |
| Debt securities | | 618 167 | 326 191 | 618 167 | 326 191 |
| Investments in group companies | | 63 085 | 78 195 | 168 815 | 158 815 |
| Associates | | 122 899 | 118 019 | 349 | 349 |
| Other shares and participations | | 0 | 0 | 14 880 | 15 246 |
| | | **804 151** | **522 405** | **802 211** | **500 602** |
| **Derivatives** | 8 | 7 198 | 8 159 | 5 581 | 8 159 |
| **Intangible assets** | | 2 630 | 2 572 | 2 539 | 2 490 |
| **Property and equipment** | | | | | |
| Properties | | 827 | 834 | 827 | 834 |
| Equipment | | 1 348 | 1 437 | 1 348 | 1 437 |
| | | **2 176** | **2 270** | **2 176** | **2 270** |
| **Other assets** | | | | | |
| Credit loss receivables from the state | | 23 027 | 6 516 | 23 027 | 6 516 |
| Other | | 3 968 | 5 030 | 4 486 | 5 894 |
| | | **26 995** | **11 546** | **27 513** | **12 410** |
| **Prepayments and accrued income** | | 78 775 | 69 213 | 63 092 | 53 952 |
| **Tax assets** | | 0 | 0 | | |
| **TOTAL ASSETS** | | **5 354 478** | **4 603 461** | **2 881 580** | **2 423 044** |
| **LIABILITIES** | | | | | |
| **Liabilities to credit institutions** | | 0 | 0 | 0 | 0 |
| **Liabilities to other institutions** | | | | | |
| At fair value through profit or loss | 9 | 37 487 | 35 883 | 0 | 0 |
| Other financial liabilities | | 2 405 433 | 2 107 553 | 0 | 0 |
| **Debt securities in issue** | | | | | |
| At fair value trough profit or loss | 9 | 1 463 844 | 1 059 870 | 1 463 844 | 1 059 870 |
| **Derivatives** | 8 | 37 941 | 31 272 | 37 941 | 29 915 |
| **Provisions** | | 79 811 | 65 601 | 79 811 | 65 601 |
| **Other liabilities** | | 50 062 | 54 738 | 44 372 | 49 790 |
| **Accruals and deferred income** | | 300 969 | 307 616 | 287 167 | 293 824 |
| **Tax liabilities** | | 3 218 | 4 333 | | |
| **Capital loans** | 9 | 93 029 | 88 029 | 93 029 | 88 029 |
| | | **4 471 794** | **3 754 895** | **2 006 163** | **1 587 029** |
| **EQUITY** | | | | | |
| **Equity attributable to the parent company's shareholders** | | | | | |
| **Share capital** | | 196 605 | 196 605 | 196 605 | 196 605 |
| **Share premium** | | 51 036 | 51 036 | 51 036 | 51 036 |
| **Fair value reserve** | | 408 | 518 | -225 | -71 |
| **Non-restricted reserves** | | | | | |
| Reserve for domestic operations | | 135 089 | 137 172 | 135 089 | 137 172 |
| Reserve for export credit guarantees and special guarantees | | 435 628 | 357 825 | 435 628 | 357 825 |
| Other | | 17 225 | 17 225 | 17 225 | 17 225 |
| Retained earnings | | 41 225 | 82 590 | 40 059 | 76 223 |
| | | **629 167** | **594 813** | **628 001** | **588 445** |
| **Total equity** | | **877 215** | **842 972** | **875 417** | **836 015** |
| **Share of equity held by non-controlling interest** | | 5 468 | 5 594 | | |
| **TOTAL LIABILITIES AND EQUITY** | | **5 354 478** | **4 603 461** | **2 881 580** | **2 423 044** |

## Statement of changes in equity

| (EUR 1,000) | A | B | C | D | E | F | G | H | I | J |
|---|---|---|---|---|---|---|---|---|---|---|

### Finnvera Group

**Equity attributable to the parent company's shareholders**

| (EUR 1,000) | A | B | C | D | E | F | G | H | I | J |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 Jan 2014** | **196 605** | **51 036** | **518** | **137 172** | **357 825** | **17 225** | **82 590** | **842 972** | **5 594** | **848 566** |
| Cancelled amount of subordinated loan received from the owner | | | | | | | 0 | **0** | | **0** |
| Total comprehensive income for the period/change in the fair value of shares | | | -110 | | | | 34 354 | **34 244** | -125 | **34 117** |
| Transfer to reserves | | | | -2 084 | 77 803 | 0 | -75 719 | **0** | | **0** |
| Adjustments | | | | | | | | | | **0** |
| **Balance at 30 June 2014** | **196 605** | **51 036** | **408** | **135 088** | **435 628** | **17 225** | **41 225** | **877 215** | **5 468** | **882 684** |
| | | | | | | | | | | |
| **Reported balance at 31 Dec 2012** | **196 605** | **51 036** | **318** | **139 770** | **295 726** | **17 461** | **60 401** | **761 319** | **10 468** | **771 787** |
| Amendment in calculation principle, IAS 19 | | | | | | | -337 | **-337** | | **-337** |
| **Restated balance at 1 Jan 2013** | **196 605** | **51 036** | **318** | **139 770** | **295 726** | **17 461** | **60 064** | **760 982** | **10 468** | **771 450** |
| Cancelled amount of subordinated loan received from the owner | | | | | | | 0 | **0** | | **0** |
| Total comprehensive income for the period/change in the fair value of shares | | | 96 | | | | 44 273 | **44 369** | -211 | **44 159** |
| Transfer to reserves | | | | -2 598 | 62 099 | 0 | -59 537 | **-36** | | **0** |
| **Balance at 30 June 2013** | **196 605** | **51 036** | **414** | **137 172** | **357 825** | **17 461** | **44 799** | **805 315** | **10 257** | **815 608** |

### Finnvera plc

| (EUR 1,000) | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 Jan 2014** | **196 605** | **51 036** | **-71** | **137 172** | **357 825** | **17 225** | **76 223** | **836 015** |
| Cancelled amount of subordinated loan received from the owner | | | | | | | 0 | **0** |
| Total comprehensive income for the period/change in the fair value of shares | | | -154 | | | | 39 556 | **39 402** |
| Transfer to reserves | | | | -2 084 | 77 803 | 0 | -75 719 | **0** |
| Adjustments | | | | | | | | **0** |
| **Balance at 30 June 2014** | **196 605** | **51 036** | **-225** | **135 088** | **435 628** | **17 225** | **40 060** | **875 417** |
| | | | | | | | | |
| **Reported balance at 31 Dec 2012** | **196 605** | **51 036** | **-186** | **139 770** | **295 726** | **17 461** | **60 342** | **760 754** |
| Amendment in calculation principle, IAS 19 | | | | | | | -337 | **-337** |
| **Restated balance at 1 Jan 2013** | **196 605** | **51 036** | **-186** | **139 770** | **295 726** | **17 461** | **60 005** | **760 417** |
| Cancelled amount of subordinated loan received from the owner | | | | | | | 0 | **0** |
| Total comprehensive income for the period/change in the fair value of shares | | | 65 | | | | 46 460 | **46 525** |
| Transfer to reserves | | | | -2 598 | 62 099 | 0 | -59 501 | **0** |
| **Balance at 30 June 2013** | **196 605** | **51 036** | **-121** | **137 172** | **357 825** | **17 461** | **46 963** | **806 942** |

Legend:

A = Share capital

B = Share premium

C = Fair value reserve

D = Reserve for domestic operations

E = Reserve for export credit guarantees and special guarantees

F = Other reserves

G = Retained earnings

H = Total

I = Share of equity held by non-controlling interest

J = Total equity

## Statement of cash flow

| | Finnvera Group | | Finnvera plc | |
|---|---|---|---|---|
| | 1 Jan–30 June | 1 Jan–30 June | 1 Jan–30 June | 1 Jan–30 June |
| (EUR 1,000) | 2014 | 2013 | 2014 | 2013 |
| **Cash flows from operating activities** | | | | |
| Withdrawal of loans granted | -1 013 043 | -869 470 | -609 769 | -147 553 |
| Repayments of loans granted | 514 827 | 215 541 | 386 817 | 169 145 |
| Purchase of investments | -7 686 | -7 511 | -10 000 | 0 |
| Proceeds from investments | 9 763 | 1 734 | 0 | 0 |
| Interest received | 49 590 | 42 019 | 20 195 | 21 272 |
| Interest paid | -31 135 | -31 978 | -1 616 | -1 922 |
| Interest subsidy received | 2 869 | 4 496 | 2 869 | 4 496 |
| Payments received from commission income | 71 441 | 78 824 | 69 633 | 76 604 |
| Payments received from other operating income | 12 410 | 32 355 | 12 073 | 32 030 |
| Payments for operating expenses | -35 242 | -35 041 | -33 470 | -30 792 |
| Claims paid | -20 683 | -20 623 | -20 683 | -20 623 |
| Taxes paid | -802 | -222 | 0 | 0 |
| **Net cash used in (-) / from (+) operating activities (A)** | **-447 691** | **-589 877** | **-183 951** | **102 657** |
| **Cash flow from investing activities** | | | | |
| Purchase of property and equipment and intangible assets | -429 | -743 | -429 | -711 |
| Proceeds from other investments | 178 | 8 | 178 | 8 |
| Dividends received from investments | 303 | 1 726 | 12 | 24 |
| **Net cash used in (-) / from (+) investing activities (B)** | **52** | **991** | **-239** | **-679** |
| **Cash flows from financing activities** | | | | |
| Proceeds from loans | 904 626 | 945 683 | 502 870 | 226 057 |
| Repayment of loans | -212 685 | -218 205 | -91 116 | -173 133 |
| **Net cash used in (-) / from (+) financing activities (C)** | **691 941** | **727 478** | **411 754** | **52 924** |
| **Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)** | **244 303** | **138 592** | **227 564** | **154 902** |
| **Cash and cash equivalents at the beginning of the period** | **661 834** | **506 548** | **568 009** | **395 094** |
| **Cash and cash equivalents at the end of the period** | **906 137** | **645 140** | **795 573** | **549 996** |
| **Cash and cash equivalents at the end of the period** | | | | |
| Receivables from credit institutions | 225 343 | 329 244 | 177 407 | 295 275 |
| Debt securities | 624 167 | 258 421 | 618 167 | 254 721 |
| Investments in short-term interest reserves | 56 628 | 57 475 | 0 | 0 |
| | **906 137** | **645 140** | **795 573** | **549 996** |



FINNVERA

# Notes to the accounts

## Accounting principles

The financial statements of the Finnvera Group and the parent company, Finnvera plc, are drawn up according to the International Financial Reporting Standards (IFRS). The income statement is presented as one statement (statement of comprehensive income) in accordance with the IAS 1 Presentation of Financial Statements. Finnvera's Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* as adopted by the EU. The principles for drawing up the financial statements are described in Finnvera's Financial Statements for 2013.

The new and amended standards introduced by the Finnvera Group and their interpretations are presented in the accounting principles for the 2013 financial statements. They do not have any major impact on the consolidated financial statements.

The Interim Report also presents data for the parent company Finnvera plc because the rules of the Oslo Stock Exchange require their presentation when bonds have been issued in Norway.

## 1 Segment information

Segment reporting in the Finnvera Group is based on internal business areas and organisational structure. Client enterprises have been divided into business areas by size, need for financing and development stage. A service concept has been devised for each business area. Finnvera's segments are micro-financing, regional financing, financing for growth and internationalisation, export financing, venture capital investments and financing of export credits. The segments and the principles governing the segment accounting are described in more detail in the Annual Report 2013

### Income statement and balance sheet by segments

| (EUR 1,000) | Micro financing | Regional financing | Financing for growth and internationa-lisation | Export financing | Other segments | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Finnvera Group** | | | | | | | |
| **1 Jan–30 June 2014** | | | | | | | |
| Net interest income | 4 453 | 12 072 | 7 842 | 2 714 | 876 | 0 | **27 957** |
| Net fee and commission income | 2 006 | 8 197 | 9 810 | 47 970 | 2 714 | 0 | **70 697** |
| Net impairment loss on financial assets | 876 | -12 944 | -6 409 | -15 577 | -795 | 0 | **-34 849** |
| Operating expenses* | -5 089 | -6 991 | -5 642 | -4 240 | -3 079 | 1 634 | **-23 407** |
| Depreciation and amortization | -39 | -203 | -99 | -133 | 0 | 0 | **-474** |
| Other income, net** | -347 | -954 | -754 | 1 410 | -3 744 | -1 629 | **-6 018** |
| **Operating profit** | **1 861** | **-824** | **4 749** | **32 144** | **-4 029** | **6** | **33 906** |
| **1 Jan–30 June 2013** | | | | | | | |
| Net interest income | 4 773 | 13 272 | 7 345 | 2 094 | 599 | | **28 082** |
| Net fee and commission income | 1 987 | 8 657 | 8 737 | 42 342 | -26 | | **61 697** |
| Net impairment loss on financial assets | -1 393 | -4 011 | -11 478 | -398 | -712 | | **-17 992** |
| Operating expenses* | -5 422 | -7 868 | -4 884 | -5 819 | -3 060 | 1 569 | **-25 484** |
| Depreciation and amortization | -48 | -252 | -122 | -163 | 0 | | **-586** |
| Other income, net** | 113 | 204 | 71 | 479 | -796 | -1 571 | **-1 501** |
| **Operating profit** | **9** | **10 002** | **-332** | **38 534** | **-3 996** | **-2** | **44 217** |
| **Finnvera plc** | | | | | | | |
| **1 Jan–30 June 2014** | | | | | | | |
| Net interest income | 4 453 | 12 072 | 7 842 | 1 358 | 170 | | **25 895** |
| Net fee and commission income | 2 006 | 8 197 | 9 810 | 47 374 | 2 715 | | **70 103** |
| Net impairment loss on financial assets | 876 | -12 944 | -6 409 | -15 577 | 0 | | **-34 054** |
| Operating expenses* | -5 089 | -6 991 | -5 642 | -3 896 | -921 | | **-22 539** |
| Depreciation and amortization | -39 | -203 | -99 | -133 | 0 | | **-474** |
| Other income, net** | -347 | -954 | -754 | 1 058 | 1 622 | | **624** |
| **Operating profit** | **1 861** | **-824** | **4 749** | **30 185** | **3 586** | | **39 556** |
| **1 Jan–30 June 2013** | | | | | | | |
| Net interest income | 4 773 | 13 272 | 7 345 | 1 358 | 10 | | **26 758** |
| Net fee and commission income | 1 987 | 8 657 | 8 737 | 41 360 | -25 | | **60 716** |
| Net impairment loss on financial assets | -1 393 | -4 011 | -11 478 | -398 | 0 | | **-17 280** |
| Operating expenses* | -5 422 | -7 861 | -4 884 | -5 471 | -610 | | **-24 248** |
| Depreciation and amortization | -48 | -252 | -122 | -163 | 0 | | **-586** |
| Other income, net** | 113 | 202 | 71 | 414 | 300 | | **1 100** |
| **Operating profit** | **9** | **10 007** | **-332** | **37 100** | **-325** | | **46 460** |

*) Operating expenses = Administration expenses + Other operating expenses - Depreciation and amortisation

**) Other income, net = Gains and losses from financial instruments carried at fair value + Net income from investments + other operating income

## 2 Gains and losses from financial instruments carried at fair value

| | Finnvera Group | | Finnvera plc | |
|---|---|---|---|---|
| (EUR 1,000) | 30 June 2014 | 30 June 2013 | 30 June 2014 | 30 June 2013 |
| Derivatives | -5 549 | -53 100 | 1 120 | -52 382 |
| Liabilities designated fair value through profit and loss | 4 947 | 53 153 | -2 070 | 52 400 |
| Exchange rate differences | 501 | 276 | 511 | 268 |
| Venture capital investments; fair value changes | -7 084 | -3 216 | 0 | 0 |
| **Total** | **-7 185** | **-2 886** | **-438** | **286** |

## 3 Net impairment loss on financial assets

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

## 4 Classification of financial instruments

| (EUR 1,000) | Finnvera Group | | | | | Finnvera plc | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Assets | Loans and receivables | Financial instruments carried at fair value | Available-for-sale | Total | Fair value | Loans and receivables | Financial instruments carried at fair value | Available-for-sale | Total | Fair value |
| **30 June 2014** | | | | | | | | | | |
| Loans and receivables from credit institutions | 237 014 | | | 237 014 | 237 014 | 177 407 | | | 177 407 | 177 407 |
| Loans and receivables from customers | 4 195 540 | | | 4 195 540 | 4 238 872 | 1 801 062 | | | 1 801 062 | 1 800 302 |
| Debt securities | | | 618 167 | 618 167 | 618 167 | | | 618 167 | 618 167 | 618 167 |
| Derivatives | | 7 198 | | 7 198 | 7 198 | | 5 581 | | 5 581 | 5 581 |
| Investments in associates | | 62 736 | | 62 736 | 62 736 | | | | 0 | 0 |
| Shares and participations | | 51 392 | 71 508 | 122 899 | 122 899 | | | 14 880 | 14 880 | 14 880 |
| Other financial assets | 70 707 | | | 70 707 | 70 707 | 55 127 | | | 55 127 | 55 127 |
| **Total 30 June 2014** | **4 503 261** | **121 326** | **689 674** | **5 314 261** | **5 357 594** | **2 033 596** | **5 581** | **633 047** | **2 672 223** | **2 671 463** |
| **31 Dec 2013** | | | | | | | | | | |
| Loans and receivables from credit institutions | 276 443 | | | 276 443 | 276 443 | 241 818 | | | 241 818 | 241 818 |
| Loans and receivables from customers | 3 710 853 | | | 3 710 853 | 3 929 693 | 1 601 344 | | | 1 601 344 | 1 600 284 |
| Debt securities | | | 326 191 | 326 191 | 326 191 | | | 326 191 | 326 191 | 326 191 |
| Derivatives | | 8 159 | | 8 159 | 8 159 | | 8 159 | | 8 159 | 8 159 |
| Investments in associates | | 77 846 | | 77 846 | 77 846 | | | | | |
| Shares and participations | | 43 572 | 74 447 | 118 019 | 118 019 | | | 15 246 | 15 246 | 15 246 |
| Other financial assets | 47 819 | | | 47 819 | 47 819 | 32 673 | | | 32 673 | 32 673 |
| **Total 31 Dec 2013** | **4 035 115** | **129 577** | **400 638** | **4 565 330** | **4 784 170** | **1 875 835** | **8 159** | **341 437** | **2 225 431** | **2 224 371** |

Because the fair value of the Finnish Fund for Industrial Cooperation Ltd, included on the figure, cannot be determined reliably, the shares have been valued at original acquisition cost.

| (EUR 1,000) | Finnvera Group | | | | Finnvera plc | | | |
|---|---|---|---|---|---|---|---|---|
| Liabilities | Financial instruments carried at fair value | Other financial liabilities | Total | Fair value | Financial instruments carried at fair value | Other financial liabilities | Total | Fair value |
| **30 June 2014** | | | | | | | | |
| Liabilities to credit institutions | | | 0 | 0 | | | 0 | 0 |
| Liabilities to other institutions | 37 487 | 2 405 433 | 2 442 920 | 2 164 438 | | | 0 | 0 |
| Debt securities in issue | 1 463 844 | | 1 463 844 | 1 463 844 | 1 463 844 | | 1 463 844 | 1 463 844 |
| Derivatives | 37 941 | | 37 941 | 37 941 | 37 941 | | 37 941 | 37 941 |
| Other financial liabilities | | 298 125 | 298 125 | 298 125 | | 283 990 | 283 990 | 283 990 |
| Subordinated liabilities | | 93 029 | 93 029 | 93 029 | | 93 029 | 93 029 | 93 029 |
| **Total 30 June 2014** | **1 539 271** | **2 796 587** | **4 335 858** | **4 057 376** | **1 501 784** | **377 019** | **1 878 803** | **1 878 803** |
| **31 Dec 2013** | | | | | | | | |
| Liabilities to credit institutions | | | 0 | 0 | | | 0 | 0 |
| Liabilities to other institutions | 35 883 | 2 107 553 | 2 143 436 | 2 227 067 | | | 0 | 0 |
| Debt securities in issue | 1 059 870 | | 1 059 870 | 1 059 870 | 1 059 870 | | 1 059 870 | 1 059 870 |
| Derivatives | 31 272 | | 31 272 | 31 272 | 29 915 | | 29 915 | 29 915 |
| Other financial liabilities | | 304 298 | 304 298 | 304 298 | | 290 698 | 290 698 | 290 698 |
| Subordinated liabilities | | 88 029 | 88 029 | 88 029 | | 88 029 | 88 029 | 88 029 |
| **Total 31 Dec 2013** | **1 127 025** | **2 499 880** | **3 626 905** | **3 710 536** | **1 089 785** | **378 727** | **1 468 512** | **1 468 512** |

## 5 Hierarchy for recognition at fair value

| (EUR 1,000) | | Finnvera Group | | | Finnvera plc | |
|---|---|---|---|---|---|---|
| **Assets at fair value 30 June 2014** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Financial instruments carried at fair value | | | | | | |
| - Derivatives | | 7 198 | | | 5 581 | |
| - Investments in associates | | | 62 736 | | | |
| - Shares and holdings | | | 51 392 | | | |
| **Available-for-sale** | | | | | | |
| - Debt securities | | 618 167 | | | 618 167 | |
| - Shares and holdings | 57 162 | | 14 345 | 535 | | 14 345 |
| **Total** | **57 162** | **625 364** | **128 473** | **535** | **623 747** | **14 345** |
| **Liabilities at fair value 30 June 2014** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Financial instruments carried at fair value | | | | | | |
| - Liabilities to other institutions | | 37 487 | | | | |
| - Debt securities in issue | | 1 463 844 | | | 1 463 844 | |
| - Derivatives | | 37 941 | | | 37 941 | |
| **Total** | | **1 539 271** | | | **1 501 784** | |

| | | Finnvera Group | | | Finnvera plc | |
|---|---|---|---|---|---|---|
| **Assets at fair value 31 Dec 2013** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Financial instruments carried at fair value | | | | | | |
| - Derivatives | | 8 159 | | | 8 159 | |
| - Investments in associates | | | 77 846 | | | |
| - Shares and holdings | | | 43 572 | | | |
| **Available-for-sale** | | | | | | |
| - Debt securities | | 326 191 | | | 326 191 | |
| - Shares and holdings | 59 727 | | 14 720 | 526 | | 14 720 |
| **Total** | **59 727** | **334 350** | **136 137** | **526** | **334 350** | **14 720** |
| **Liabilities at fair value 31 Dec 2013** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Financial instruments carried at fair value | | | | | | |
| - Liabilities to other institutions | | 35 883 | | | | |
| - Debt securities in issue | | 1 059 870 | | | 1 059 870 | |
| - Derivatives | | 31 272 | | | 29 915 | |
| **Total** | | **1 127 025** | | | **1 089 785** | |

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

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

**Level 3:** The determination of the fair value of the venture capital investments of the subsidiaries engaged in venture capital investment activities is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund. The method used is in accordance with the valuation principles and recommendations for early-stage enterprises laid out in IPEV (International Equity and Venture Capital Valuation Guidelines).

## 6 Financial assets and liabilities recognised at fair value

| LEVEL 3, Financial assets | Finnvera Group | | Finnvera plc | |
|---|---|---|---|---|
| (EUR 1,000) | **30 June 2014** | **31 Dec 2013** | **30 June 2014** | **31 Dec 2013** |
| **Financial assets carried at fair value** | | | | |
| **Balance at 1 Jan** | **136 137** | **124 679** | **14 720** | **14 230** |
| Profits and losses entered in the income statement, in total | -7 033 | -2 668 | 51 | -61 |
| Acquisitions | 10 572 | 19 639 | 35 | 624 |
| Sales | -9 362 | -5 512 | -231 | -55 |
| Other | -1 841 | -1 | -231 | -18 |
| **Total at the end of the period** | **128 473** | **136 137** | **14 345** | **14 720** |
| Profits and losses entered in the income statement for the instruments held by Finnvera. | -2 416 | -5 019 | 0 | -142 |

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

| (EUR 1,000) | Gross recognised amounts | Gross recognised amounts netted in the balance sheet | Net carrying amount in the balance sheet | Financial instruments*) | Financial instruments received as collateral *) | Cash received as collateral *) | Net amount *) |
|---|---|---|---|---|---|---|---|
| | Finnvera Group / Finnvera plc | | | | | | |
| **Financial assets at 30 June 2014** | | | | | | | |
| Derivatives | 5 581 | 0 | 5 581 | -5 311 | 0 | 0 | 270 |
| **Total** | **5 581** | **0** | **5 581** | **-5 311** | **0** | **0** | **270** |
| **Financial liabilities at 30 June 2014** | | | | | | | |
| Derivatives | 37 941 | 0 | 37 941 | -5 311 | 0 | -24 000 | 8 630 |
| **Total** | **37 941** | **0** | **37 941** | **-5 311** | **0** | **-24 000** | **8 630** |
| **Financial assets at 31 Dec 2013** | | | | | | | |
| Derivatives | 8 159 | 0 | 8 159 | -7 029 | 0 | 0 | 1 130 |
| **Total** | **8 159** | **0** | **8 159** | **-7 029** | **0** | **0** | **1 130** |
| **Financial liabilities at 31 Dec 2013** | | | | | | | |
| Derivatives | 29 915 | 0 | 29 915 | -7 029 | 0 | -18 700 | 4 186 |
| **Total** | **29 915** | **0** | **29 915** | **-7 029** | **0** | **-18 700** | **4 186** |

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

## 8 Derivatives

| (EUR 1,000) | Finnvera Group | | | Finnvera plc | | |
|---|---|---|---|---|---|---|
| | Fair value | | Total nominal | Fair value | | Total nominal |
| | positive | negative | value | positive | negative | value |
| **Contracts entered in hedging purposes 30 June 2014** | | | | | | |
| Currency derivatives | | | | | | |
| - Interest rate swaps and foreign exchange derivatives | 7 198 | 37 941 | 1 093 532 | 5 581 | 37 941 | 1 058 425 |
| **Total derivatives** | **7 198** | **37 941** | **1 093 532** | **5 581** | **37 941** | **1 058 425** |
| **Contracts entered in hedging purposes 31 Dec 2013** | | | | | | |
| Currency derivatives | | | | | | |
| - Interest rate swaps and foreign exchange derivatives | 8 159 | 31 272 | 1 089 967 | 8 159 | 29 915 | 1 055 418 |
| **Total derivatives** | **8 159** | **31 272** | **1 089 967** | **8 159** | **29 915** | **1 055 418** |

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

## 9 Changes in liabilities

| (EUR 1,000) | Finnvera Group 2014 | | Finnvera plc 2014 | |
|---|---|---|---|---|
| | Nominal value | Carrying value | Nominal value | Carrying value |
| **Liabilities to credit institutions and other institutions** | | | | |
| Carrying amount at 1 Jan | 2 142 102 | 2 143 436 | 0 | 0 |
| - New loans | 401 756 | 401 756 | 0 | 0 |
| - Repayments | -121 569 | -121 569 | 0 | 0 |
| - Other changes | 19 260 | 19 297 | 0 | 0 |
| **Carrying amount at 30 June** | **2 441 550** | **2 442 920** | **0** | **0** |
| **Debt securities in issue** | | | | |
| Carrying amount at 1 Jan | 1 055 418 | 1 059 870 | 1 055 418 | 1 059 870 |
| - Debt securities in issue | 0 | 0 | 497 870 | 497 870 |
| - Repayments | 0 | 0 | -91 116 | -91 116 |
| - Other changes | 399 335 | 403 973 | -7 419 | -2 780 |
| **Carrying amount at 30 June** | **1 454 753** | **1 463 844** | **1 454 753** | **1 463 844** |
| **Capital loans** | | | | |
| **Capital loans at 30 June** | | **93 029** | | **93 029** |

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

## 10 Contingent liabilities and commitments

| (EUR 1,000) | Finnvera Group 30 June 2014 | Finnvera Group 31 Dec 2013 | Finnvera plc 30 June 2014 | Finnvera plc 31 Dec 2013 |
|---|---|---|---|---|
| **Off-balance sheet items** | | | | |
| Guarantees | | | | |
| - Export guarantees and special guarantees | 1 027 702 | 1 046 853 | 1 027 702 | 1 046 853 |
| - Total guarantees | 11 093 689 | 11 003 537 | 11 093 689 | 11 003 537 |
| - Binding financing offers | 1 525 673 | 2 171 239 | 162 642 | 187 576 |
| **Total** | **13 647 064** | **14 221 629** | **12 284 033** | **12 237 966** |

## 11 Related parties

| (EUR 1,000) | Finnvera Group | |
|---|---|---|
| **Business transactions carried out with related parties; receivables from and liabilities to related parties** | **1 Jan–30 June 2014** | **1 Jan–30 June 2013** |
| Services purchased | 1 634 | 1 567 |
| | **30 June 2014** | **31 Dec 2013** |
| Loans | 382 369 | 130 516 |
| Receivables | 2 493 | 4 664 |
| Long-term liabilities | 2 405 433 | 2 291 089 |
| Short-term liabilities | 2 493 | 4 664 |
| Guarantees | 2 771 435 | 2 307 840 |

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

## 12 Key figures and their calculation

| (EUR 1,000) | Finnvera Group 30 June 2014 | Finnvera Group 30 June 2013 | Finnvera Group 31 Dec 2013 | Finnvera plc 30 June 2014 | Finnvera plc 30 June 2013 | Finnvera plc 31 Dec 2013 |
|---|---|---|---|---|---|---|
| Equity ratio | 16.5 | 17.9 | 18.4 | 30.4 | 33.5 | 34.5 |
| Capital adequacy ratio | 18.5 | 16.5 | 17.6 | 18.5 | 16.5 | 17.6 |
| Expense-income ratio | 25.8 | 29.5 | 27.0 | 23.8 | 28.0 | 26.1 |

**Calculation of key figures:**

Equity ratio, %

$$\frac{\text{(equity attributable to equity holders of the parent + non-controlling interest) *100}}{\text{balance sheet total}}$$

Capital adequacy ratio: calculated as per Basel II Standard

Expense-income ratio

$$\frac{\text{administration expenses + other operating expenses}}{\text{net interest income + gains and losses from financial instruments carried at fair value + net fee and commission income + net income from investments + other operating income}}$$

### Switchboard

+358 29 460 11
www.finnvera.fi

### Telephone Service

+358 29 460 2582
8:00 a.m.–4:15 p.m.

### Head Offices

Helsinki
Eteläesplanadi 8
P. O. Box 1010
FI-00101 HELSINKI

Kuopio
Kallanranta 11
P. O. Box 1127
FI-70111 KUOPIO



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