FINNVERA

Finnvera Group, Press Release 20 February 2018

Finnvera Group's Report of the Board of Directors and Financial Statements for 2017

Export financing grew strongly – future deliveries by export companies more than half of the exposure

CEO Pauli Heikkilä:

"In the important export sectors, especially in cruise shipping, telecommunications, energy and forestry sectors, the outlook is good. In the EUR 22.2 billion exposure for large corporates' export credit guarantees and special guarantees, drawn guarantees and credits accounts for approximately EUR 9.0 billion. More than half of the exposure is tenders or agreements that are related to future deliveries by export companies. Demand extending this far into the future has not been previously witnessed at Finnvera.

Throughout its history, Finnvera's export credit guarantee operations have been self-sustainable and our performance has been profitable, which has enabled our export credit guarantee operations to accumulate approximately EUR 1.4 billion in buffer assets for potential future losses. In line with our goals, the result for the financial period 2017, EUR 107 million, showed a profit. This improves our ability to cover current and future commitments. We constantly develop our risk management, and we invest heavily in reinsurance and other risk transfer methods.

Economic activity and investments picked up also in Finland; however, this did not directly lead to growth in Finnvera's SME and midcap financing. For its part, the European Fund for Strategic Investments (EFSI) replaces or complements our financing offering, and EFSI financing has proved to be easily found by Finnish enterprises. This is a good indication of corporate financing options becoming more versatile.

In line with our strategy, we target our financing first and foremost at corporate changes, that is, setting up a company, growth, internationalisation and transfers of ownership. Currently, 80 per cent of our financing is already allocated to our focus areas. Impact is one of the key indicators of our success. The common denominator in impact is the fact that enterprises grow and become more international in a manner that would not have been possible without Finnvera."

Finnvera Group, business operations and the financial trend, 2017 (vs. 2016)

- Loans and guarantees granted: EUR 782 million (EUR 845 million), change -7%
- Export credit guarantees and special guarantees granted: EUR 7,693 million[1] (EUR 4,438 million), change 73%
- Export credits granted: EUR 6,555 million[1] (EUR 760 million), change 763%
- Exposure, loans and guarantees for SMEs and midcap enterprises: EUR 2,129 million (EUR 2,232 million), change -5%
- Exposure, export credit guarantees and special guarantees, incl. SME and midcap export credit guarantees: EUR 22,562 million (EUR 18,426 million), change 22%
  - of which drawn guarantees amount to EUR 9,136 million (EUR 9,659 million), change -5%
- Exposure, export credits: EUR 4,758 million[2] (EUR 4,782 million), change -1%
- Net interest income and net fee and commission income: EUR 174 million (EUR 194 million), change -11%
- Impairment losses on receivables, guarantee losses, incl. the State's credit loss compensation: EUR 19 million (EUR 66 million), change -72%
- Finnvera Group's profit for the period: EUR 107 million (EUR 70 million), change 52%
- Equity EUR 1,314 million (EUR 1,207 million), change 9%
- Balance sheet total: EUR 10,337 million (EUR 9,498 million), change 9%

[1] One of the factors behind the significant increase in the financing granted was individual major tenders in shipping and telecommunications.
[2] The credit risk for Finnish Export Credit Ltd's export credits is covered by the parent company Finnvera plc's export credit guarantee.

Finnvera Group, year 2017 (vs. 2016)

The targeted cumulative self-sustainability has been achieved, and Finnvera's operations have been self-sustainable throughout the company's nearly 20 years of operation.

Return on equity, ROE 1-12/2017 **8.5%** (6.0%)	Return on assets, ROA 1-12/2017 **1.1 %** (0.8%)	Reserve for domestic operations 31 Dec. 2017 **214 M€** (155)	Reserve for export credit guarantees and special guarantees 688 M€ and SGF[3] 673 M€ 31 Dec. 2017 **1,361 M€** (1 334)
Equity ratio 31 Dec. 2017 **12.7%** (12.7%)	Capital adequacy, Tier 1, domestic operations 31 Dec. 2017 **25.3%** (22.4%)	Expense-income ratio 1-12/2017 **27.2%** (27.0%)	Number of employees 31 Dec. 2017 **375** (381)

[3] SGF=The State Guarantee Fund

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Finnvera Group's profit for H2/2017 was EUR 50 million (EUR 77 million) and for the entire year EUR 107 million (EUR 70 million). The result for the entire year 2017 was EUR 36 million, or 52 per cent, more than in the previous year. Profit was boosted by the fact that the parent company Finnvera plc's impairment losses on receivables and guarantee losses were EUR 53 million, or 56 per cent, lower than in the previous financial period.

Finnvera Group

Financial trend	H2/2017 MEUR	H1/2017 MEUR	Change %	H2/2016 MEUR	2017 MEUR	2016 MEUR	Change MEUR	Change %
Net interest income	23	23	-2%	24	46	50	-4	-8%
Net fee and commission income	61	66	-8%	77	127	144	-17	-12%
Gains and losses from financial instruments carried at fair value through P&L	-2	3	-177%	-10	1	-20	20	103%
Administrative expenses	-21	-22	-4%	-22	-43	-44	-1	-2%
of which personnel expenses	-14	-15	-3%	-15	-29	-30	-1	-4%
Impairment loss on financial assets	-22	-20	9%	-13	-41	-94	-53	-56%
Credit loss compensation from the State	12	11	6%	13	23	28	-5	-19%
Operating profit	49	60	-18%	77	109	69	39	57%
Profit for the period	50	57	-13%	77	107	70	36	52%

Outlook for financing

The outlook for the Finnish economy for 2018 is good. According to the Bank of Finland's forecast, GDP will grow by 2.5 per cent this year. Demand for financing is expected to remain high in the entire SME and midcap sector, and the availability of financing is estimated to stay at a good level this year, too. Finnvera's goal is still to shift the focus of SME and midcap financing to growing and internationalising enterprises, enterprises seeking change, transfers of ownership, and start-ups. The campaign to accelerate transfers of ownership continues, and demand for financing for transfers of ownership and company acquisitions will probably remain high, as in previous years.

Another goal is to increase the number of SMEs involved in exports and target advisory services at such SMEs, in order to enable them to prepare for risks associated with export trade transactions. We expect that this will increase demand for financing this year.

Financing solutions offered to buyers play a pivotal role in the export trade of capital goods sold by large corporates. Demand for export credit guarantees and export credits is expected to remain strong in 2018. As in previous years, the overall demand is affected by the realisation of individual major projects. Demand is expected to be strong especially in cruise shipping, forestry and telecommunications sectors. Regionally, the strongest demand is anticipated to occur in the United States and Latin America. Finnish enterprises' interest in the Russian market took an upward turn in 2017, and further demand is expected for 2018.

It is estimated that the implementation of the strategy throughout the Group will proceed as planned in 2018 and that operations will be self-sustainable in the current financial period as well. The trends in impairment losses on receivables and in guarantee losses involve some uncertainty. In consequence, the results realised may differ from the forecasts even significantly.

Further information:
Pauli Heikkilä, CEO, tel. +358 29 460 2400
Ulla Hagman, CFO, tel. +358 29 460 2458

Report of the Board of Directors and Financial Statements for 1 January–31 December 2017 (PDF)
Statement on the Corporate Governance and Steering System 2017 (PDF)

Distribution:
NASDAQ Helsinki Ltd, London Stock Exchange, the principal media, www.finnvera.fi
The financial statements are available in English at www.finnvera.fi/financial_reports

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Report of the Board of Directors

The year 2017 was a year of good financial news, and Finnish enterprises were able to join the upturn in the international economy. The year marked a positive turn in economy, which could be seen at Finnvera as record-breaking but expected demand for export credit guarantees and export credits. The raising of the export financing ceilings that came into force at the beginning of the year proved to be a well-founded decision during the year. Finnvera offered nearly 80 per cent more export credit guarantees and special guarantees to large corporates than in the previous year. The amount of export credits increased significantly, too.

Finnvera's export financing focuses especially on three sectors: telecommunications, shipping, and forest industry. Measured in euros, the highest demand in 2017 was witnessed in shipping, shipbuilding and telecommunications, where Finnvera was involved in the largest financing project in its history. Finnvera plays a significant role in financing the entire value chain of enterprises that operate in the key sectors of the Finnish export industry. Such projects are not only major financing and export projects but also have a significant impact on employment both for the exporting company and the subcontracting network.

Finnvera's risk management attracted more interest due to the raised financing authorisations. The assessment report commissioned by the Ministry of Economic Affairs and Employment and published in March states that, owing to the structure of Finnish industry, exports are strongly concentrated in a few sectors, which underlines the importance of Finnvera's risk management system. According to the report, Finnvera's export financing system and risk management are at a high level in international comparison.

As part of its risk management strategy, Finnvera revised its portfolio reinsurance for export credit guarantees. The renegotiated, more extensive portfolio reinsurance is tailored to take the special characteristics of export financing into account. In the future, the company will invest heavily in reinsurance and other risk transfer methods.

Shifting the focus of financing to growing and internationalising enterprises, enterprises seeking change, and transfers of ownership

The outlook for SMEs improved in 2017, for the third year in a row. The profitability and capital adequacy of companies have also improved as a result of economic growth, and an increasing number of enterprises strive to manage on cash flow financing in the future. The financing granted by Finnvera to SMEs and midcap enterprises decreased by approximately 7 per cent from the previous year. The lower volumes are partly explained by the fact that financing offered by the European Fund for Strategic Investments (EFSI) has proved to be easily found by Finnish enterprises. The utilisation of EFSI financing is a good example of the diversification of SME financing options. As part of the European Investment Plan, Finnvera has, since early 2017, provided guidance on European financing.

Finnvera's goal is to shift the focus of financing to growing and internationalising enterprises, enterprises seeking change, transfers of ownership, and start-ups. A total of 80 per cent of Finnvera's financing is already allocated to these focus areas. The share of growing and internationalising enterprises out of all financing granted grew to 40 per cent. The programme to promote transfers of ownership continued actively: the financing for transfers of ownership was nearly at the same level as in the previous year, and this financing contributed to the realisation of approximately 1,000 transfers of ownership.

Finnvera issued major bonds

During 2017, Finnvera issued EUR, USD and SEK bonds amounting to approximately EUR 2 billion. In May, Finnvera issued a EUR 750 million bond, due in 2032, which is Finnvera's longest bond so far. In September, Finnvera issued a USD 1 billion bond, due in 2020, which is Finnvera's largest USD bond to date.

The bonds were issued under the Euro Medium Term Note (EMTN) programme guaranteed by the State of Finland. Finnvera uses the funds acquired for financing export credits and for SME financing. In the next few years, annual funding is estimated to amount to approximately EUR 2 billion. The amount mainly depends on the demand for export credits and, as a result, it may deviate significantly from the estimate provided above.

Clients willing to recommend Finnvera

It is important for Finnvera to understand the needs of clients. The extensive client and stakeholder satisfaction survey, conducted every other year among SMEs, large corporates, banks, financial institutions and other stakeholders, was carried out in 2017. There were 1,950 respondents. The Net Promoter Score (NPS) indices that describe the recommendation willingness of different target groups were excellent, even over 80. This indicates that stakeholders are very willing to recommend Finnvera and its services.

The best ratings for the usefulness and the quality of Finnvera's services came from small local enterprises and financier clients in large corporates. Large corporates' stakeholders were more convinced than others that Finnvera's export financing activities have promoted Finnish companies' exports and exerted a positive influence not only on employment in Finland but also on the Finnish subcontractors of the companies. Providers of financing who are located in Finland assessed that without Finnvera, export trade transactions would have been more limited in scope or would have failed entirely. In addition to the client and stakeholder survey, customer satisfaction was monitored by continuously measuring the customer experience. The result target is set at the excellent score of 55, which was exceeded in 2017.

After having moved under the same roof in the Ruoholahti district of Helsinki in the previous year, the actors of the Team Finland network (Finnvera, Finpro, Tekes and Tesi) continued to cooperate in services offered to growing and internationalising enterprises and to seek synergy benefits. In 2017, the Team Finland service model was used to present 320 service proposals. The news announced during the year included the creation of a new Business Finland organisation. The project to create a joint management system for customer data continued. These actions secure good operating conditions for promoting Finnish exports.

Financial trend

The Finnvera Group in July-December 2017

The Finnvera Group's profit in July–December was EUR 50 million, or 13 per cent lower than in January–June (EUR 57 million).

The main reason for the weaker financial performance was the decrease of the net value of fee and commission income and expenses in export credit guarantee and special guarantee operations. The net value was EUR 61 million, down by 8 per cent when compared to the first half of the year. One of the factors decreasing the net value was the fee and commission income from the parent company Finnvera plc's export credit guarantee and special guarantee operations, which in July–December was EUR 1 million, or 3 per cent lower than in January–June. In addition, reinsurance fee and commission expenses in export credit guarantee and special guarantee operations were clearly higher. In July–December, reinsurance expenses increased by EUR 5 million, or nearly 70 per cent, when compared to the first half of the year.

The Finnvera Group's net interest income in July–December came to EUR 23 million. The net interest income was 2 per cent lower than for the first half of the year, which resulted from a decrease in the net interest income of the parent company Finnvera plc's SME and midcap financing due to higher interest expenses. The Group's interest expenses in July–December were EUR 2 million or 6 per cent higher than in January–June.

In July–December, losses for items recognised at fair value through profit or loss were EUR -2 million, whereas during the first half of the year, these items showed a profit of EUR 3 million. These losses were mainly due to changes in the fair values of derivatives and debts, totalling EUR -5 million.

The Group's personnel and other administrative expenses amounted to EUR 21 million. This was 4 per cent less than in the first half of the year.

Impairment losses on receivables and guarantee losses recorded for July–December were EUR 22 million, which was 9 per cent more than in January–June. The State's credit and guarantee loss compensation covers SME and midcap financing losses partially. In July–December, the loss compensation amounted to EUR 12 million, which was 6 per cent more than during the first half of the year. The entries for impairment losses and provisions for losses are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

The Finnvera Group in January-December 2017

The Finnvera Group's profit for 2017 was EUR 107 million (EUR 70 million). This was 52 per cent more than in the previous year. The main reason for the better financial performance was the fact that the parent company's export credit guarantee losses and provisions for losses were lower than in the comparison year. In 2017, the export credit guarantee losses and provisions for losses totalled EUR 2 million, whereas the losses and provisions realised in the previous year amounted to EUR 67 million.

The financial performance was also improved by profits from items recognised at fair value through profit or loss. During the period under review, profits from items recognised at fair value amounted to EUR 1 million, whereas in the comparison period, they showed a loss of EUR 20 million.

The net interest income for the period under review was EUR 46 million (EUR 50 million), down by 8 per cent from the comparison period. The net interest income was reduced by the EUR 1 million decrease in interest income and the EUR 3 million increase in interest expenses.

The net value of fee and commission income and expenses came to EUR 127 million (EUR 144 million) during the period under review. The net value was 12 per cent lower than in the comparison period. This resulted especially from the decrease of the net value of fee and commission income and expenses in export credit guarantee and special guarantee operations as well as the increase of the fee and commission expenses in reinsurance operations.

During the year, the quality of the SME and midcap financing credit portfolio improved when compared to previous years, which could be seen as lower credit losses. Risks pertaining to individual clients and the amounts of non-performing credits and arrears have remained at a reasonable level. The exposure risk level remained unchanged during the year when calculated using the so-called indicator of expected losses, which stood at 3 per cent of total exposure at year's end.

At year's end, the majority of the current guarantees and binding offers in the Large Corporates business was in the best country category. Most of the guarantees granted during the year were also entered into this category. The main sectors were shipping and shipbuilding industry, telecommunications, and forest industry. These sectors accounted for a total of 84 per cent of total exposure. Altogether, 56 per cent of the exposure was in category B1, which is close to investment grade, or in better risk categories.

Financial performance of Finnvera plc and the Group companies

The profit of the parent company, Finnvera plc, for 2017 stood at EUR 98 million (EUR 65 million), of which the Large Corporates business accounted for EUR 68 million (EUR 33 million) and the SMEs and Midcap business for EUR 30 million (EUR 32 million). The performance of the Large Corporates business improved clearly from the previous year, while the performance of the SMEs and midcap business was at a good level for a third year in a row.

The Group companies and subsidiaries had an impact of EUR 8 million on the profit for the period under review (EUR 6 million). Venture capital investments accounted for EUR 5 million (EUR -1 million) of this impact. Interest equalisation and the financing of export credits by Finnish Export Credit Ltd accounted for EUR 3 million (EUR 5 million).

Separate result for export credit guarantee and special guarantee operations

The separate result for export credit guarantee and special guarantee operations, as defined in the Act on the State's Export Credit Guarantees, came to EUR 68 million (EUR 19 million) in 2017.

Analysis of financial performance in January–December 2017

Interest income and expenses and interest subsidies

The Finnvera Group's net interest income in January–December came to EUR 46 million (EUR 50 million). The net interest income was 8 per cent lower than in the previous year. Outstanding loans in SME financing provided by the parent company, Finnvera plc, decreased by 7 per cent during the second half of the year, but this did not have an immediate impact on the net interest income of the period under review. The Group's net interest income decreased during the period under review, especially due to higher interest expenses. Finnvera has acquired funds for future drawing of export credits, which has increased interest expenses. During the period under review, interest expenses grew by EUR 3 million, or 4 per cent.

The interest subsidies paid by the State and by the European Regional Development Fund (ERDF) and passed on directly to clients totalled EUR 1 million (2 million). Interest-subsidised financing has not been granted since 2013, and the accrual of interest subsidy will end in the coming years.

Net fee and commission income

The net value of the Group's fee and commission income and expenses came to EUR 127 million (EUR 144 million), down by 12 per cent from the comparison period.

The gross sum of the fee and commission income totalled EUR 152 million (EUR 166 million). Of this, the parent company's fee and commission income from export credit guarantees and special guarantees accounted for 70 per cent (73), or EUR 106 million (EUR 120 million), while SME financing accounted for 29 per cent (27), or EUR 45 million (EUR 44 million).

Fee and commission expenses totalled EUR 24 million (EUR 22 million). Fee and commission expenses consisted mainly of the costs of reinsurance taken out by the parent company, Finnvera plc. The company has increased the volume of reinsurance taken out to cover the exposure for export credit guarantees; this also contributed to the rise in fee and commission expenses in 2017. During the period under review, the fee and commission expenses in reinsurance operations were 4 per cent higher than in the comparison period.

Gains and losses from financial instruments carried at fair value through profit and loss

The Group's profits from items recognised at fair value through profit or loss totalled EUR 1 million (EUR -20 million), of which the change in the fair value of debts and interest rate and currency swaps accounted for EUR -6 million (EUR -11 million). The change in the fair value of venture capital investments was EUR 6 million (EUR -10 million), while exchange rate differences accounted for EUR +/- 0 million (EUR 2 million).

Other income

In January–December, the Group's net income from investments totalled EUR 0.2 million (EUR 0.3 million). Other operating income amounted to EUR 1 million (EUR 12 million). Other operating income includes, for instance, the management fee paid by the State Guarantee Fund for managing the liability for export credit guarantees and special guarantees arisen prior to 1999. In the comparison period, other operating income also included the cancellation of subordinated loans received from the State on the basis of the sale of the subsidiary Seed Fund Vera Ltd, the grant received from the State for losses incurred in ERDF venture capital investments, and the Group's capital gain from the sale of Seed Fund Vera Ltd.

Operating expenses and depreciation

The Group's operating expenses were EUR 46 million (EUR 48 million). Of these operating expenses, personnel and other administrative expenses accounted for EUR 43 million (EUR 44 million) and other operating expenses for EUR 3 million (EUR 4 million). Personnel expenses accounted for

63 per cent (62) of operating expenses.

Operating expenses decreased by EUR 2 million, or 5 per cent, from the comparison period. Operating expenses were decreased by lower personnel expenses, rents and costs associated with real property. The number of Finnvera employees has decreased due to, for instance, the sale of the subsidiary Seed Fund Vera Ltd in December 2016. In addition, Finnvera's offices have moved into new premises, which has generated significant savings in the company's rents and costs associated with real property.

In 2017, the Group's depreciation amounted to EUR 2 million (EUR 2 million).

Impairment loss on financial assets

The Group's impairment losses on loans, as well as guarantee losses and provisions, were EUR 41 million (EUR 94 million). After the compensation for credit losses by the State and the European Regional Development Fund (ERDF), the Group's liability for impairment losses and other losses during the financial period amounted to EUR 19 million (EUR 66 million).

Impairment losses and losses on loans and guarantees, and the change in impairment losses and provisions for losses, totalled EUR 39 million (EUR 27 million). The compensation for losses paid by the State and the European Regional Development Fund totalled EUR 23 million (EUR 28 million). Compensation for losses was 59 per cent of the losses realised (58).

Losses on export credit guarantee and special guarantee operations, including the change in the provisions for losses, were EUR 2 million during the period under review (EUR 67 million).

The parent company Finnvera plc has a recovery receivable related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. On 31 December 2017, the carrying amount of recovery receivables of Finnvera's export credit guarantee and special guarantee operations was EUR 115 million, the majority of which was receivables from Oi S.A. The effect of the claims paid to the results of the years 2016–2017 was EUR -58 million.

A provision is recognised on exposure for export credit guarantees and special guarantees when there is objective evidence that the obligation to pay an indemnity is likely to arise and it is estimated that the discounted present value of the cash flow indemnified exceeds the discounted present value of the recovery receivables. The value of the recovery receivables on the balance sheet is estimated correspondingly, taking the risk level of the receivable into account in the measurement, through both the recovery rate and the discount interest rate. Significant individual exposures are always estimated separately. The entries for impairment losses and provisions for losses are estimates. Their amounts may change even substantially as the volume and accuracy of information increase.

Finnvera Group

Impairment loss on financial assets	H2/ 2017 MEUR	H1/ 2017 MEUR	Change %	H2/ 2016 MEUR	2017 MEUR	2016 MEUR	Change MEUR	Change %
Loans and domestic guarantees	-22	-17	25%	-12	-39	-27	13	47%
Credit loss compensation from the State	12	11	6%	13	23	28	-5	-19%
Export credit guarantees and special guarantees	0	-2	-105%	-2	-2	-67	-65	-97%
Net impairment loss on financial assets	**-10**	**-9**	**13%**	**0**	**-19**	**-66**	**-47**	**-72%**

Doubtful receivables

Calculated according to the method harmonised at the EU level, the amount of doubtful receivables and zero-interest receivables in SME and midcap financing stood at EUR 158 million at the end of the year (EUR 156 million). When the impairment losses recognised are considered, doubtful receivables accounted for 6.9 per cent of total exposure. This was 0.4 percentage points higher than the amount of doubtful receivables at the end of 2016 (6.5 per cent). The ratio of doubtful receivables to total exposure was 2.8 per cent (2.3) when the compensation for credit losses received from the State for SME and midcap financing is taken into account.

The amount of doubtful receivables in export financing stood at EUR 132 million at the end of the year (EUR 150 million). At the end of the period under review, doubtful receivables accounted for 0.6 per cent of total exposure (0.8 per cent).

Long-term economic self-sustainability

In its operations, Finnvera is expected to attain economic self-sustainability. This means that the income received from the company's operations must, in the long run, cover the company's operating expenses. The period for reviewing self-sustainability is 10 years for 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 year 2017. Correspondingly, export financing has been economically self-sustainable during Finnvera's 19 years of operation. Economic self-sustainability is also realised over a 20-year period if the payment-based result of Finnvera's predecessor, the Finnish Guarantee Board, for its last years of operation is taken into account when reviewing the self-sustainability of export financing.

The company's risk-based pricing and the extent and risk level of Finnvera's total exposure will have a significant impact on the company's financial performance and long-term economic self-sustainability in the coming years. In examining the financial performance, it is important to note that, at the end of year 2017, Finnvera's total exposure for export credit guarantees and special guarantees amounted to EUR 22.6 billion and the exposure for the credits and guarantees of SMEs and midcap enterprises, as well as guarantee receivables, stood at EUR 2.1 billion. Seen against these exposures, the net profit building a loss buffer on the balance sheet is now about 0.4 per cent at the annual level, the unrestricted equity is about 4 per cent, and the equity is about 5 per cent.

Balance sheet 31 December 2017

At the end of the year, the consolidated balance sheet total was EUR 10,337 million (EUR 9,498 million), while the balance sheet total of the parent company, Finnvera plc, came to EUR 8,584 million (EUR 7,178 million). The consolidated balance sheet total increased by 9 per cent, or EUR 839 million, during 2017. At the end of the year, the balance sheet total of Finnish Export Credit Ltd was EUR 4,900 million (EUR 4,918 million).

At the end of the year, the Group's outstanding credits came to EUR 5,693 million (EUR 5,827 million), or EUR 135 million less than at the start of the year. The outstanding credits of the parent company, Finnvera plc, came to EUR 3,997 million (EUR 3,568 million), of which the receivables from the subsidiary Finnish Export Credit Ltd totalled EUR 3,042 million (EUR 2,500 million). Approximately 60 per cent of Finnish Export Credit Ltd's loans are in US dollars, so changes in exchange rates affect the EUR value of the loans.

The parent company's outstanding guarantees in SME and midcap financing increased slightly during 2017 and totalled EUR 1,098 million at the end of the year (EUR 1,061 million).

The exposure defined in the Act on the State's Export Credit Guarantees (current total exposure and half of offers given at the closing date's exchange rate) totalled EUR 18,691 million at the end of the year (EUR 14,442 million). The total exposure arising from export credit guarantees and special guarantees (current commitments and offers given, including export guarantees) totalled EUR 22,562 million (EUR 18,426 million), of which drawn guarantees amounted to EUR 9,136 million (EUR 9,659 million). The maximum indemnity amount of reinsurance arrangements valid at the end of the year was approximately EUR 0.9 billion, or 10 per cent of drawn guarantees.

In accordance with the Government's policy outlines, Finnvera will give up its venture capital investments. The shares in the subsidiary ERDF-Seed Fund Ltd and Innovestor Kasvurahasto I Ky's capital input owned by the parent company (19.71 per cent) have been transferred to assignable assets available for sale in the parent company's financial statements. Similarly, the assets and liabilities of ERDF-Seed Fund Ltd are presented under assignable assets available for sale in the consolidated financial statements. Finnvera has a subordinated loan from the State, related to Innovestor Kasvurahasto I Ky, that has also been transferred to assignable liabilities available for sale. The Group's assignable assets available for sale totalled EUR 51 million at the end of the year (EUR 47 million).

The Group's long-term liabilities as per 31 December totalled EUR 8,464 million (EUR 7,514 million). Of this sum, EUR 6,483 million (EUR 4,892 million) consisted of bonds. The liabilities include subordinated loans of EUR 20 million received by Finnvera from the State for investment in the share capitals of Innovestor Kasvurahasto I Ky and Veraventure Ltd (EUR 20 million). The subordinated loan of EUR 50 million granted by the State in 2009 for strengthening capital adequacy was repaid in 2017.

At the end of the year, the Group's non-restricted reserves contained a total of EUR 1,069 million (EUR 955 million), of which the reserve for domestic operations accounted for EUR 214 million (EUR 155 million), the reserve for export credit guarantee and special guarantee operations EUR 688 million (EUR 668 million), the reserve for venture capital investments EUR 15 million (EUR 17 million) and retained earnings for EUR 145 million (EUR 117 million).

At the end of 2017, the accumulated loss buffer amount in export credit guarantee and special guarantee operations was EUR 1,361 million, when the State Guarantee Fund's assets, EUR 673 million, are taken into account in addition to the reserve for export credit guarantee and special guarantee operations on Finnvera's balance sheet. The loss buffers amounted to EUR 1,575 million, or 6 per cent of exposures, with the reserve for domestic operations included.

The item Other reserves, presented under unrestricted equity on the balance sheet, is used to monitor the assets allocated by the ERDF to venture capital investments.

Finnvera Group

Balance sheet	31 Dec 2017 MEUR	31 Dec 2016 MEUR	Change MEUR	Change %
Share capital	197	197	0	0%
Share premium and fair value reserve	56	55	1	2%
Non-restricted reserves, in total	1,062	955	107	11%
Reserve for domestic operations	214	155	59	38%
Reserve for export credit guarantees and special guarantees	688	668	19	3%
Other	15	15	0	0%
Retained earnings	145	117	28	24%
Equity attributable to the parent company's shareholders	1,314	1,206	108	9%
Share of equity held by non-controlling interests	0	1	-1	-100%
Balance sheet total	10,337	9,498	839	9%

Funding

In 2017, the Group's long-term acquisition of funds totalled EUR 2,060 million (EUR 1,363 million). EUR 647 million in long-term loans was paid back (EUR 588 million).

Capital adequacy

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

The above separation prescribed by law, and the State's responsibility for export credit guarantees, explain why Finnvera calculates its capital adequacy, i.e. the ratio between its exposure and assets, only for 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 12.0 per cent. Capital adequacy is calculated in accordance with the principles of the Basel III standard method. At the end of the year, the Group's capital adequacy ratio for domestic operations, Tier 1, stood at 25.3 per cent (22.4) while that of the parent company, Finnvera plc, was 24.3 per cent (21.8). The Finnvera Group's leverage ratio was 21.1 per cent at the end of December (18.5).

Capital adequacy

Finnvera Group Domestic operations	31 Dec 2017 %	31 Dec 2016 %	Change % points
Tier 1	25.3	22.4	2.9

Capital adequacy

Finnvera plc Domestic operations	31 Dec 2017 %	31 Dec 2016 %	Change % points
Tier 1	24.3	21.8	2.5

The risk-weighted receivables in the Finnvera Group's domestic operations totalled EUR 2,030 million at the end of December (EUR 2,152 million). Of these, loans and guarantees pertaining to business proper amounted to EUR 1,729 million (EUR 1,801 million), or 85 per cent (84) of risk-weighted receivables. Most of the remaining receivables were investments and derivatives. About 50 per cent of loans and guarantees consisted of a large number of individual exposures of under EUR 1 million. Calculated according to the standard method, their risk weight was 75 per cent. The risk weight of other loans and guarantees was 100 per cent.

Finnvera Group Domestic operations

Capital for calculating capital adequacy	31 Dec 2017 MEUR	31 Dec 2016 MEUR	Change MEUR	Change %
Equity excluding profit for the year	1,171	1,106	65	6%
Intangible assets	-9	-7	-1	21%
Reserve for export credit guarantees and special guarantees	-688	-668	-19	3%
Profit for the period	107	70	36	52%
Profit for the period attributable to export credit guarantees	-68	-19	-49	253%
Total	**513**	**481**	**32**	**7%**

Finnvera Group Domestic operations

Risk-weighted items	31 Dec 2017 MEUR	31 Dec 2016 MEUR	Change MEUR	Change %
Receivables from credit institutions	10	11	-1	-5%
Receivables from clients	1,729	1,801	-72	-4%
Investments and derivatives	113	166	-53	-32%
Receivables, prepayments, interest and other receivables, other assets	33	21	12	54%
Binding promises for loans	58	71	-13	-18%
Operational risk	86	82	4	4%
Total	**2,030**	**2,152**	**-123**	**-6%**

No specific requirement has been set for the capital adequacy of Finnvera's export financing because ultimately it is the State that is responsible for any major export credit guarantee losses if the equities accumulated from operations and the assets of the State Guarantee Fund were not sufficient for covering these losses. Consequently, calculating capital adequacy in a manner similar to that applied to banking is not a suitable option for Finnvera, considering its special industrial policy purpose as a promoter of exports. If taking into account only the assets in the reserve for export credit guarantee and special guarantee operations and the State Guarantee Fund, the estimated capital adequacy of export financing in accordance with the IRBA (internal ratings-based approach) would be less than 8 per cent.

Risk position

At the end of 2017, total exposure for SME and midcap financing came to EUR 2.5 billion, or EUR 0.1 billion less than the year before. Among SMEs and midcap enterprises, demand focused on financing for working capital. Total exposure was decreased by the larger-than-normal paybacks related to some relatively major exposures.

During the year, the quality of the credit portfolio in SME financing has improved on the previous years. This is seen as lower credit losses when compared to the period of financial and euro crises. Risks pertaining to individual clients and the amounts of non-performing credits and arrears remained at a reasonable level. As some major exposures decreased, the diversification of the credit portfolio improved further, which reduced the overall risk. In its financing, Finnvera focuses on starting and growing enterprises, as well as enterprises in situations of change. The operational risks faced by these enterprises are often greater than the risks of established companies. Moreover, the importance of collateral in the management of credit risks has diminished owing to the revised collateral practices. For these reasons, the exposure risk level remained unchanged during the year when calculated using the so-called indicator of expected losses, which stood at 3 per cent of total exposure at year's end. The distribution of exposure by risk category also remained virtually unchanged, even though the credit ratings of some individual enterprises could be upgraded.

Credit and guarantee losses and impairment losses totalled EUR 39 million (27).

Exposure in the Large Corporates business was EUR 22.2 billion at the end of 2017. Total exposure increased by EUR 4.1 billion during the year. At year's end, the majority of the current guarantees (EUR 18.8 billion) and binding offers (EUR 3.4 billion) was in the best country category. Most of the guarantees granted during the year were also entered into this category.

The volume of enterprises' commercial exposure, associated with export guarantees and special guarantees, rose by about EUR 4.3 billion during 2017, to EUR 21.0 billion at year's end. The main sectors were shipping and shipbuilding industry, telecommunications, and forest industry. These sectors accounted for a total of 84 per cent of total exposure. Altogether, 56 per cent of the exposure was in category B1, which is close to investment grade, or in better risk categories.

There were no significant export credit guarantee losses in 2017, which was a notable change from 2016. Among the subsidiaries, the exposure arisen for Finnish Export Credit Ltd from the financing of export credits totalled EUR 12.9 billion at year's end; this was EUR 4.3 billion more than at the end of 2016. The exposure includes export credits financed both under the temporary system and the permanent system launched in 2012, as well as binding credit commitments. The credit risks associated with the exposure are fully covered by means of export credit guarantees granted by the parent company Finnvera plc. These export credit guarantees are included in the above-mentioned exposure for export financing.

Attainment of industrial policy and ownership policy goals

Finnvera's operations are steered by the legislation on the company and by the industrial and ownership policy goals determined by the owner. As the body responsible for the ownership and industrial policy steering of Finnvera, the Ministry of Economic Affairs and Employment sets industrial and ownership policy goals for the company for a period of four years. Whenever necessary, the ministry revises these goals annually. Out of the eight goals set for the year 2017, six goals were reached and two goals were partially reached.

Corporate Governance

Personnel

At the end of the financial period, the Group had 375 employees (381). Parent company Finnvera plc had 371 employees (376), of whom 350 (353) held a permanent post and 21 (23) a fixed-term post. The average number of employees in 2017 was 383 (398). The salaries and fees paid to the personnel totalled EUR 29 million for the Group (EUR 30 million) and EUR 28 million for the parent company (EUR 29 million).

Supervisory Board, Board of Directors and auditor

On 7 April 2017, Finnvera's Annual General Meeting elected new members to the company's Board of Directors and Supervisory Board. Pentti Hakkarainen, Member of the ECB's Banking Supervisory Board, was elected Chairman of the Board of Directors. Pekka Timonen, Director General, continues as First Vice Chairman. Terhi Järvikare, Director General, was elected Second Vice Chairman. She is a new member of the Board of Directors. In addition, Ritva Laukkanen, M.Sc. (Econ.), was elected as a new member to the Board of Directors. The members continuing on the Board of Directors are Kirsi Komi, LL.M., Pirkko Rantanen-Kervinen, B.Sc. (Econ.), and Antti Zitting, M.Sc. (Tech.).

Antti Rantakangas, Member of Parliament, continues as Chairman of Finnvera's Supervisory Board, and Krista Kiuru, Member of Parliament, as Vice Chairman. The new members of the Supervisory Board are Pia Björkbacka, Adviser, International Affairs; and Olli Rantanen, Head of Legal Services, Domestic Financing. The members continuing on the Supervisory Board are: Eeva-Johanna Eloranta, Member of Parliament; Lasse Hautala, Member of Parliament; Laura Huhtasaari, Member of Parliament; Timo Kalli, Member of Parliament; Kari Kulmala, Member of Parliament; Leila Kurki, Senior Adviser; Kari Luoto, Managing Director; Veli-Matti Mattila, Chief Economist; Ville Niinistö, Member of Parliament; Carita Orlando, Managing Director; Eero Suutari, Member of Parliament; Christel Tjeder, Second Vice Chairman; Tommi Toivola, Senior Adviser; and Sofia Vikman, Member of Parliament.

KPMG Oy Ab was re-elected Finnvera's regular auditor with Juha-Pekka Mylén, Authorised Public Accountant, as the principal auditor.

Events after the period under review

On 15 February 2018, the Government made a decision to change the commitment to compensate Finnvera plc partially for credit and guarantee losses. The changed commitment will enter into force on 1 March 2018, and it will be applied to all outstanding credits and guarantees of the company and to new credits and guarantees granted by the company as of 1 January 2018. The loss compensation level will be lowered and harmonised to 50% in SME and midcap financing. Finnvera estimates that the financing for the company's domestic operations will be annually self-sustainable also after the loss compensation level has been lowered. According to the current estimate, the lower compensation level does not pose a risk to keeping the capital adequacy of Finnvera's domestic operations at the minimum of 15% (Tier 1).

Outlook for financing

The outlook for the Finnish economy for 2018 is good. According to the Bank of Finland's forecast, GDP will grow by 2.5 per cent this year. Demand for financing is expected to remain high in the entire SME and midcap sector, and the availability of financing is estimated to stay at a good level this year, too. Finnvera's goal is still to shift the focus of SME and midcap financing to growing and internationalising enterprises, enterprises seeking change, transfers of ownership, and start-ups. The campaign to accelerate transfers of ownership continues, and demand for financing for transfers of ownership and company acquisitions will probably remain high, as in previous years.

Another goal is to increase the number of SMEs involved in exports and target advisory services at such SMEs, in order to enable them to prepare for risks associated with export trade transactions. We expect that this will increase demand for financing this year.

Financing solutions offered to buyers play a pivotal role in the export trade of capital goods sold by large corporates. Demand for export credit guarantees and export credits is expected to remain strong in 2018. As in previous years, the overall demand is affected by the realisation of individual major projects. Demand is expected to be strong especially in cruise shipping, forestry and telecommunications sectors. Regionally, the strongest demand is anticipated to occur in the United States and Latin America. Finnish enterprises' interest in the Russian market took an upward turn in 2017, and further demand is expected for 2018.

It is estimated that the implementation of the strategy throughout the Group will proceed as planned in 2018, and the Group's operations are expected to be self-sustainable in the current financial period as well. The trends in impairment losses on receivables and in guarantee losses involve some uncertainty. In consequence, the results realised may differ from the forecasts even significantly.

The Board of Directors' proposal for measures concerning the profit for the financial period

The parent company's profit for the financial period was EUR 98,259,985.85.

The Board of Directors proposes that, by virtue of Section 4 of the Act on the State-owned Specialised Financing Company, the profit be transferred to the unrestricted equity funds as follows:

To the fund for export credit guarantee and special guarantee operations; the share of export credit guarantee and special guarantee operations EUR 67,992,505.12.

To the fund for domestic operations; the share of domestic operations EUR 30,267,480.73.

In addition, remeasurement gains in defined benefit pension plans, EUR 150,533.00, were entered directly into retained earnings during the financial period. It is proposed that this sum be transferred to the fund for domestic operations.

Sum transferred to the fund for domestic operations, in total EUR 150,533.00.

Key figures

Finnvera Group	2017	2016	2015	2014	2013
Key P&L figures:					
Net interest income, MEUR	46	50	56	52	56
Net fee and commission income, MEUR	127	144	141	137	134
Administrative expenses, MEUR	43	44	44	41	43
-Of which salaries including social security costs, MEUR	29	30	30	28	30
Impairment loss on financial assets	41	94	97	98	112
Credit loss compensation from the State, MEUR	23	28	83	64	48
Operating profit or loss, MEUR	109	69	114	101	75
Profit for the year, MEUR	107	70	111	100	75
Key Balance sheet figures:					
Loans to and receivables from customers, MEUR	5,846	6,078	5,394	4,643	3,711
Investments, MEUR	3,084	2,082	2,059	1,065	522
Liabilities, MEUR	9,023	8,290	7,297	5,673	3,755
-Of which debt securities in issue, MEUR	6,483	4,892	3,958	2,564	1,060
Shareholders' equity, MEUR	1,314	1,207	1,121	1,009	849
-Of which non-restricted reserves, MEUR	1,062	955	871	756	595
Balance sheet total, MEUR	10,337	9,498	8,418	6,619	4,604
Key ratios:					
Return on equity, ROE, %	8.5	6.0	10.4	10.8	9.3
Return on assets, ROA, %	1.1	0.8	1.5	1.8	1.8
Equity ratio, %	12.7	12.7	13.3	15.2	18.4
Capital adequacy ratio, Tier 1, %	25.3	22.4	18.1	17.7	15.7
Expense-income ratio, %	27.2	27.0	28.3	25.9	27.0
Average number of employees [1]	383	398	404	401	415
Finnvera plc, SMEs and midcaps; financing, exposures and effectiveness					
Loans, guarantees and export credit guarantees offered, Billion EUR	1.0	1.0	1.1	1.0	0.8
Outstanding commitments, Billion EUR	2.5	2.6	2.7	2.8	3.0
Number of start-up enterprises financed	3,100	3,400	3,600	3,200	3,500
Number of new jobs created	9,100	8,700	8,600	8,100	8,700
Finnvera plc, Large Corporates; financing and exposures					
Export credit guarantees and special guarantees offered, Billion EUR	7.5	4.2	6.6	5.0	3.3
Outstanding commitments, Billion EUR	22.2	18.1	17.0	12.2	10.7
Finnvera plc, clients					
Number of clients, SMEs and midcaps and Large Corporates together	27,300	27,700	28,400	28,800	29,700

[1] Based on monthly average for the whole period.

Formulas for the key indicators

Return on equity % (ROE)	profit/loss for the year / equity (as the average of the value at the beginning and the end of the period)	x 100
Return on assets %, ROA	operating profit/loss – income taxes / balance sheet total on average (as the average of the value at the beginning and the end of the period)	x 100
Equity ratio, %	equity + minority share + accumulated appropriations deducted by the deferred tax liability / balance sheet total	x100
Capital adequacy ratio, Tier1, domestic operations, %	calculated according to Basel III standard method	
Expense-income ratio, %	administrative expenses + depreciation, amortisation and impairment from tangible and intangible assets + other operating expenses / net interest income + net fee and commission income + gains/losses from financial instruments carried at fair value + net income from investments + other operating income	x 100

Finnvera Annual report 2017 / Financial Statements / Consolidated comprehensive income statement

Consolidated comprehensive income statement

(EUR 1,000)	Note	Finnvera Group 1–12 2017	Finnvera Group 1–12 2016	Finnvera plc 1–12 2017	Finnvera plc 1–12 2016
Interest income	D1				
Interests from loans passed on to the customers		114,650	114,190	64,500	55,519
Subsidies passed on to customers		767	1,540	767	1,540
Other		-1,523	-548	-2,236	-1,356
Total interest income		**113,894**	**115,182**	**63,030**	**55,702**
Interest expenses	D1	-67,468	-64,892	-23,518	-13,277
Net interest income		**46,426**	**50,290**	**39,512**	**42,425**
Net fee and commission income	D2	127,105	143,950	126,442	142,701
Gains and losses from financial instruments carried at fair value through profit and loss	D3	524	-19,514	972	1,723
Net income from investments	D4	198	296	198	20
Other operating income	D5	657	12,445	2,814	12,617
Administrative expenses					
- Personnel expenses	D6	-28,707	-29,860	-28,297	-28,853
- Other administrative expenses		-14,367	-14,051	-14,127	-13,555
Total administrative expenses		**-43,073**	**-43,911**	**-42,424**	**-42,408**
Depreciation and amortization on tangible and intangible assets	D8	-1,800	-2,339	-1,798	-2,326
Other operating expenses	D9	-2,744	-4,326	-9,050	-22,356
Impairment loss on financial assets	D10				
- Loans and guarantees		-39,130	-26,559	-38,949	-26,662
- Credit loss compensation from the State		22,833	28,272	22,833	28,272
- Export credit guarantees and special guarantees		-2,291	-67,416	-2,291	-67,416
Net impairment loss on financial assets		**-18,588**	**-65,702**	**-18,407**	**-65,805**
Impairment loss on other financial assets			-1,932		-1,932
Operating profit		**108,705**	**69,256**	**98,260**	**64,659**
Income tax expense	D11	-2,111	958		
Profit for the period		**106,593**	**70,214**	**98,260**	**64,659**
Other comprehensive income					
Items that may not be reclassified subsequently to the statement of income					
- Revaluation of defined benefit pension plans		151	-144	151	-144
Items that may be reclassified subsequently to the statement of income					
- Change in fair value of available for sale investments		1,046	5,690	1,019	5,628
Total other comprehensive income		**1,196**	**5,546**	**1,169**	**5,483**
Total comprehensive income for the period		**107,789**	**75,760**	**99,429**	**70,142**
Distribution of the profit for the period attributable to					
Equity holders of the parent company		106,593	70,206		
Non-controlling interest		0	-39		
		106,593	**70,214**		
Distribution of the total comprehensive income for the period attributable to					
Equity holders of the parent company		107,789	75,799		
Non-controlling interest		0	-39		
		107,789	**75,760**		

Balance sheet

		Finnvera Group		Finnvera plc	
(EUR 1,000)	**Note**	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
ASSETS					
Loans to and receivables from credit institutions	E1				
- Payable on demand		1,036,499	892,555	985,342	847,523
- Other than payable on demand		28,279	29,936	7,620	7,555
		1,064,778	**922,491**	**992,961**	**855,078**
Loans to and receivables from customers	E2				
- Loans		5,692,490	5,827,299	3,997,194	3,567,866
- Guarantee receivables		31,884	26,259	31,884	26,259
- Receivables from export credit and special guarantee operations		121,816	224,476	121,816	224,476
		5,846,190	**6,078,034**	**4,150,895**	**3,818,600**
Investments	E3				
- Debt securities		3,059,716	2,042,422	3,059,716	2,042,422
- Investments in group companies				68,815	68,815
- Investments in associates			14,973		
Other shares and participations		24,092	24,383	14,068	14,399
		3,083,807	**2,081,778**	**3,142,599**	**2,125,637**
Derivatives	E11	79,792	110,649	79,591	110,649
Intangible assets	E4	8,511	7,062	8,511	7,059
Property and equipment	E5				
- Property					
- Equipment		1,192	1,431	1,192	1,431
		1,192	**1,431**	**1,192**	**1,431**
Other assets	E6				
- Credit loss receivables from the state		7,212	8,731	7,212	8,731
- Other		1,916	2,328	18,094	11,607
		9,128	**11,059**	**25,306**	**20,338**
Prepayments and accrued income	E7	188,783	236,118	155,009	211,531
Tax assets	E8	4,182	2,145	0	
Assets of disposal groups classified as held for sale	E23	50,683	46,994	27,772	27,662
TOTAL ASSETS		**10,337,048**	**9,497,760**	**8,583,838**	**7,177,986**

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		Finnvera Group		Finnvera plc	
(EUR 1,000)		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
LIABILITIES					
Liabilities to credit institutions	E9	187,609	213,452	187,609	213,452
Liabilities to other institutions	E9				
- At fair value through profit or loss		37,227	41,476		
- Other financial liabilities		1,736,453	2,297,067	82,519	75,793
Debt securities in issue	E10				
- At fair value through profit or loss		6,483,055	4,891,873	6,483,055	4,891,873
Derivatives	E11	138,321	212,553	138,321	208,334
Provisions	E13	43,255	46,786	43,255	46,786
Other liabilities	E12	49,659	56,125	55,942	56,082
Accruals and deferred income	E15	324,147	458,691	305,546	447,505
Tax liabilities	E8	299	800		
Subordinated liabilities	E16	7,500	57,500	7,500	57,500
Liabilities of disposal groups classified as held for sale	E23	15,277	14,075	12,525	12,525
Total liabilities		**9,022,803**	**8,290,399**	**7,316,273**	**6,009,850**
EQUITY	E22				
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		4,534	3,488	4,342	3,323
Non-restricted reserves					
Reserve for domestic operations		213,734	154,550	213,734	154,550
Reserve for export credit guarantees and special guarantees		687,681	668,440	687,681	668,440
Other		15,252	15,252	15,252	15,252
Retained earnings		145,403	117,084	98,914	78,929
		1,062,071	**955,327**	**1,015,582**	**917,171**
Equity attributable to the parent company's shareholders		**1,314,245**	**1,206,456**	**1,267,565**	**1,168,136**
Share of equity held by non-controlling interest		0	906		
Total equity		**1,314,245**	**1,207,362**	**1,267,565**	**1,168,136**
TOTAL LIABILITIES AND EQUITY		**10,337,048**	**9,497,760**	**8,583,838**	**7,177,986**

Contingent liabilities

The presentation method of contingent liabilities has been changed from the previous year, and the information of the comparison year has been adjusted to correspond with the new presentation method. In the first table, the commitments have been categorised according to their contractual stage. In the latter table, the commitments have been broken down from the figures of the first table by business area and contractual stage.

	Finnvera Group		Finnvera plc	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Contingent liabilities according to the status of commitments:				
Current drawn commitments (A+D+F+H)	5,476,886	5,937,826	10,234,559	10,720,038
Current undrawn commitments (B+E+G+I)	9,967,521	5,858,613	9,967,521	5,858,613
Offers given (C+J+K)	3,563,686	3,050,563	3,563,686	3,050,563
Contingent liabilities, total[1]	**19,008,094**	**14,847,002**	**23,765,767**	**19,629,214**

- [1]The presentation method of contingent liabilities has been changed from the previous year, and the information of the comparison year has been adjusted to correspond with the new presentation method. In the 2016 financial statements, the Group's contingent liabilities have been presented without intra-group eliminations, totalling EUR 23,488,477 thousand. In the earlier presentation method, the Group's figures included the following items
-The parent company's item F: the parent company's export credit guarantees that correspond to the subsidiary's drawn export credits (drawn loans are included in loan receivables in the consolidated balance sheet) and
- The parent company's item G: the parent company's export credit guarantees that correspond to the subsidiary's undrawn export credits (credit commitments). The figure G for the Finnvera Group shows the subsidiary's undrawn export credits (credit commitments).
In 2017 the comparative figure has thus been adjusted by eliminating the Parent company's items F and G (the parent company's export credit guarantees that correspond to the subsidiary's drawn and undrawn export credits), totaling EUR 8 641 475 thousand. Therefore the Finnvera Group comparative figure is EUR 14 847 002 thousand.

Contingent liabilities by business area				
Domestic operations				
A) Valid guarantees	1,097,846	1,060,984	1,097,846	1,060,984
B) Binding credit commitments	29,921	40,211	29,921	40,211
C) Guarantee offers	75,782	101,844	75,782	101,844
Domestic operations, total	**1,203,549**	**1,203,039**	**1,203,549**	**1,203,039**
Export credit guarantees, special guarantees and export credit commitments				
Current commitments (drawn and undrawn)				
D) Drawn export guarantees, not included export loans	4,275,153	4,712,154	4,275,153	4,712,154
E) Undrawn export guarantees, not included export loans	2,191,879	1,959,140	2,191,879	1,959,140
F) Export guarantees of the parent company on behalf of the subsidiary's[2] granted and drawn export credits	0	0	4,757,673	4,782,212
G) The Group: undrawn export credits granted by the subsidiary (credit commitments); in the parent company, the export credit guarantees for the subsidiary's export credits in question[2]	7,745,721	3,859,263	7,745,721	3,859,263
H) Drawn special guarantees	103,887	164,688	103,887	164,688
I) Undrawn special guarantees	0			0
Offers given				
J) Export credit guarantees	3,487,905	2,948,719	3,487,905	2,948,719
K) Special guarantees	0	0	0	0
Export credit guarantees, special guarantees and export credit commitments, total [3]	**17,804,544**	**13,643,963**	**22,562,218**	**18,426,175**
Contingent liabilities, total[1]	**19,008,094**	**14,847,002**	**23,765,767**	**19,629,214**

[2] Subsidiary mentioned is Finnish Export Credit Ltd (FEC)

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) Is not included in the Group's figure as the item consists of the parent company's guarantees for drawn export credit granted by Finnish Export Credit Ltd that are inlcuded in the consolidated balance sheet.

G) 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 Ltd. The figure for the parent company consists of export credit guarantees that cover the credit risk for the credit commitments presented in the figure for the Group (liability for compensations to the subsidiary).

[3] Commitments for export credit guarantees and special guarantees are as referred to in the Act on the State Guarantee Fund (18.6.1998/444). Total export credit guarantees and special guarantees are EUR 22,562,218 (18,426,175) thousand of which drawn export credit guarantees are EUR 9,136,713 (9,659,054) thousand.

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

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Liability according to the Act on the State's Export Credit Guarantees	**18,690,750**	**14,441,826**	**18,690,750**	**14,441,826**

The total commitments of Finnvera's export credit guarantees and hedging arrangements may amount to EUR 27 billion at the maximum.

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.

Statement of changes in equity

(EUR 1,000)	1.1.	Cancelled amount of subordinated loan received from the owner	Income for the period [1]	Change in the fair value of AFS investments [1]	Re-determination of defined benefit pensions [1]	The redemption of non-controlling interests' shares	Transfer to reserves	Adjustments [2]	31.12.
Finnvera Group									
Finnvera Group's equity 2017									
Equity attributable to the parent company's shareholders									
Share capital	196,605								196,605
Share premium reserve	51,036								51,036
Fair value reserve	3,488			1,046					4,534
Reserve for domestic operations	154,550						59,184		213,734
Reserve for export credit guarantees and special guarantees	668,440						19,241		687,681
Reserve for venture capital investment operations	15,252								15,252
Retained earnings	117,084		106,593		151		-78,425		145,403
Total	**1,206,455**		**106,593**	**1,046**	**151**		**0**		**1,314,245**
Share of equity held by non-controlling interest [3]	906					-906			0
Total equity	**1,207,362**	**0**	**106,593**	**1,046**	**151**	**-906**	**0**	**0**	**1,314,245**
Finnvera Group's equity 2016									
Equity attributable to the parent company's shareholders									
Share capital	196,605								196,605
Share premium reserve	51,036								51,036
Fair value reserve	-2,202			5,690					3,488
Reserve for domestic operations	135,879						18,671		154,550
Reserve for export credit guarantees and special guarantees	536,064						132,375		668,440
Reserve for venture capital investment operations	16,569						-1,317		15,252
Retained earnings	182,896	13,911	70,253		-144		-151,045	1,214	117,084
Total	**1,116,848**	**13,911**	**70,253**	**5,690**	**-144**		**-1,317**	**1,214**	**1,206,456**
Share of equity held by non-controlling interest	4,227					-3,321			906
Total equity	**1,121,075**	**13,911**	**70,253**	**5,690**	**-144**	**-3,321**	**-1,317**	**1,214**	**1,207,362**

Finnvera plc								
Finnvera plc's equity 2017								
Share capital	**196,605**							**196,605**
Share premium reserve	**51,036**							**51,036**
Fair value reserve	**3,323**			1,019				**4,342**
Reserve for domestic operations	**154,550**					59,184		**213,734**
Reserve for export credit guarantees and special guarantees	**668,440**					19,241		**687,681**
Reserve for venture capital investment operations	**15,252**					0		**15,252**
Retained earnings	**78,929**	0	98,260		151	-78,425		**98,915**
Total equity	**1,168,135**	**0**	**98,260**	**1,019**	**151**	**0**	**0**	**1,267,565**
Finnvera plc's equity 2016								
Share capital	**196,605**							**196,605**
Share premium reserve	**51,036**							**51,036**
Fair value reserve	**-2,304**			5,628				**3,323**
Reserve for domestic operations	**135,880**					18,671		**154,550**
Reserve for export credit guarantees and special guarantees	**536,064**					132,375		**668,440**
Reserve for venture capital investment operations	**16,570**					-1,317		**15,252**
Retained earnings	**151,550**	13,911	64,659		-144	-151,046		**78,928**
Total equity	**1,085,400**	**13,911**	**64,659**	**5,628**	**-144**	**-1,317**	**0**	**1,168,135**

[1] The item is included in the comprehensive income for the period, which is EUR 107,789,000 for the Group (EUR 75,760,000) and EUR 99,429,000 (EUR 70,142,000) for the parent company.

[2] Another change in equity: the financial statements for 2016 includes an adjustment to the Group's equity amounting to EUR 1,214,000.

[3] The Group did not have any non-controlling interests on 31 December 2017.

[4] The Group's profit/loss for the year 2016 shows profit to the parent company's owners, of which non-controlling interest amounts to EUR 39,000.

Statement of cash flows

	Finnvera Group		Finnvera plc	
	1–12	1–12	1–12	1–12
(EUR 1,000)	**2017**	**2016**	**2017**	**2016**
Cash flows from operating activities				
Withdrawal of loans granted	-1,328,107	-1,936,675	-1,331,114	-1,934,860
Repayments of loans granted	1,053,337	1,541,358	654,726	1,179,111
Purchase of investments	-2,145	-7,044	0	0
Proceeds from investments	5,178	3,351	0	0
Interest received	115,821	112,626	63,626	58,539
Interest paid	-68,470	-53,076	-18,921	-12,240
Net interest subsidy received (+) / repaid to the State (-)	-6,364	373	-6,364	373
Payments received from commission income	121,324	184,857	120,387	182,780
Payments received from other operating income	12,434	20,145	16,728	22,615
Payments for operating expenses	-82,563	-63,983	-92,671	-69,807
Claims paid (-) and recovered amounts (+)	-43,919	-200,202	-43,919	-200,202
Net credit loss compensation from the State	24,190	32,425	24,190	32,425
Taxes paid	-2,511	-3,865	0	0
Net cash used in (-) / from (+) operating activities (A) [2]	**-201,793**	**-369,708**	**-613,332**	**-741,265**
Cash flows from investing activities				
Purchase of property and equipment and intangible assets	-3,011	-5,083	-3,011	-5,083
Sale of property and equipment and intangible assets	1	66	1	66
Short-term and other liquid investments [1]	-5,343,620	-2,525,574	-5,343,620	-2,505,574
Proceeds and maturities of short-term and other liquid investments [1]	4,085,992	2,548,670	4,065,992	2,533,670
Other investments	-977	0	-977	-5,000
Proceeds from other investments	1,357	44,544	1,357	49,529
Dividends received from investments	15	296	15	21
Net cash used in (-) / from (+) investing activities (B)	**-1,260,243**	**62,919**	**-1,280,243**	**67,629**
Cash flows from financing activities				
Proceeds from loans	2,060,448	1,363,366	2,304,006	1,587,230
Repayment of loans	-647,017	-587,990	-483,529	-443,506
Repayment of subordinated liabilities	-50,000	0	-50,000	0
Payments (-) / receipts (+) from derivative collaterals	65,710	-92,670	65,710	-92,670
Net cash used in (-) / from (+) financing activities (C) [2]	**1,429,141**	**682,706**	**1,836,188**	**1,051,055**
Net change in cash and cash equivalents (A+B+C) increase (+) / (decrease -)	**-32,895**	**375,917**	**-57,387**	**377,418**
Cash and cash equivalents at the beginning of the period [1]	**878,559**	**491,150**	**847,523**	**458,667**
Translation differences [1]	-24,218	11,493	-23,480	11,438
Cash and cash equivalents at the end of the period [1]	**821,445**	**878,559**	**766,656**	**847,523**

[1] The cash and cash equivalents have been adjusted for in the interim reporting for 31 Dec 2017 to more appropriately comply with the IAS 7 definition of cash and cash equivalents. The change has also been adjusted for in the comparison period presented. 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.

[2] In the cash flow from operating activities in the financial statements for 2017, the State's credit loss compensations received and returned are separated from the line item "Payments received from other operating income" to their own line item. In addition, with regard to the information of the comparison year, the items included in the cash flow from operating activities and the cash flow from financing activities have been adjusted for both the Group and the parent company so that they adhere more closely to the IAS 7 standard.

Cash and cash equivalents at the end of the period				
Cash and investment accounts held in credit institutions	588,883	878,559	534,093	847,523
Short term deposits	232,563	0	232,563	0
Total	**821,445**	**878,559**	**766,656**	**847,523**

Changes in liabilities arising from financing activities

				Finnvera Group 2017			
(EUR 1,000)	**Opening balance 1.1.**	**Cash inflows from financing activities**	**Cash outflows from financing activities**	**Fair value changes**	**Foreign exchange differences**	**Other changes**	**Closing balance 31.12.**
Liabilities to credit institutions	213,452				-25,843		187,609
Liabilities to other institutions	2,338,543		-395,853	-764	-168,246		1,773,680
Debt securities in issue	4,891,873	2,051,682	-259,471	-30,276	-174,633	3,881	6,483,055
Subordinated liabilities	70,025		-50,000				20,025
Security given for derivatives [1]	-156,080	76,980					-79,100
Security received for derivatives [2]	45,400		-11,270				34,130
Total	**7,403,213**	**2,128,662**	**-716,593**	**-31,041**	**-368,722**	**3,881**	**8,419,400**

				Finnvera plc 2017			
(EUR 1,000)	**Opening balance 1.1.**	**Cash inflows from financing activities**	**Cash outflows from financing activities**	**Fair value changes**	**Foreign exchange differences**	**Other changes**	**Closing balance 31.12.**
Liabilities to credit institutions	213,452				-25,843		187,609
Liabilities to other institutions	75,793	243,558	-232,364		-4,468		82,519
Debt securities in issue	4,891,873	2,051,682	-259,471	-30,276	-174,633	3,881	6,483,055
Subordinated liabilities	70,025		-50,000				20,025
Security given for derivatives [1]	-156,080	76,980					-79,100
Security received for derivatives [2]	45,400		-11,270				34,130
Total	**5,140,463**	**2,372,220**	**-553,104**	**-30,276**	**-204,944**	**3,881**	**6,728,239**

[1] Included in "Prepayments and accrued income" in the balance sheet.

[2] Included in "Accruals and deferred income" in the balance sheet.

NOTES CONCERNING THE PRESENTATION OF THE FINANCIAL STATEMENTS

A Accounting principles

A1 Basic information of the Group

The Group's parent company is Finnvera plc (hereinafter Finnvera) and its subsidiaries are Finnish Export Credit Ltd, Veraventure Ltd and ERDF-Seed Fund Ltd. Finnvera provides financing for the business of small and medium-sized enterprises (SMEs), for exports and internationalisation, and helps implement the Government's regional policy objectives. Finnish Export Credit Ltd focuses on the financing of export credits, whereas Veraventure Ltd and ERDF-Seed Fund Ltd engage in venture capital investment. The majority holding in Seed Fund Vera Ltd, a former subsidiary of the Group, was sold during 2016. As a result of this transaction, Seed Fund Vera Ltd is no longer included in the consolidated financial statements. During 2017, Seed Fund Vera Ltd merged with the Innovestor Kasvurahasto I Ky fund, where Finnvera has a 19.7 per cent holding. Innovestor Kasvurahasto I Ky and ERDF-Seed Fund Ltd are classified as assignable assets available for sale and they are presented in more detail under "E23 Disposal groups classified as held for sale".

The Group's parent company is a Finnish limited liability company established in accordance with Finnish law. Its business ID is 1484332-4 and it is domiciled in Kuopio. The parent company's registered address is P.O. Box 1127, Kallanranta 11, FI-70111 Kuopio, Finland. Finnvera's Board of Directors approved the financial statements on 19 February 2018.

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

A2 Principles for drawing up the financial statements

The financial statements include both the consolidated and the parent company's financial statements. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IFRSs effective on 31 December 2017 that refer to the standards and their SIC and IFRIC interpretations adopted in accordance with the procedures laid down in IAS Regulation No 1606/2002 of the European Union. The notes to the financial statements also comply with the currently valid requirements of the Finnish Accounting and Limited Liability Companies Acts.

The financial statements have been prepared on the basis of historical costs, except for financial assets available for sale and financial assets and liabilities recognised at fair value through profit or loss. Drawing up financial statements in keeping with the IFRS standards requires the making of certain accounting estimates and judgment exercised by the management. In its judgments, the management uses estimates and assumptions that are based on earlier experience and the management's best understanding or other knowledge. Use of the management's judgment is described in more detail in section "A12 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty".

The financial statements are presented in thousands of euros. The sums calculated from individual figures may therefore differ from the total sums presented on their own lines.

New and revised standards and interpretations applied

In 2017, Finnvera adopted the following new or revised IFRS standards or interpretations:

- Amendments to IAS 7 Statement of Cash Flows – Changes in liabilities arising from financing activities (applied to financial periods starting on 1 January 2017 or thereafter), related to the Disclosure Initiative with a document issued in January 2016. The amendments concerning the statement of cash flow present information that enable users of financial statements to evaluate changes in liabilities that arise from financing activities, covering both liabilities that impact cash flows and liabilities that do not. In Finnvera's consolidated financial statements, clarifying tables concerning changes in liabilities arising from financing activities have been added to the presentation of statements of cash flows.
- Amendments to IAS 12 Income Taxes – Recognition of deferred tax assets for unrealised losses (applied to financial periods starting on 1 January 2017 or thereafter). The amendments clarify how deferred tax assets are recognised for debt instruments measured at fair value. In Finnvera's consolidated financial statements, the amendments to IAS 12 do not affect the Group's deferred taxes.
- Amendments to IFRS 12 Disclosure of Interests in Other Entities (applied to financial periods starting on 1 January 2017 or thereafter), related to the document Annual

Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016. When an entity's interest in a subsidiary, a joint venture or an associated company is classified as an assignable asset available for sale in accordance with IFRS 5, the entity does not need to present in its financial statements a summary of the financial information concerning the subsidiary, joint venture or associated company in question. In Finnvera's consolidated financial statements, the new requirements set by IFRS 12 are applied to subsidiaries that have been classified as assignable assets available for sale or as discontinued operations in accordance with IFRS 5. Consequently, financial information concerning ERDF-Seed Fund Ltd has been removed from Note 23 (Disposal groups classified as held for sale).

New and revised standards and interpretations applied later

The IASB has issued the following new or revised standards and interpretations. The Group applies them as of the effective date of each standard and interpretation. If the effective date is not the first day of a financial period, they are applied as of the beginning of the next financial period following the effective date.

Adoption of IFRS 9

IFRS 9 Financial Instruments and its amendments (applied to financial periods starting on 1 January 2018 or thereafter): The new standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and measurement of financial assets and includes a new calculation model, based on expected loss impairment, for assessing the impairment of financial assets.

Classification of financial assets

Finnvera's management has classified the IFRS 9 financial assets on the basis of the business models:

The financial asset item on the balance sheet:	Business model:
Loan receivables from clients	The objective is to collect the contractual cash flows
Deposits	Deposits The objective is to collect the contractual cash flows
Debt securities include certificates of deposit into public corporations, credit institutions and enterprises	The objective is to collect the contractual cash flows
Investments in bonds	The objective is to collect the contractual cash flows and to sell the assets

The business model with the objective of holding the financial assets to collect the contractual cash flows encompasses loan receivables from clients, debt securities and deposits. Financial assets may also be sold in situations resulting from sudden financing needs. According to Finnvera's asset management policy, it has been decided that investments in bonds may be sold, if necessary, to maintain daily liquidity or a certain interest profile, among other things. In line with this business model, sales transactions recur more frequently and are larger.

Classification of financial liabilities

The adoption of IFRS 9 will not bring about major changes with regard to financial liabilities. Hedge accounting for bonds issued will be discontinued at the beginning of 2018. This means that the cumulative change in credit risk fair value accrued by the time IFRS 9 is adopted is transferred from retained earnings to comprehensive income. As of the beginning of 2018, the change in the credit risk is recognised in other components of comprehensive income and the reversing entry is presented in equity in the fair value reserve. The change in fair value that results from market interest rates is recognised through profit or loss.

Expected loss impairment

Finnvera is carrying out a system development and revision project owing to the changes required by the IFRS 9 standard. The project is related to export financing and SME and midcap financing. Finnvera has estimated that the most significant changes in SME and midcap financing are related to expected loss impairment calculated on the basis of positive financing decisions (credit commitments). The project is still ongoing.

When calculating expected loss impairment, Finnvera adheres to the same general principles as the banking sector in general. In export financing, the impacts of IFRS 9 will be substantial when compared to the current provision calculation. The amount of expected loss impairment is substantially influenced by the following factors: how large a change in the probability of default indicates a significant increase in credit risk and what kinds of future scenarios are used in calculations. Undrawn guarantees are included in the calculation of expected loss impairment. A special characteristic of export financing is that the schedules for drawing credits covered by guarantees can extend for years ahead. As a result, undrawn guarantees are not fully taken into account in export financing when calculating expected loss impairment. The further in the future the drawing date of the loan covered by the guarantee is, the lower the multiplier used for the undrawn guarantee when taking it into account in expected loss impairment. According to the management's current view, IFRS 9's expected loss impairment calculation model will not take offer-stage guarantees (the so-called liability stemming from the offers given) into account in export financing as export financing offers are individually tailored, valid for a certain period of time and their continuation is decided case by case.

In addition, Finnvera is currently carrying out a project to harmonise the risk classifications used within the company for SME and midcap financing clients and for export financing clients, which may still change transitions from one level to another and affect the expected loss impairment amounts in the future. The goal is to have uniform risk classification guidelines in place in 2018.

A significant increase in credit risk is indicated by a change in the risk score between the effective date and the reporting date. The level is also affected by the clients' payment behaviour: for instance, a payment delay exceeding 30 or 90 days results in a lower level. Guarantee receivables on the balance sheet are handled on level 3. In SME and midcap financing, expected loss impairment is calculated for all offers given according to the level 1 because there is no significant credit risk increase to be expected in them as offers are valid for a maximum of six months.

In the calculation of expected loss impairment, the State's credit loss compensation reduces Finnvera's expected loss impairment. The State's credit loss compensation applies to Finnvera's SME and midcap financing loans and guarantees.

On 15 February 2018, the Government made a decision to change the commitment to compensate Finnvera plc partially for credit and guarantee losses. The changed commitment will enter into force on 1 March 2018, and it will be applied to all outstanding credits and guarantees of the company and to new credits and guarantees granted by the company as of 1 January 2018. The loss compensation level will be lowered and harmonised to 50 per cent in SME and midcap financing. Finnvera estimates that the financing for the company's domestic operations will be annually self-sustainable also after the loss compensation level has been lowered.

Finnvera will not calculate expected loss impairment for credit loss receivables and interest subsidy receivables from the State as their impairment amounts are non-essential. If the situation changes in the future (e.g. if the State's credit rating decreases), the need for recording expected loss impairment will be reviewed.

For loans granted to the personnel, Finnvera will not calculate expected loss impairment according to IFRS 9 because personnel loans have been transferred to an external commercial bank as of the beginning of 2018.

With regard to asset management, expected loss impairment is calculated for receivables from credit institutions and for certificates of deposit into public corporations, credit institutions and enterprises:

- IFRS 16 Leases (applied to financial periods starting on 1 January 2019 or thereafter): Replaces the current standard IAS 17 on leases and the related interpretations. IFRS 16 includes major changes to the lessee's accounting because a substantial percentage of leases is transferred to the lessee's balance sheet as an item under fixed assets and as a lease liability. In addition, lessees will no longer classify leases as finance leases and operating leases. As a consequence, lessees will have only one accounting model for presenting leases. IFRS 16 will affect the accounting procedure for leases concerning Finnvera's premises, as well as the accounting procedure for leasing cars and certain IT licence agreements. The impact of the changes is still being assessed.
- IFRS 15 Revenue from Contracts with Customers (applied to financial periods starting on 1 January 2018 or thereafter): The new standard replaces the current IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes a five-step model for recognising revenue: how and when is revenue recognised. The number of notes presented also increases. Finnvera recognises the revenue collected on loans and guarantees on the basis of time elapsed. According to Finnvera's analysis, the adoption of IFRS 15 will not cause changes to the current calculation rules related to revenue recognitions. In export credit guarantees, notes concerning commitment fees paid by clients will be published in accordance with IFRS 15 starting from the half-year report and consolidated financial statements for 2018.

A3 Consolidation principles for the financial statements

Subsidiaries

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

In the parent company's financial statements, holdings in subsidiaries have been entered at acquisition cost. The value of the subsidiaries' shares is tested when the books are closed and, whenever necessary, an impairment loss is recognised.

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

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

Associates

Associated companies are entities in which the Group has significant influence but not control over the financial and operational policies of the entity. Significant influence exists when the Group has 20 to 50 per cent of the voting shares of the entity. Associated companies are consolidated using the equity method of accounting. At the end of 2017, Finnvera had no associated companies consolidated using the equity method of accounting.

Equity investments made by Finnvera through its subsidiaries engaged in venture capital investment – Veraventure Ltd and ERDF-Seed Fund Ltd– are treated in the consolidated financial statements in the alternative manner allowed by IAS 28 Investments in Associates and Joint Ventures, as investments recognised at fair value through profit or loss. The consequent changes in fair value are recognised in the income statement of the consolidated financial statements, under the item Gains and losses from financial instruments carried at fair value.

Elimination of intra-group items in the consolidated financial statements

Intra-group transactions, internal receivables and liabilities, unrealised profits on internal transactions, and intra-group profit distributions are eliminated in the consolidation.

Non-controlling interest

Non-controlling interest in the equity and in the comprehensive income for the period is reported as a separate item in the comprehensive income statement and on the balance sheet as part of equity.

A4 Transactions denominated in foreign currencies

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

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

A5 Principles for recognising income and expenses

Net interest income

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

The interest on interest rate swaps made for hedging receivables is treated as an adjustment item for interest income, while the interest on interest rate swaps made for hedging liabilities is treated as an adjustment item for interest expenses.

Net fee and commission income

Guarantee fees are recognised in the income statement over the maturity of the contract.

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

Other fee and commission income and expenses are normally recognised when the service is rendered. These include, for instance, changes resulting from various debt restructuring arrangements, collection charges, invoicing expenses and legal procedures that are charged from clients after the change has been made.

Fee and commission expenses consist of service charges collected by banks, reinsurance fees related to export credit guarantees and expenses related to funding.

Gains and losses from financial instruments carried at fair value

Gains and losses (both realised and unrealised) from derivative contracts, liabilities and venture capital investments measured at fair value as well as exchange rate differences are presented under the comprehensive income statement item Gains and losses from financial instruments carried at fair value.

Net income from investments

Gains and losses from shares, participations and debt securities classified as available for sale, and impairments of these items, are presented under the item Net income from investments.

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

Government grants

Finnvera receives interest subsidies and guarantee commission subsidies from the State as well as compensation for losses on credits and guarantees that Finnvera has granted on certain regional policy grounds agreed with the State. Credit and guarantee loss compensation is paid for credits and guarantees that have been granted without full security.

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

In previous years, Finnvera has received grants to be used as capital for Seed Fund Vera Ltd. More information on government grants is available in Note E12 to the balance sheet.

A6 Intangible and tangible assets

Intangible assets

Intangible assets include licences and user rights for IT applications and software and their development costs, provided that their cost can be measured reliably and it is probable that the Group will gain economic benefit from the assets. Finnvera had two important IT projects in progress, one of which was completed in late 2017. In 2018, Finnvera continues the digitalisation project that aims to improve productivity and efficiency through possible digitalisation of business and support processes. Digitalisation will be developed in stages over several years. The Salkku project replaced the old management system of SME and midcap financing customer accounts. At the end of 2017, Finnvera adopted the Salkku system, and the related reporting feature came into use at the beginning of 2018.

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

Tangible assets

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

Impairment of intangible assets and property, plant and equipment

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

A7 Costs of post-employment benefits

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

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

A8 Income taxes

Income taxes in the comprehensive income statement consist of income taxes and deferred taxes for the current and previous financial periods. Taxes are recognised in the income statement with the exception of any deferred tax for items charged or credited directly to equity. In that case, the tax is also charged or credited directly to equity.

Deferred taxes are calculated using the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are calculated using a corporation tax rate of 20.0 per cent.

An amendment to the Income Tax Act passed by Parliament entered into force through a Government Decree issued on 20 December 2007. The amendment made Finnvera exempt from income taxation as from 1 January 2007. Finnvera's subsidiaries have no corresponding exemption.

A9 Financial assets and liabilities

Classification

Financial assets are classified as financial assets at fair value through profit or loss, loans and other receivables, as well as financial assets available for sale. Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets and liabilities recognised at fair value through profit or loss

Balance sheet items recognised at fair value through profit or loss comprise derivative contracts, financial liabilities designated at fair value through profit or loss and other items designated at fair value through profit or loss. Finnvera has no financial assets or liabilities held for trading.

Financial items recognised at fair value through profit or loss comprise derivative contracts and the liabilities for which the interest rate risk or the currency risk has been hedged using derivatives. Finnvera applies the fair value option in accordance with IAS 39 Financial Instruments: Recognition and Measurement to the above-mentioned items. Hedge accounting is applied to some of the bonds issued.

Venture capital investments made by the Group are classified as financial assets to be recognised at fair value through profit or loss upon initial recognition. Investments are recognised at fair value and the change in fair value is recognised in the income statement, under the item Gains/ losses from items carried at fair value through profit or loss (for determination of the fair value of venture capital investments, see Note A12 concerning the presentation of the financial statements, called Accounting principles requiring the management's judgment).

Fair value changes in assets and liabilities recognised at fair value through profit or loss are recognised in the income statement under the item Gains and losses from financial instruments carried at fair value.

Loans and other receivables

Contracts with fixed or determinable payments that are not quoted in an active market are classified as loans and other receivables. Upon initial recognition, loans and other receivables are measured at acquisition cost plus any costs directly attributable to the acquisition. Subsequently these items are measured at amortised cost using the effective interest rate method. Short-term investments, which include municipal notes, commercial papers, certificates of deposit and treasury bills, are measured at amortised cost.

Available-for-sale financial assets

Non-derivative financial assets that are designated as available for sale or that do not belong to any other category of financial assets are classified as available-for-sale financial assets. In Finnvera, bond commitments as well as shares and participations other than those held for venture capital investments are classified as available-for-sale financial assets.

Unlisted shares and participations are measured at cost because their measurement at fair value is not possible. Upon initial recognition, bond commitments are measured at fair value plus any transaction costs directly attributable to the acquisition. Subsequently, available-for-sale financial assets are measured at fair value and the change in fair value is recognised in other components of comprehensive income and presented in equity in the fair value reserve.

If the value of an asset classified as a financial asset available for sale has declined markedly or for an extended period, the accumulated loss recognised in equity is entered in the income statement. The criteria for impairment loss are as follows: the company has been declared bankrupt or insolvent or has entered into a restructuring agreement, or has sought protection against its creditors, or extensive restructuring having an effect on the creditors is in progress.

Other financial liabilities

Other financial liabilities comprise liabilities to credit institutions, liabilities to subsidiaries, loans that are received from the State for refinancing export credits and that are not designated to be recognised at fair value through profit or loss, guarantee premiums paid in advance, and security received for derivatives.

State subsidies and grants received for the purpose of acquisition of subsidiaries are also classified as other financial liabilities because of the repayment obligation relating to these items in certain situations.

Other financial liabilities are recorded on the balance sheet at the amount of the consideration received, adjusted for any transaction costs incurred, and are measured at amortised cost using the effective interest rate method.

Finnvera treats the zero-interest subordinated loans granted to the Group by the State as loans granted by the owner. They are recognised at nominal value due to their special nature and the related special clauses. Subordinated loans are presented in more detail in Note E16 to the balance sheet.

Determination of fair value

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

Level 1: The fair value of quoted shares, fund investments and other financial instruments is determined on the basis of published price quotations on an active market.

Level 2: If a published price quotation on an active market does not exist for a financial instrument in its entirety, but an active market exists for its components, fair value is determined on the basis of relevant market prices for the components using an applicable valuation technique. The valuation techniques used may vary by financial instrument.

Level 3: If the market is not active or the financial instrument is unlisted, the value is determined by using generally applied valuation techniques. If reliable determination of fair value is not possible, the financial instrument is measured at cost less any impairment losses.

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

Recognition and derecognition of financial assets and liabilities

Loans and other receivables are recognised on the balance sheet when a client takes out a loan; available-for-sale financial assets and derivative contracts are entered using trade date accounting, and financial liabilities recognised at fair value through profit or loss are entered when the consideration is received.

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

Impairment losses on financial assets

An impairment loss is recorded on loans and other receivables when there is objective evidence of impairment as a result of one or more loss events and this has an impact on future cash flows to be received from the receivables.

Objective evidence of a client's capability to fulfil obligations is based on the risk classification of clients, past experience and estimates made by the management about the effect of delayed payments on the accruing of receivables.

Impairment is assessed individually and collectively. Receivables where the client's total risk exposure is significant are assessed individually. For the purposes of assessing receivables collectively, the receivables are divided into subgroups that are similar in terms of credit risk.

An impairment loss is recognised if the present value of the future cash flows discounted at the receivable's original effective interest rate is lower than the carrying amount of the receivable. The amount recovered at the realisation of the collateral, as well as the credit loss compensation received from the State, are taken into account in the assessment.

An impairment loss is recognised as a realised loss when the debtor has been found insolvent in liquidation proceedings, has ceased operations, or the receivables have been written off in either a voluntary or statutory debt adjustment. In SME financing, as from the financial statements of 2015, Finnvera has applied the definition of doubtful receivables harmonised at the EU level. The following are reported as doubtful receivables: receivables that are more than 90 days overdue; receivables subject to impairment losses, receivables from clients that have applied for restructuring or are in the process of restructuring, guarantee receivables and bankruptcy receivables.

In the financial statements for 2017, Finnvera applies, in line with IAS 39, an individual and collective impairment assessment method in its SME and midcap financing, calculated on either a client-specific or risk category-specific basis. The Large Corporates unit makes individual and collective provisions for bank and enterprise commitments in export financing.

Hedge accounting

Finnvera adopted hedge accounting starting from 2016. The purpose of hedge accounting is to hedge against the impact of fair value changes caused by changes in market interest rates.

When IFRS 9 enters into force, hedge accounting for bonds issued will be discontinued because, starting 1 January 2018, bonds will be measured at their fair value through profit or loss, in accordance with IFRS 9. In the financial statements for 2017, the bonds included in hedge accounting are measured at fair value with regard to changes in market interest rates.

Financial liabilities included in hedge accounting and their result are presented in Note E20.

Impact of negative interest rates

As of the second quarter of 2016, the income received by the Group on some euro-denominated accounts and other investments has been negative. This has, for its part, reduced the Group's interest income.

After the implementation of the Salkku application, Finnvera will compensate its clients for the negative reference rates in accordance with credit agreements during 2018. The compensation will be taken directly into account in clients' future interest payments or paid in cash. In 2017, the impact of negative rates has been recorded as a provision in Finnvera's accounting.

A10 Provisions

Provisions for export credit guarantee losses

A provision is recognised on outstanding export credit guarantees and special guarantees when there is objective evidence that the obligation to pay an indemnity is likely to arise and it is estimated that the present value of the cash flows arising from the indemnity and discounted at the effective interest rate exceeds the correspondingly discounted cash flow from the recovery receivables arisen on the basis of the indemnity paid.

Objective evidence of a client's capability to fulfil obligations is based on the risk classification of clients, past experience and estimates made by management about the client's ability to repay the credit covered by the guarantee.

The need for provisions is assessed individually and collectively. Individual assessment is applied to commitments where the amount of commitments is substantial, i.e. the total commitment as per the guarantee cover is at least EUR 500,000. For smaller commitments, the need for provisions is assessed collectively.

Provisions for domestic guarantee losses

Provisions for domestic guarantee losses are recognised according to the same principles as the impairment losses recognised on loans and other receivables individually or collectively.

Provisions

A provision is recognised on outstanding domestic guarantees and export credit guarantees in SME and midcap financing and export financing when there is objective evidence that the obligation to pay an indemnity is likely to arise and it is estimated that the value of the cash flows arising from the indemnity and discounted on the balance sheet date exceeds the correspondingly discounted cash flow from the recovery receivables arisen on the basis of the indemnity paid.

The principles for recognising provisions are described in more detail under section A10 of the accounting principles. The provisions have been made on the commitments presented in the note Contingent liabilities.

A11 Leases

Leases are classified as finance leases and operating leases. The classification is based on whether the substantial risks and rewards incidental to ownership are transferred to the lessee. At the end of 2017, Finnvera had no leases classified as finance leases.

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

A12 Accounting principles requiring the management's judgment and the key sources of estimation uncertainty

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

At Finnvera, the essential judgments concern the assessment of impairment losses on clients' loans and other receivables, the provisions to be made for domestic guarantee and export credit guarantee commitments, recovery receivables related to export credit guarantees, and the determination of the fair value of financial instruments and venture capital investments made through Finnvera's subsidiaries engaged in venture capital investment. At the end of 2017, only the subsidiary ERDF-Seed Fund Ltd had investments related to venture capital investment activities.

Impairment losses on receivables from clients

The impairment testing of receivables from credits, domestic guarantees and export guarantees included in SME and midcap financing is done individually for the largest sums and by risk category for other sums. The impairment testing is based on estimates of future cash flows to be received. The value of the receivables has impaired if the estimated value of the cash flow discounted on the balance sheet date, including collateral, is less than the carrying amount of the receivables. In export financing, the impairment testing of loans and recovery receivables is done separately for individual receivables.

The principles for recognising impairment losses are described in more detail under the section Impairment losses on financial assets. During the financial year, impairment losses were only recorded on the balance sheet item Loans and receivables from customers. Note E2 to the balance sheet shows the amount of impairment losses.

Determination of the fair value of venture capital investments

In accordance with the Government's policy outlines, Finnvera gives up its venture capital investment activities. In 2016, Finnvera sold 78.9 per cent of its holding in Seed Fund Vera Ltd. In 2017, the remaining holding (19.7 per cent) transferred to Innovestor Kasvurahasto I Ky as Seed Fund Vera Ltd merged with Innovestor Kasvurahasto I Ky. Veraventure Ltd sold its remaining fund investments during 2017. In 2017, Finnvera bought the holdings of ERDF-Seed

Fund Ltd's minor shareholders (approximately 5 per cent), becoming the sole owner of the fund. The arrangement was made in preparation for Finnvera's overall withdrawal from the fund.

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

Determination of the fair value of liabilities and derivative contracts

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

B Risk management

IFRS consolidated financial statements, notes related to risk management

The principles, role and responsibilities of risk management

Finnvera's operational objectives in financing the growth, internationalisation and exports of enterprises and the strategies to achieve these objectives form the foundation of risk management. Finnvera supplements the financial market and takes greater credit risks than providers of financing operating on commercial grounds. Credit risk is the principal risk segment for the Finnvera Group. Other key risks are liquidity and market risks as well as operational risks associated with activities.

The task of risk management is to identify risks and to help Finnvera's management in managing risks that could jeopardise the attainment of the company's objectives. Risk management is of central importance for maintaining the Finnvera Group's ability to take risks and for attaining the company's long-term economic objectives. Finnvera's Board of Directors and senior management are responsible for arranging and organising internal control and risk management. The company's Board of Directors approves the principles of risk management, risk appetite, credit policy and decision-making powers, among other things.

In internal control and risk management, Finnvera applies a "three lines of defence" model. According to the model, business areas and other operations at the first line of defence own risks and are primarily responsible for risk management. The second line of defence is Risk Control, working independently of Finnvera's business areas and responsible for the development of the methods and guidelines of risk management and for the monitoring of the Group's risk position. Together with the business units, Risk Control is responsible for the development and maintenance of risk classification systems and for monitoring the functioning of these systems. In addition, Risk Control constantly assesses risks and reports its views to the Chief Executive Officer and the Board of Directors. The third line of defence is internal auditing which reports directly to the Board of Directors.

Risk appetite and risk policies

Finnvera has defined risk appetites for all major risk types. Finnvera's risk appetite has been determined so that the company meets the ownership and industrial policy objectives in the medium and long term in relation to risk buffers and earnings power. The main credit risk indicators are the level of capital adequacy, the internal capital requirement and the expected loss of the credit portfolio. As for liquidity risk, Finnvera secures liquidity for a period defined in advance so that the financing of export credits and lending to domestic SMEs can be managed. Regarding market risks, Finnvera does not take visionary interest rate or currency risks and strives to keep the risk within defined limits. The risk appetite for operational risks has been derived from the ISO 9001 quality standard used by the company and from compliance with external requirements, taking into account the cost-quality ratio.

The State compensates Finnvera for some of the losses incurred in SME financing. During the economic cycle, the company must cover its share of domestic credit and guarantee losses incurred with cash flow financing. Apart from the buffer of accumulated equity, the State Guarantee Fund and the State of Finland secure the foreign country, bank and enterprise risks associated with export credit guarantee operations. In the long term, profits from operations must cover the expenses and guarantee losses arising from operations. Finnvera takes credit risks in a controlled manner and hedges against other risks or minimises them. Some of the investments in subsidiaries consist of capital invested by the State through the parent company, while some is capital invested directly by the parent company.

Risk-taking pertaining to SME financing is steered by means of the credit policy and business area specific risk-taking targets that take into account, among other things, differences in the clientele and the operating environment. Finnvera's risk-taking is based on targets set by the owner for impact and profitability. Risk-taking pertaining to financing is steered by means of the credit, guarantee and country policies ratified by the Board of Directors. Instruments such as reinsurance or credit derivatives may be used to hedge some credit risks in export credit guarantee operations.

Finnish Export Credit is Finnvera's subsidiary, the tasks of which are to finance Finnish exports by granting officially supported export and ship credits that are in line with the OECD Arrangement on Officially Supported Export Credits, as well as to manage the related interest equalisation system. The subsidiaries are controlled by the parent company and fall within the scope of risk management and internal auditing practised in the Group.

Credit and guarantee risks and risk classification systems

The risk of a credit loss arises when a debtor or another counterparty does not meet its obligations. In SME financing, the reason for credit losses is usually the insolvency of a corporate client. In the case of export credit guarantees, a guarantee loss may stem from the inability or unwillingness of a country, bank or corporate client to meet their payments.

Management of credit risks in SME financing is based on the assessment of each enterprise. Finnvera applies a risk rating system of eight categories, which is based on long-term observation of insolvency events for each risk category. The scale in use has seven categories for operating enterprises and one for insolvent enterprises. When a decision on financing is made, the account manager is responsible for assessing the credit risk, for giving the client the risk rating and for drafting the financing proposal. The Credit Decision Unit participates in the assessment of risk rating in conjunction with decision-making. The risk rating of Finnvera's client enterprises is updated at least every second year and when new projects are introduced.

For granting export credit guarantees, Finnvera classifies countries into eight OECD categories. The classification is based on methods used by export credit agencies. Various factors affect the determination of the country category: assessment of the country's ability to manage its external liabilities, expectations of the future trend of the country's economy, and political stability and the legislative framework. The granting of export credit guarantees is based on country policy. Each country for which Finnvera can grant export credit guarantees is assigned one country policy out of four policy categories (A–D). Finnvera keeps a close eye on the economic and political situations of countries and makes adjustments to its country policy depending on the changes that have occurred. The category of each country is reviewed at least once a year.

The taking of bank risks is based on an assessment of each country's banking system and on the risk analyses and risk ratings of individual banks. On the basis of both qualitative and quantitative factors, a risk-taking outline is determined for each individual bank, depending on the risk category. The risk rating of banks is updated whenever needed and always when new projects are introduced.

The taking of enterprise risks is based on an analysis of the enterprise's management, business and finances. The analysis may be concise in the case of small and short-term guarantees. The enterprise analysis is conducted for domestic projects by the account manager and for export credit guarantee projects by an analysis team independent of business operations. The analysis results in internal risk classification, which is updated when new projects are introduced or otherwise at least once a year. The aim has been to calibrate the risk classification scale so that it is consistent with the scales used by international risk rating agencies.

The credit rating of enterprises is based on the Probability of Default (PD), the Loss Given Default (LGD) and the exposure at default. Finnvera's financial products are mainly loans, loan guarantees and export credit guarantees. Owing to the nature of the products, it is justified to assume that the disbursed exposure is fully in use at the time of default. In the model for SME financing, the Loss Given Default is the exposure minus the value of collateral pledged, whereas in the model used for export credit guarantees, losses are estimated empirically. In the model for SME financing, the Probability of Default is based on Finnvera's own historical data, accumulated for over 20 years, on the probabilities of default in various risk categories. There are considerably fewer loss events in export credit guarantee operations, so the probabilities of default have been derived from the data published by international credit rating agencies. Risk Control monitors the functioning of the risk classification models regularly, and amendments improving them are made whenever necessary.

The credit risk models are utilised, for instance, for the following:

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

In connection with the proposal for financing, the account manager or the credit risk analyst conducts credit rating using a rating tool suited for assessing the qualitative and financial factors of the risk object. The model generates a risk score (0–100) for the object, and that score determines the risk category. In addition to the model, SME financing uses, for minor risks and as a control, a so-called mechanical risk category that is based on financial key indicators and the client's earlier payment behaviour with Finnvera. The risk category is determined when a proposal for financing is made is confirmed in connection with the financing decision. Whenever necessary, Risk Control gives its opinion on the risk ratings of the largest exposures.

The account manager is responsible for updating the risk rating. The system sends an update request automatically on the basis of certain criteria or when the validity of the rating has expired.

Correspondence between Finnvera's rating categories and the rating used by S&P[1]

S&P rating	AAA...AA-	A+...BBB+	BBB...BBB-	BB+...BB-	B+...B-	C
Finnvera	A1	A2...A3	A3-...B1	B1-...B2	B2-...B3	C

[1] Because of differences in the rating methods, the comparison with the S&P rating is only suggestive

Financing decisions are made by the Board of Directors and according to the authorisations delegated by the Board so that the amount of exposure and risk have an impact on the decision-making level. Finnvera's Credit Committee makes decisions under its own authority, discusses proposals submitted to the Board of Directors for decision-making, and handles issues requiring a specific policy. The Credit Committee is chaired by the CEO. The Head of the Credit Decision Unit serves as the Vice Chair. Risk Control takes part in the Credit Committee's work.

Monitoring of credit risks

Client monitoring takes place through annual analysis of the client enterprise's financial statements, regular contacts with the client and through monitoring of the client's payment behaviour and operations. In its monitoring, Finnvera utilises data from its own control systems, from beneficiaries of domestic guarantees and export credit guarantees, and from public registers on payment defaults. Elevated client risks are taken under special monitoring, and a special monitoring report on the most elevated client risks is drawn up every six months. The probability of credit losses and any needs for write-downs are assessed at the same time. In 2018, Finnvera will adopt the IFRS9-compliant write-down procedure.

The concentration of risks in counterparties, sectors and countries is monitored regularly. Owing to the purpose of the company's operations, it is challenging to set precise limits for these risks. Risk appetite defines, in principle, maximum exposures for corporate counterparties and for country-related concentration risks. In SME financing, the credit policy defines the maximum exposure of an individual counterparty. Decisions greater than this maximum must be justified separately to the company's Board of Directors and, whenever necessary, to the State owner. In export financing reinsurance agreements are used to hedge against risks associated with individual counterparties and concentrations.

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

Risk Control provides the Board of Directors and the management with quarterly reports on the risk-taking realised in relation to risk appetite and goals. In addition, the company's reporting system generates constant reporting based partly on daily data and month-specific data. The main indicators in Finnvera's risk management are the distribution of the current credit and guarantee exposure and the change in exposure by risk category, payment delays and non-performing receivables. In SME financing, the LGD estimate is largely based on the value of collateral, whereas in export credit guarantees, it is based on a separate estimate of recoveries. The level of risk-taking in relation to outstanding exposure, financing granted, and export credit guarantees is described by using the anticipated statistical value of credit losses (anticipated loss), the total loss, and the credit losses realised. These are reported quarterly. When estimating the total loss, Finnvera uses a VaR confidence interval of 99.5%.

Interest rate and currency risk

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

Structural interest rate risks arise when Finnvera's own funds, classified as being interest-free, are used in lending as one source of funding. Finnvera monitors the consequent interest rate risk and, if necessary, hedges this risk. The company's Board of Directors has determined that the target for return on equity is based on the 6-month Euribor, which governs the size of the structural interest rate risk.

The entire lending portfolio of Finnvera's SME financing is denominated in euros, whereas export financing uses both euros and dollars. Finnvera acquires funds from a number of markets and in a number of currencies. To control the currency risk, the funds acquired are converted into euros or dollars by using currency swaps. Cash assets are also invested in the relevant currencies. The remaining currency risk is hedged using currency derivatives, if necessary.

Finnvera's goal is to keep both the interest rate risk and the currency risk low. Risks are monitored actively, and the company's management and the Board of Directors receive regular reports on them.

Liquidity risk

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

Finnvera's Board of Directors approves the principles of liquidity management. According to these principles, the liquidity buffer must at any given time cover the payments scheduled for the next 12 months. The principles also determine how much underfunding the company can accept in the longer term. Liquid assets are invested in objects that have a high credit rating Finnvera's Asset Management is responsible for practical tasks associated with borrowing and liquidity management. The company's accumulated own funds are an important element of the acquisition of funds for lending.

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

Market risk

Finnvera does not trade in instruments subject to the effect of market prices. However, a small amount of market risk arises on the balance sheet when liquid assets are invested and when measures are taken to hedge against currency and interest rate risks. The aim is to invest liquid assets in instruments where investments can be kept until maturity. Since the investments are classified as available for sale, changes in market prices do not affect Finnvera's financial performance. Effort is also made to hedge risks so that the net effect of market changes on financial performance would be slight.

Operational risks

An operational risk is a risk of loss caused by insufficient or inoperable internal processes, systems, human resources or external events. Operational risks also include legal risks and the risk of damage to reputation. Loss resulting from an operational risk may materialise as higher costs, lower profits or lost reputation, for instance.

The management of operational risks has been developed systematically since 2006, and events caused by operational risks have been registered since the beginning of 2007. The process owners and units are responsible for developing the management of operational risks. The development of information security is steered and monitored by a separate Information Security Group, with the Security Manager and IT Manager, among others, as its members. Risk Control supports and coordinates the development of operational risk management. Potential risks have been charted and the severity of any consequences they might involve has been assessed for all business areas and support units. In addition, Finnvera has drawn up risk scenarios that, if realised, would have serious consequences for the company's operations. Responsibility for the implementation of actions to avert the risk scenarios and other severe risks has been divided between the various organisational units in line with their tasks. The management of operational risks is closely linked to Finnvera's continuous improvement of quality. Finnvera has an ISO 9001 quality certificate and meets the requirements set by central government for the increased level of information security. Safeguards are taken against operational risks, for instance, by introducing internal control mechanisms, by developing processes, information systems and the quality of operations, and by taking out insurance against risks.

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

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

Venture capital investments

Within the Finnvera Group, venture capital investments are carried out by Veraventure Ltd and ERDF-Seed Fund Ltd. Investments made in these companies fall within the scope of Finnvera's credit risk monitoring.

Risk management by the subsidiaries engaged in venture capital investments is based on enterprise analysis, limiting the size of investments, sharing the risk with other investors, and on sufficient diversification of the investment portfolio. The principles for liquidity investment are the same as those applied by the parent company.

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

Capital management, capital adequacy and external risk weight

Finnvera calculates its capital adequacy for SME financing according to the principles of the Basel III standard method even though Finnvera is not officially required to apply this method. Owing to the nature of its business, Finnvera must ensure that the amount of equity is sufficient in relation to the credit risks taken. The Ministry of Economic Affairs and Employment has set a goal of 12–20 per cent for Finnvera's capital adequacy. Finnvera assesses the adequacy of capital through an internal process that includes, among other things, stress tests and scenario analyses, aimed at anticipating unfavourable circumstances.

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

Equity and retained earnings are allocated to the reserve for domestic operations and to the reserve for export credit guarantee and special guarantee operations. The State provides direct support for Finnvera's domestic financing by paying credit and guarantee loss compensation for some of the credit losses incurred by Finnvera. At present, the compensation for credit and guarantee losses ranges from 35 to 75 per cent, depending on the project. The average is about 55 per cent of the outstanding credit and guarantee exposure. In export credit guarantee operations, the State of Finland is responsible, through bodies such as the State Guarantee Fund, for the losses that may arise during the financial period and exceed the assets in the reserve for export credit guarantee operations.

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

B1 Credit risks

	Finnvera Group	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**
Receivables		
Loans to and receivables from credit institutions - payable on demand	1,036,499	892,555
Loans to and receivables from credit institutions - other	28,279	29,936
Loans to and receivables from customers	5,846,190	6,078,034
Investments - Debt securities	3,059,716	2,042,422
Derivatives[1]	919	-4,565
Total	**9,971,603**	**9,038,382**
Contingent liabilities[2]	**19,008,094**	**14,847,002**

The format of the disclosure has been changed from previous years. The line itmes shown in the table have been updated to conform with the line items presented in the balance sheet. Comparative figures have been updated to reflect the new disclosure format.

[1] Derivative receivables presented are the sum of net receivables per derivative counterpaty. Presentation has been changed from the previous year, the net receivable is adjusted with cash collateral received. The comparative figure has been changed accordingly. Accrued interest is not included in the market value. The net receivable before the adjustment of cash collateral received was EUR 34,0 million (EUR 40,8 million). Cash collateral received was EUR 33,1 million (EUR 45,4 million).

[2] A more detailed analysis in Contingent liabilities.

Debt securities by credit rating grades and sector

	Finnvera Group 31 Dec 2017				Finnvera Group 31 Dec 2016			
(EUR 1,000)	Credit institutions	Corporates	Governments/ Municipalities	Total[1]	Credit institutions	Corporates	Governments/ Municipalities	Total[1]
Risk class								
A1	957,592	34,492	466,843	**1,458,927**	422,921	8,996	97,211	**529,128**
A2	1,244,830	30,489		**1,275,319**	1,166,957	28,985		**1,195,942**
A3	60,350	5,999		**66,349**	41,128			**41,128**
B1	62,033	168,455		**230,488**	48,069	170,940		**219,009**
Total	**2,324,804**	**239,435**	**466,843**	**3,031,083**	**1,679,074**	**208,921**	**97,211**	**1,985,206**

[1] SME-debt securities EUR 28,6 million (EUR 57,2 million) are excluded from the figures presented as they are included in the "SME and midcap Financing" section below.

SME AND MIDCAP FINANCING

B2 Receivables from customers and guarantees whose value has not impaired

	31 Dec 2017		31 Dec 2016	
(EUR 1,000)		%		%
Risk class				
A1	1,140	0	802	0
A2	7,355	0	5,025	0
A3	66,102	3	69,421	3
B1	316,535	14	346,643	15
B2	1,239,986	57	1,273,190	56
B3	453,753	21	498,082	22
C	49,409	2	48,000	2
D	49,394	2	42,319	2
Total	**2,183,674**	**100**	**2,283,482**	**100**

B3 Receivables from customers and guarantees by industry

(EUR 1,000)	31 Dec 2017	31 Dec 2016
Rural trades	42,966	39,158
Industry	1,150,514	1,251,267
Tourism	175,120	180,335
Services to business	478,343	584,503
Trade and consumer services	336,731	228,219
Total	**2,183,674**	**2,283,482**

B4 Loans and guarantees by area

(EUR 1,000)	31 Dec 2017	31 Dec 2016
Finland	2,183,674	2,283,482
Total	**2,183,674**	**2,283,482**

B5 Loans and guarantees, collateral shortage

	31 Dec 2017			
(EUR 1,000)	Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	**2,183,674**	**441,102**	**1,742,572**	**80**

	31 Dec 2016			
	Amount of commitment	Amount of collaterals	Collateral shortage	Collateral shortage-%
Total	**2,283,482**	**525,201**	**1,758,281**	**77**

B6 Impaired loans and guarantees for which a guarantee provision has been made

(EUR 1,000)	31 Dec 2017	31 Dec 2016
	Total	**Total**
Impairment losses on individually assessed loans and guarantee provisions		
Loans		
- Commitment before the impairment	67,645	63,926
- Impairment loss	22,412	19,987
- Commitment after the impairment	45,233	43,939
Export guarantees		
- Commitment before expert guarantee provision	6,837	11,409
- Export guarantee provision	6,422	9,754
- Commitment after export guarantee provision	415	1,655
Guarantees		
- Commitment before the guarantee provision	57,594	50,849
- Guarantee provision	19,554	17,302
- Commitment after the guarantee provision	38,040	33,547
Impairment losses on collectively assessed loans and guarantee provisions		
Loans		
- Commitment before the impairment	58,471	65,036
- Impairment loss	21,937	24,685
- Commitment after the impairment	36,535	40,351
Guarantees		
- Commitment before the guarantee provision	35,158	38,862
- Guarantee provision	12,679	14,878
- Commitment after the guarantee provision	22,479	23,984

B7.1 Doubtful receivables

(EUR 1,000)	31 Dec 2017	31 Dec 2016
Receivables that are more than 90 days overdue	109,903	97,655
Classified as insolvent	118,509	129,818
Individually and collectively assessed impairment losses [1]	-85,760	-87,853
Doubtful receivables net	142,652	139,619
0-interest credits	15,006	16,367

Doubtful receivables are defined according to the definition of the European Banking Authority that entered into force in 2015.

[1] All individually and collectively assessed impairment losses pertain to doubtful receivables.

B7.2 Past due receivables

(EUR 1,000)	31 Dec 2017	31 Dec 2016
1 day–3 months	18,016	13,970
3–6 months	15,825	7,937
6–12 months	11,746	10,671
Over 12 months	46,940	59,867
Total	**92,527**	**92,444**

Past due receivables comprise any interest payments, loan instalments, guarantee commissions and outstanding guarantee receivables that are unpaid at the balance sheet date for all current commitments, including loans subject to any impairment.

Past due receivables that are more than 90 days overdue are included in doubtful receivables.

EXPORT FINANCING

B8 Enterprise, sovereign and bank commitments by risk category

(EUR 1,000)				31 Dec 2017				31 Dec 2016
Risk category	Sovereigns	Enterprise commitments	Bank commitments	Total	Sovereigns	Enterprise commitments	Bank commitments	Total
A1		550,000	69,870	619,870		458,375	91,677	550,052
A2		137,091	368,860	505,952		0	334,142	334,142
A3		4,585,500	29,439	4,614,940		2,007,549	62,840	2,070,390
B1		8,791,875	83,674	8,875,548		2,776,409	44,480	2,820,888
B2		6,114,599	297,558	6,412,158		9,741,535	439,941	10,181,476
B3		674,993	106,293	781,286		1,772,574	68,094	1,840,668
C		151,056	15,889	166,945		9,400	601	10,000
D		7,883	0	7,883		2,428	0	2,428
No classification	276,486	169,476	0	445,961	319,138	167,655	1,718	488,511
Total	**276,486**	**21,182,473**	**971,583**	**22,430,542**	**319,138**	**16,935,924**	**1,043,494**	**18,298,556**

B9 Enterprise, sovereign and bank commitments by country category

Country category (EUR 1,000)	31 Dec 2017	31 Dec 2016
0	16,644,526	11,732,702
1	45	344
2	862,505	1,060,971
3	1,213,366	1,499,986
4	1,706,086	1,734,332
5	1,606,088	1,815,614
6	326,346	365,964
7	71,580	88,643
Total	**22,430,542**	**18,298,556**

B10 Bank, enterprise, sovereign and political commitments by sector

(EUR 1,000)	31 Dec 2017	31 Dec 2016
Telecommunications	4,092,485	3,993,867
Shipping companies	12,814,165	8,379,620
Wood processing	1,939,847	2,454,781
Metal industry and ore mining	310,331	255,311
Power generation	666,827	404,190
Other	610,629	672,297
Reinsurance	748,189	775,858
Sovereign and political commitments	276,486	319,138
Banks and financing	971,583	1,043,494
Total[1]	**22,430,542**	**18,298,556**

[1] The maximum idemnity amount of reinsurance arrangements valid at the end of the year was EUR 928,190 thousand (EUR 925,858 thousand).

B11 Liquidity risk, maturity of assets and liabilities

The format of the disclosure has been changed from previous years, the comparative information has not been updated. The table for 31 dec 2017 presents the undiscounted cash flows for the items presented including interest. The table for 31 Dec 2016 shows the maturities of the nominal amounts without interest. Additionally the line itmes shown in the table for assets have been updated to conform with the line items presented in the balance sheet.

				Finnvera Group			
(EUR 1,000)	**< 3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**> 10 years**	**Total**	**Carrying amount**
31 Dec 2017							
Assets							
Loans to and receivables from credit institutions - Payable on demand	945,156	91,888	0	0	0	1,037,044	1,036,499
Loans to and receivables from credit institutions - Other[2]	1,117	1,104	8,463	9,621	3,550	23,855	20,659
Receivables from customers - Loans	255,423	904,374	3,442,453	1,357,620	128,368	6,088,238	5,692,490
Debt securities	1,041,935	618,227	1,399,173	0	0	3,059,335	3,059,716
Total	**2,243,631**	**1,615,592**	**4,850,089**	**1,367,242**	**131,918**	**10,208,472**	**9,816,984**
Liabilities							
Liabilities to credit institutions	0	-27,593	-105,043	-73,157	0	-205,793	-187,609
Liabilities to others	-76,778	-298,312	-1,149,429	-364,103	0	-1,888,622	-1,773,680
Debt securities in issue	0	-274,880	-3,715,023	-1,551,869	-1,418,595	-6,960,367	-6,483,055
Subordinated liabilities	0	0	0	-7,500	0	-7,500	-7,500
Total	**-76,778**	**-600,784**	**-4,969,495**	**-1,996,630**	**-1,418,595**	**-9,062,283**	**-8,451,845**
Derivatives							
Derivatives - receivables	1,047	24,162	57,844	-2,323	32,118	112,848	79,792
Derivatives - liabilities	-10,467	-32,142	71,450	101,965	68,906	199,712	-138,321
Total, net	**-9,420**	**-7,980**	**129,294**	**99,642**	**101,024**	**312,561**	**-58,529**
Assets, liabilities and derivatives, net:	**2,157,433**	**1,006,828**	**9,888**	**-529,746**	**-1,185,653**	**1,458,750**	**1,298,990**
Credit commitments[4]	-577,542	-1,526,936	-4,465,217	-1,205,947	0	-7,775,642	
Assets, liabilities and derivatives, net:	**1,579,891**	**-520,108**	**-4,455,329**	**-1,735,693**	**-1,185,653**	**-6,316,892**	**1,298,990**
Guarantees and export credit guarantees[1]							
Guarantees	**109,250**	**324,184**	**554,610**	**107,435**	**2,367**	**1,097,846**	
Export credit guarantees	**274,529**	**2,501,266**	**4,913,435**	**2,248,370**	**0**	**9,937,600**	

(EUR 1,000)	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Nominal value	Carrying amount
31 Dec 2016							
Assets							
Receivables from credit institutions[2]	869,006	861	6,886	8,608	5,165	890,527	890,527
Receivables from credit institutions, debt securities[3]	335,220	329,500	1,021,800	0	0	1,686,520	1,694,569
Receivables from customers	141,005	525,533	2,657,720	1,407,732	84,742	4,816,732	4,817,048
Debt securities	243,000	47,700	0	0	0	290,700	290,636
Total	**1,588,231**	**903,594**	**3,686,406**	**1,416,340**	**89,907**	**7,684,478**	**7,692,780**
Liabilities							
Liabilities to credit institutions	0	0	-106,726	-106,726	0	-213,452	-213,452
Liabilities to others	-90,031	-271,982	-1,386,132	-572,688	-16,752	-2,337,585	-2,337,585
Debt securities in issue	0	-284,603	-1,933,708	-2,474,338	-157,027	-4,849,676	-4,891,873
Subordinated liabilities	0	-50,000	0	-5,025	-15,000	-70,025	-70,025
Total	**-90,031**	**-606,585**	**-3,426,566**	**-3,158,777**	**-188,779**	**-7,470,739**	**-7,512,936**
Derivatives							
Derivatives - receivables	194,065	394,803	2,246,724	2,474,338	157,027	5,466,957	110,649
Derivatives - liabilities	-204,391	-373,071	-2,392,968	-2,474,338	-155,190	-5,599,957	-208,334
Total, net	**-10,325**	**21,732**	**-146,244**	**0**	**1,837**	**-133,001**	**-97,685**
Assets, liabilities and derivatives, net:	**1,487,874**	**318,740**	**113,597**	**-1,742,437**	**-97,035**	**80,739**	**82,160**
Credit commitments[4)]	-504,119	-811,021	-2,544,122	0	0	-3,859,263	
Assets, liabilities and derivatives, net:	**983,755**	**-492,281**	**-2,430,526**	**-1,742,437**	**-97,035**	**-3,778,524**	**82,160**
Guarantees and export credit guarantees[1]							
Guarantees	**105,579**	**313,291**	**535,984**	**103,841**	**2,289**	**1,060,984**	
Export credit guarantees	**637,538**	**1,672,417**	**7,798,143**	**5,372,345**	**2,945,733**	**18,426,175**	

[1] The guarantees in the table have been broken down according to their due dates. An individual guarantee may give rise to indemnity at any time during its period of validity. There is no historical information as to when such indemnities have been realised during the life cycle of a guarantee.In the table for 2017, export credit guarantees do not include export credit guarantees that correspond to the subsidiary's undrawn credit commitments (undrawn credit commitments are presented as a separate line in the table), guarantees for the subsidiary's drawn export credits (drawn loans are included in loan receivables from client), or offer-stage guarantees (guarantee offers). The table for 2016 has not been adjusted to correspond with the presentation for 2017.

[2] The figure does not include the ERDF assets deposited, EUR 7,620 thousand (EUR 7,555 thousand). Their use is regulated separately.

[3] Investments in debt securities issued by credit institutions.

[4] Undrawn credit commitments are presented in the period when the loans are expected to be drawn. The figure for 2016 does not include SME financing's credit commitments.

B12 Market risk sensitivities

	Finnvera Group	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**
Interest rate risk		
Market interest increase 1%		
- Change in net interest income during the next 12 months	17,160	14,910
- Changes in items carried at fair value	14,332	9,183
Market interest decrease 0,1%		
- Change in net interest income during the next 12 months	-1,716	-1,491
- Changes in items carried at fair value	-1,433	-918
Currency risk		
The USD strengthens by 10% against the euro	536	-481
The USD weakens by 10% against the euro	-439	393

C Segment information

Finnvera's segment information is based on the company's internal division into business areas and on the organisational structure. Client enterprises have been divided into business areas according to their size and the need for financing at their development stage. A service concept has been devised for each business area. Finnvera's segments are locally operating small enterprises, enterprises on the domestic market, enterprises seeking growth and internationalisation, export financing, export credit financing, and venture capital investments.

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

The clients of the segment for enterprises on the domestic market are SMEs and, on special grounds, large corporates. The clientele includes companies engaged in production and in services. In cooperation with other providers of financing, financial solutions are provided especially for the development and growth needs of enterprises and for transfers of business to the next generation.

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

The export financing segment consists of financing for export credit guarantees and export credits. The clients are exporters operating in Finland, generally classified as large corporates, as well as domestic and foreign providers of financing for these. In addition, the segment includes Finnvera's subsidiary Finnish Export Credit Ltd. The subsidiary provides financing for export credits and export financing based on tax agreements and administers the interest equalisation system for officially supported export credits and domestic ship financing in accordance with the OECD Arrangement. Finnvera has official Export Credit Agency (ECA) status.

The segment for venture capital investments consists of the Group's venture capital investment activities. Venture capital investments are classified as assets available for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities. The companies engaged in venture capital investments are the subsidiaries Veraventure Ltd and ERDF-Seed Fund Ltd. ERDF-Seed Fund Ltd is considered to be among disposal groups classified as held for sale. In the financial period 2017, Veraventure Ltd gave up its venture capital investment activities by selling its investments. Due to the sale of the majority holding to a buyer outside the company in the financial period 2016, Seed Fund Vera Ltd's figures are no longer included in the segment figures for 2017. During 2017, Seed Fund Vera Ltd merged with the Innovestor Kasvurahasto I Ky fund. At the end of the financial period 2017, Finnvera had a 19.71 (19.99) per cent holding in the above-mentioned fund, and its holding is presented in Finnvera plc's long-term assets available for sale.

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

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

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

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

C1 Consolidated income statement by segments

(EUR 1,000)	Locally operating small companies	SMEs focusing on the domestic markets	SMEs seeking growth and internation-alisation	Export financing	Venture capital financing	Eliminations	Total
Finnvera Group							
1–12/2017							
Net interest income	8,715	21,214	9,435	6,719	343		**46,426**
Net fee and commission income	6,080	19,911	12,951	88,163	-1		**127,105**
Gains and losses from financial instruments carried at fair value	383	245	445	-6,984	6,434		**524**
Net income from investments	0	135	0	63	0		**198**
Other operating income	105	144	84	8,787	849	-9,312	**657**
Administrative expenses	8,725	13,138	9,375	13,699	1,398	-3,261	**43,073**
Depreciation and amortization on tangible and intangible assets	158	739	328	573	2		**1,800**
Other operating expenses	817	898	553	6,783	49	-6,354	**2,744**
Net impairment loss on loans, guarantees and export credit guarantee losses	1,930	4,671	8,312	3,494	181		**18,588**
Impairment losses on other financial assets							**0**
Operating profit	3,654	22,205	4,347	72,199	5,995	303	**108,705**
Income tax expense	0	0	0	1,118	993		**2,111**
Profit for the period	**3,654**	**22,205**	**4,347**	**71,081**	**5,002**	**303**	**106,593**
1–12/2016							
Net interest income	8,533	22,547	7,138	10,649	1,422	0	**50,290**
Net fee and commission income	5,213	20,799	14,210	103,730	-2	0	**143,949**
Gains and losses from financial instruments carried at fair value	-43	-788	-48	2,601	-10,485	0	**-8,762**
Net income from investments	0	20	0	0	275	0	**296**
Other operating income	150	399	235	13,490	13,437	-15,265	**12,445**
Administrative expenses	9,133	13,309	8,907	13,665	4,447	-5,551	**43,911**
Depreciation and amortization on tangible and intangible assets	220	1,142	496	468	13	0	**2,339**
Other operating expenses	1,196	1,455	832	22,404	683	-11,493	**15,078**
Net impairment loss on loans, guarantees and export credit guarantee losses	1,465	363	7,857	56,209	-192	0	**65,702**
Impairment losses on other financial assets	0	0	0	0	1,932	0	**1,932**
Operating profit	1,840	26,708	3,443	37,724	-2,237	1,778	**69,256**
Income tax expense	0	0	0	-36	993	0	**958**
Profit for the period	**1,840**	**26,708**	**3,443**	**37,760**	**-3,230**	**1,778**	**70,214**

Finnvera plc					
1–12/2017					
Net interest income	8,715	21,214	9,435	147	**39,512**
Net fee and commission income	6,080	19,911	12,951	87,499	**126,442**
Gains and losses from financial instruments carried at fair value	383	245	445	-102	**972**
Net income from investments	0	135	0	63	**198**
Other operating income	105	144	84	2,482	**2,814**
Administrative expenses	8,725	13,138	9,375	11,186	**42,425**
Depreciation and amortization on tangible and intangible assets	158	739	328	573	**1,798**
Other operating expenses	817	898	553	6,783	**9,050**
Net impairment loss on loans, guarantees and export credit guarantee losses	1,930	4,671	8,312	3,494	**18,407**
Operating profit	3,654	22,205	4,347	68,054	**98,260**
Income tax expense	0	0	0	0	**0**
Profit for the period	**3,654**	**22,205**	**4,347**	**68,054**	98,260
1–12/2016					
Net interest income	8,533	22,547	7,138	5,544	**43,762**
Net fee and commission income	5,213	20,799	14,210	92,794	**133,016**
Gains and losses from financial instruments carried at fair value	-43	-788	-48	140	**-739**
Net income from investments	0	20	0	0	**20**
Other operating income	150	399	235	244	**1,028**
Administrative expenses	9,133	13,309	8,907	8,798	**40,148**
Depreciation and amortization on tangible and intangible assets	220	1,142	496	468	**2,326**
Other operating expenses	1,196	1,455	832	666	**4,150**
Net impairment loss on loans, guarantees and export credit guarantee losses	1,465	363	7,857	56,120	**65,805**
Operating profit	1,840	26,708	3,443	32,667	**64,658**
Income tax expense	0	0	0		**0**
Profit for the period	**1,840**	**26,708**	**3,443**	**32,667**	64,659

D Notes to the income statement

D1 Interest income and expenses

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Interest income				
Interests from loans passed on to the customers	114,650	114,190	64,500	55,519
- Domestic financing	36,167	36,043	36,000	34,703
- Export financing	78,483	78,147	28,499	20,815
Subsidies passed on to customers	767	1,540	767	1,540
- Regional interest subsidy	1	113	1	113
- Interest subsidy to special loans	765	1,426	765	1,426
- Interest subsidy from the ERDF	0	0	0	0
- National interest subsidy (ERDF)	0	0	0	0
Other interest income	-1,523	-548	-2,236	-1,356
- Interest on export credit guarantee and special guarantee receivables	495	487	495	487
- Interest on guarantee receivables	1,641	1,612	1,641	1,612
- On receivables from credit institutions	2,333	1,057	1,804	449
- On debt securities, available-for-sale	-6,177	-3,905	-6,177	-3,905
- On other	185	201	0	2
Total	**113,894**	**115,182**	**63,030**	**55,702**
Interest expenses				
On liabilities to credit institutions	-3,761	-986	-3,761	-986
On liabilities to other institutions	-44,211	-51,769	0	0
On debt securities in issue	-16,585	-10,617	-16,585	-10,617
Other interest expenses	-2,911	-1,519	-3,172	-1,673
Total	**-67,468**	**-64,892**	**-23,518**	**-13,277**
Net interest income	**46,426**	**50,290**	**39,512**	**42,425**
Interest income on financial assets which are not carried at fair value	120,071	119,087	69,207	59,607
Interest expenses on financial liabilities which are not carried at fair value	-47,972	-52,756	-3,761	-986
Interest income include interest accrued on impaired loans	1,752	2,398	1,752	2,398

Interest subsidy from the state and the European Regional Development Fund

The interest subsidy passed on to customers is calculated on the basis of the passage of time, similar to interest, and is presented as a separate item under interest income in the income statement. In 2001 the Group began to grant investment and working capital loans that include interest subsidy from the European Regional Development Fund (ERDF), as well as national interest subsidy granted by the State of Finland.

Interest-subsidised loans and guarantees in total	**63,906**	**77,254**	**63,906**	**77,254**

D2 Net fee and commission income

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Fee and commission income				
From export credit guarantees and special guarantees	106,210	120,450	106,210	120,450
From other guarantees	27,678	26,451	27,678	26,451
From credit operations	17,114	18,227	16,973	17,478
From other	510	561	-12	60
Total	**151,513**	**165,689**	**150,849**	**164,438**

All fee and commission income is from financial assets which are not carried at fair value totalled.

Fee and commission expenses				
From reinsurance	-21,720	-20,926	-21,720	-20,926
From borrowing	-710	-366	-710	-366
From payment transactions	-251	-247	-250	-245
From other	-1,727	-200	-1,727	-200
Total	**-24,408**	**-21,740**	**-24,407**	**-21,737**
Net fee and commission income	**127,105**	**143,950**	**126,442**	**142,701**
Fee and commission income from financial assets not carried at fair value	151,513	165,689	150,849	164,438
Fee and commission expenses from financial assets which are not carried at fair value totalled	-23,698	-21,373	-23,697	-21,371

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

The format of the disclosure has been changed from previous years. Comparative figures have been updated to reflect the new disclosure format.

(EUR 1,000)	Finnvera Group Gains and losses from sales	Finnvera Group Changes in fair value	Finnvera Group Total	Finnvera plc Gains and losses from sales	Finnvera plc Changes in fair value	Finnvera plc Total
31 Dec 2017						
From financial instruments carried at fair value through profit or loss						
Derivatives		-36,922	-36,922		-4,030	-4,030
Liabilities carried at fair value		31,041	31,041		5,045	5,045
Shares and participations	-1,469	7,903	6,434			
Total for financial instruments carried at fair value through profit or loss	**-1,469**	**2,022**	**553**	**0**	**1,015**	**1,015**
By categories of financial instruments, IAS 39						
Liabilities carried at fair value	-1,469	2,022	553		1,015	1,015
Total for financial instruments carried at fair value through profit or loss	**-1,469**	**2,022**	**553**	**0**	**1,015**	**1,015**
Foreign exchange gains(+)/ and losses (-)			**-29**			**-43**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**524**			**972**

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31 Dec 2016						
From financial instruments carried at fair value through profit or loss						
Derivatives		18,104	18,104		-1,041	-1,041
Liabilities carried at fair value		-29,059	-29,059		809	809
Shares and participations	-7,797	-2,688	-10,485			
Total for financial instruments carried at fair value through profit or loss	**-7,797**	**-13,643**	**-21,440**	**0**	**-232**	**-232**
By categories of financial instruments, IAS 39						
Liabilities carried at fair value	-7,797	-13,643	-21,440		-232	-232
Total for financial instruments carried at fair value through profit or loss	**-7,797**	**-13,643**	**-21,440**	**0**	**-232**	**-232**
Foreign exchange gains(+)/ and losses (-)			**1,926**			**1,955**
Total for financial instruments carried at fair value through profit or loss and foreign exchange gains and losses			**-19,514**			**1,723**

In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd's share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. Finnish Export Credit is Finnvera's subsidiary.

D4 Net income from investments

	Finnvera Group		**Finnvera plc**	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Available-for-sale financial assets				
Shares and participations	8	0	8	0
- Gains/losses	0	0	0	0
- Impairment losses	8	0	8	0
Debt securities	176	0	176	0
- Gains/losses	176	0	176	0
- Impairment losses	0	0	0	0
Dividends	15	296	15	21
Total	**198**	**296**	**198**	**20**

D5 Other operating income

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Fee for the management of the old liability	282	183	282	183
Management fees from subsidiaries (internal charging)	0	0	2,449	2,588
Rental income	6	33	55	123
Sales profit/loss	-124	479	-124	479
Credit for deficit in ERDF venture capital investments	0	1,615	0	0
Cancellation of a subordinated loan granted by the State for venture capital investments	0	9,153	0	9,153
Profit on the sale of a subsidiary (Note E23)	303	839	0	0
Other	189	144	152	90
Total	**657**	**12,445**	**2,814**	**12,617**

D6 Employee expenses

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Wages and salaries	-23,243	-23,671	-22,883	-22,924
Social security costs	-5,464	-6,188	-5,414	-5,929
Pension costs				
- Defined contribution plans	-4,002	-4,144	-3,967	-3,921
- Defined benefit plans	-291	-361	-291	-361
Other social security costs	-1,172	-1,683	-1,156	-1,647
Total	**-28,707**	**-29,860**	**-28,297**	**-28,853**

D7 Auditor's fees

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Fees for auditing	-72	-93	-59	-80
Fees for expert services provided by auditors	-97	-100	-97	-100
Total	**-170**	**-193**	**-156**	**-180**

D8 Depreciation and amortisation on tangible and intangible assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Depreciation and amortisation				
Intangible assets	-1,516	-1,079	-1,514	-1,066
Property, plant and equipment	-284	-607	-284	-607
- Properties	0	0	0	0
- Machinery and equipment	-284	-607	-284	-607
- Other tangible assets	0	0	0	0
Total	**-1,800**	**-1,686**	**-1,798**	**-1,672**

D9 Other operating expenses

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Rental expenses	-2,497	-3,436	-2,497	-3,436
Expenses from property in own use	-247	-890	-247	-890
Return of the surplus in export credit financing to FEC	0	0	-6,305	-10,810
Valuation loss on long-term assets (Note E23)	0	0	0	-7,221
Total	**-2,744**	**-4,326**	**-9,050**	**-22,356**

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D10 Impairment losses on receivables, guarantee losses and impairment losses on other financial assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Impairment losses on receivables and guarantee losses				
Impairment losses on receivables	-24,928	-15,039	-24,748	-15,231
- Credit losses materialised	-23,659	-28,800	-23,659	-28,992
- Change in impairment of individually assessed loans	-3,784	7,842	-3,784	7,842
- Change in impairment of collectively assessed loans	2,516	5,918	2,696	5,918
Guarantee losses	-14,201	-11,431	-14,201	-11,431
- Guarantee losses materialised	-14,148	-18,423	-14,148	-18,423
- Change in individually assessed provisions for losses	-2,252	3,217	-2,252	3,217
- Change in collectively assessed provisions for losses	2,199	3,775	2,199	3,775
Other receivables	0	-89	0	0
- Credit losses realised	0	-89	0	0
Total, gross	**-39,130**	**-26,559**	**-38,949**	**-26,662**
The State's and the ERDF's share of the credit and guarantee losses materialised [1]	22,833	28,272	22,833	28,272
Total, net	**-16,297**	**1,714**	**-16,116**	**1,611**

[1] The state and the ERDF compensate Finnvera Plc for the final losses on loans and guarantees granted without a securing collateral. On 31 December 2017 these loans and guarantees totalled EUR 2,127 (2,138) million. The compensation was 59.09% (57.69%) of the credit and guarantee losses recognised during the period.

Export credit guarantee and special guarantee losses				
Guarantee losses	-2,291	-67,416	-2,291	-67,416
- Net compensation	-6,323	-67,742	-6,323	-67,742
- Provisions for losses on export credit guarantees and special guarantees	4,032	326	4,032	326
Total	**-2,291**	**-67,416**	**-2,291**	**-67,416**
Impairment losses on credits and guarantee losses in total	**-18,588**	**-65,702**	**-18,407**	**-65,805**
Impairment losses on financial assets available for sale				
Write-off for the shares of Seed Fund Vera Ltd	0	-1,932	0	-1,932
Total	**0**	**-1,932**	**0**	**-1,932**

D11 Income tax expense

	Finnvera Group	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**
Current period	-2,208	-3,156
Adjustment for prior periods	0	0
Deferred taxes (Note E8)	97	4,114
Total	**-2,111**	**958**

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

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E Notes to the balance sheet

E1 Loans to and receivables from credit institutions

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Payable on demand	1,040,131	898,559	985,342	847,523
Reclassified to assets of disposal groups held for sale (Note E23)	-3,632	-6,004		
Other	28,279	29,936	7,620	7,555
Total	**1,064,778**	**922,491**	**992,961**	**855,078**

E2 Loans to and receivables from customers

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Loans	**5,692,490**	**5,827,299**	**955,476**	**1,067,468**
- Subordinated loans	11,198	15,925	11,198	15,668
- Other loans	5,729,625	5,859,478	991,383	1,097,719
- Impairment losses	-47,105	-45,919	-47,105	-45,919
- Reclassified to assets of disposal groups held for sale (Note E23)	-1,228	-2,185		
Loans to Group companies	**0**	**0**	**3,041,718**	**2,500,398**
Guarantee receivables	**31,884**	**26,259**	**31,884**	**26,259**
Receivables from export credit guarantee and special guarantee operations	**121,816**	**224,476**	**121,816**	**224,476**
- Fee and commission receivables	723	212	723	212
- Receivables from reinsurance	0	83,521	0	83,521
- Book value of recovery receivables on 31 Dec	114,774	133,444	114,774	133,444
- Nominal value of recovery receivables	204,075	202,708	204,075	202,708
- Impairment losses on recovery receivables	-89,301	-69,264	-89,301	-69,264
- Other export and recovery receivables	6,320	7,298	6,320	7,298
Total	**5,846,190**	**6,078,034**	**4,150,895**	**3,818,600**
Impairment losses on loans				
Impairment losses at the beginning of the period	**45,919**	**59,575**	**45,919**	**59,575**
- Impairment losses on individually assessed loans	19,987	27,830	19,987	27,830
- Impairment losses on collectively assessed loans	25,932	31,745	25,932	31,745
Impairment losses recognised during the period	**5,796**	**-9,141**	**5,796**	**-9,141**
- Impairment losses on individually assessed loans	12,065	-368	12,065	-368
- Impairment losses on collectively assessed loans	-2,598	-5,814	-2,598	-5,814
- Reversal of impairment losses	-3,671	-2,817	-3,671	-2,817
- Other changes	0	-142	0	-142
Credit losses materialised on loans where impairment losses have been recognised	**-4,609**	**-4,515**	**-4,609**	**-4,515**
Impairment losses at the end of the period	**47,105**	**45,919**	**47,105**	**45,919**
- Impairment losses on individually assessed loans	23,772	19,987	23,772	19,987
- Impairment losses on collectively assessed loans	23,333	25,932	23,333	25,932

The parent company Finnvera plc has a recovery receivable related to the Brazilian company Oi S.A.'s export credit guarantees for which compensation was paid in 2016. On 31 December 2017, the carrying amount of recovery receivables of Finnvera's export credit guarantee and special guarantee operations was EUR 115 million, the majority of which was receivables from Oi S.A. The total impact of the compensations related to Oi S.A. on Finnvera plc's financial performance in 2016–2017 was EUR -58 million.

An impairment loss on loans and other receivables is recognised when objective evidence of their impairment exists. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

E3 Investments

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Debt securities, available-for-sale				
Certificates of deposits and bonds	2,324,804	1,694,569	2,324,804	1,694,569
Commercial papers	239,435	193,425	239,435	193,425
Local authority papers	466,843	97,211	466,843	97,211
Investments in SME bonds	28,634	57,216	28,634	57,216
Total	**3,059,716**	**2,042,422**	**3,059,716**	**2,042,422**
Investments in Group companies				
Acquisition cost at 31 Dec			129,006	128,403
- Acquisition cost at 1 Jan			128,403	192,818
- Investments			603	5,000
- Sales			0	-56,059
- Other deductions			0	-13,356
Accumulated impairment losses at 31 Dec			-44,935	-44,935
- Accumulated impairment losses at 1 Jan			-44,935	-43,003
- Impairment losses during the period			0	-1,932
Reclassified to assets of disposal groups held for sale (Note E23)			-15,256	-14,653
Total			**68,815**	**68,815**
Investments in assosiated companies [1]				
Acquisition cost at 31 Dec	7,340	23,748	0	0
- Acquisition cost at 1 Jan	23,748	71,830	0	0
- Sale of Seed Fund Vera Ltd to a buyer outside the Group	0	-43,194		
- Investments	1,048	2,426	0	0
- Sales and transfers between groups	-15,205	-7,314	0	0
Equity adjustments at 31 Dec	7,533	-771	0	0
- Reclassified to assets of disposal groups held for sale (Note E23)	-14,873	-8,003		
Total	**0**	**14,973**	**0**	**0**
Other shares [2]				
At fair value through profit or loss	0	0	0	0
- At fair value through profit or loss	18,385	17,710		
- Reclassified to assets of disposal groups held for sale (Note E23)	-18,385	-17,710		
Available-for-sale	24,092	24,383	14,068	14,399
- Available-for-sale	36,608	37,392	26,584	27,408
- Reclassified to assets of disposal groups held for sale (Note E23)	-12,517	-13,009	-12,517	-13,009
Total	**24,092**	**24,383**	**14,068**	**14,399**
Investments total	**3,083,807**	**2,081,778**	**3,142,598**	**2,125,637**

[1] Investments in associated companies: investments by subsidiaries engaged in venture capital investment operations in the Group.

[2] Other shares that are publicly quoted.

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
- Other shares	10,023	10,314	0	331

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E4 Intangible assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Acquisition cost at 31 Dec	46,945	43,982	46,825	43,860
- Acquisition cost at 1 Jan	43,982	40,302	43,860	40,166
- Additions	3,117	3,750	2,966	3,750
- Disposals	-154	-70	0	-57
Accumulated amortisation and impairment losses at 31 Dec	-38,434	-36,920	-38,313	-36,800
- Accumulated amortisation and impairment losses at 1 Jan	-36,920	-35,854	-36,800	-35,734
- Amortisation for the period	-1,514	-1,066	-1,514	-1,066
Carrying amount at 1 Jan	7,062	4,447	7,060	4,432
Carrying amount at 31 Dec	**8,511**	**7,062**	**8,511**	**7,059**

E5 Property, plant and equipment

	Finnvera Group			Finnvera plc		
(EUR 1,000)	**Proper-ties**	**Other tan-gible**	**Total**	**Proper-ties**	**Other tan-gible**	**Total**
31 Dec 2017						
Acquisition cost at 31 Dec	0	12,838	12,838	0	12,838	12,838
- Acquisition cost at 1 Jan	0	12,794	12,794	0	12,794	12,794
- Additions	0	46	46	0	46	46
- Disposals	0	-1	-1	0	-1	-1
Accumulated amortisation and impairment losses at 31 Dec	0	-11,647	-11,647	0	-11,647	-11,647
- Accumulated amortisation and impairment losses at 1 Jan	0	-11,362	-11,362	0	-11,362	-11,362
- Amortisation for the period	0	-284	-284	0	-284	-284
Carrying amount at 1 Jan	0	1,431	1,431	0	1,431	1,431
Carrying amount at 31 Dec	**0**	**1,192**	**1,192**	**0**	**1,192**	**1,192**
31 Dec 2016						
Acquisition cost at 31 Dec	5,112	12,794	17,906	5,112	12,794	17,906
- Acquisition cost at 1 Jan	5,277	11,527	16,804	5,277	11,527	16,804
- Additions	0	1,333	1,333	0	1,333	1,333
- Disposals	-164	-66	-231	-164	-66	-231
Accumulated amortisation and impairment losses at 31 Dec	-5,112	-11,362	-16,475	-5,112	-11,362	-16,475
- Accumulated amortisation and impairment losses at 1 Jan	-5,112	-10,102	-15,214	-5,112	-10,102	-15,214
- Amortisation for the period	0	-1,260	-1,260	0	-1,260	-1,260
Carrying amount at 1 Jan	164	1,425	1,589	164	1,425	1,589
Carrying amount at 31 Dec	**0**	**1,431**	**1,431**	**0**	**1,431**	**1,431**

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E6 Other assets

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Credit loss receivables from the state and the ERDF	7,212	8,731	7,212	8,731
Receivables from subsidiaries	0	0	16,178	9,279
Other	1,916	2,328	1,916	2,328
Total	**9,128**	**11,059**	**25,306**	**20,338**

The state and the European Regional Development Fund (ERDF) has granted Finnvera commitments to partially compensate Finnvera for the credit and guarantee losses. The commitments enable Finnvera to take higher risks in domestic business than financiers operating on commercial grounds.

E7 Prepayments and accrued income

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Interest and interest subsidy receivables	59,721	51,643	40,282	30,255
Fee and commission receivables	3,479	3,332	6,653	4,046
Reinsurance premiums paid in advance	25,743	17,063	25,743	17,063
Cash collateral given for derivatives	79,100	156,080	79,100	156,080
Prepayments and other accrued income	20,788	8,083	3,232	4,087
Reclassified to assets of disposal groups held for sale (Note E23)	-48	-83		
Total	**188,783**	**236,118**	**155,009**	**211,531**

E8 Tax assets and liabilities

(EUR 1,000)	Finnvera Group 31 Dec 2017	31 Dec 2016
Income tax assets	947	0
Deferred tax assets at 31 Dec	3,235	2,145
- Deferred tax assets at 1 Jan	2,145	0
- Increase/decrease to income statement during the period	1,090	2,145
- Increase/decrease to other items in comprehensive income during the period	0	0
Tax assets total	**4,182**	**2,145**
Current income tax liabilities	0	302
Deferred tax liabilities at 31 Dec	299	498
- Deferred tax liabilities at 1 Jan	800	1,990
- Increase/decrease to income statement during the period	2,241	42
- Increase/decrease to other items in comprehensive income during the period	7	16
- Reclassified to assets of disposal groups held for sale (Note E23)	-2,749	-1,550
Tax liabilities total	**299**	**800**

Deferred tax liability arisen when the venture capital investments of subsidiaries engaged in venture capital investment are carried at fair value and investments in funds are carried at fair value. Finnvera plc is exempt from income tax.

E9 Liabilities to credit and other institutions

	Finnvera Group		Finnvera plc	
(EUR 1,000)	2017		2017	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities to credit and other institutions				
1 Jan 2017	**2,551,038**	**2,551,995**	**289,245**	**289,245**
- Loans withdrawn			243,558	243,558
- Repayments at maturity	-395,853	-395,853	-232,364	-232,364
- Fair value changes		-764		
- Foreign exchange differences	-194,088	-194,088	-30,311	-30,311
31 Dec 2017	**1,961,097**	**1,961,290**	**270,128**	**270,128**

	Finnvera Group		Finnvera plc	
(EUR 1,000)	2016		2016	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities to credit and other institutions				
1 Jan 2016	**2,653,738**	**2,655,046**	**67,985**	**67,985**
- Loans withdrawn	200,231	200,231	424,096	424,096
- Repayments at maturity	-361,933	-361,933	-217,449	-217,449
- Fair value changes		-351		
- Foreign exchange differences	59,001	59,001	14,613	14,613
31 Dec 2016	**2,551,038**	**2,551,995**	**289,245**	**289,245**

E10 Debt securities in issue

Issuer and ISIN	Interest	Nominal (thousands)	Currency	Issue date	Maturity date	Finnvera plc/Finnvera Group Carrying amount	
(EUR 1,000)						31 Dec 2017	31 Dec 2016
Finnvera Oyj - XS1062104978	0.875%	500,000	EUR	29.04.2014	29.04.2019	509,315	514,495
Finnvera Oyj - XS1140297000	0.625%	750,000	EUR	19.11.2014	19.11.2021	771,150	778,155
Finnvera Oyj - XS1294518318	0.625%	1,000,000	EUR	22.09.2015	22.09.2022	1,027,245	1,034,570
Finnvera Oyj - XS1392927072	0.500%	1,000,000	EUR	13.04.2016	13.04.2026	975,800	984,000
Finnvera Oyj - XS1613374559	1.125%	750,000	EUR	17.05.2017	17.05.2032	741,900	0
Finnvera Oyj - XS1613374559	1.125%	100,000	EUR	03.07.2017	17.05.2032	98,920	0
Finnvera Oyj - XS1613374559	1.125%	150,000	EUR	06.09.2017	17.05.2032	148,380	0
Finnvera Oyj - XS0981865065	3M STIBOR +0.1%	2,000,000	SEK	17.10.2013	17.08.2018	203,443	209,784
Finnvera Oyj - XS1538285807	1.910%	1,500,000	SEK	20.12.2016	20.12.2028	155,211	157,828
Finnvera Oyj - XS1538285807	1.910%	1,500,000	SEK	23.01.2017	20.12.2028	155,211	0
Finnvera Oyj - XS1538285807	1.910%	500,000	SEK	23.01.2017	20.12.2028	51,737	0
Finnvera Oyj - XS0852098929	1.000%	300,000	USD	07.11.2012	07.11.2017	0	283,661
Finnvera Oyj - XS1110448138	1.875%	500,000	USD	16.09.2014	16.09.2019	414,963	474,279
Finnvera Oyj - XS1241947768	2.375%	500,000	USD	04.06.2015	04.06.2025	404,082	455,102
Finnvera Oyj - XS1692488262	1.875%	1,000,000	USD	05.10.2017	05.10.2020	825,698	0
Total						**6,483,055**	**4,891,873**

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**2017**		**2017**	
	Nominal value	**Carrying amount**	**Nominal value**	**Carrying amount**
Liabilities to credit and other institutions				
1 Jan 2017	**4,849,676**	**4,891,873**	**4,849,676**	**4,891,873**
- Debt securities issued	2,062,008	2,051,682	2,062,008	2,051,682
- Repayments at maturity	-258,844	-259,471	-258,844	-259,471
- Fair value changes		-30,276		-30,276
- Foreign exchange differences	-176,474	-174,633	-176,474	-174,633
- Other changes		3,881		3,881
31 Dec 2017	**6,476,367**	**6,483,055**	**6,476,367**	**6,483,055**
Average interest rate[1]		0.8235%		0.4703%

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**2016**		**2016**	
	Nominal value	**Carrying amount**	**Nominal value**	**Carrying amount**
Liabilities to credit and other institutions				
1 Jan 2016	**3,937,282**	**3,957,734**	**3,937,282**	**3,957,734**
- Debt securities issued	1,154,218	1,143,558	1,154,218	1,143,558
- Repayments at maturity	-266,572	-266,572	-266,572	-266,572
- Fair value changes		29,275		29,275
- Foreign exchange differences	24,747	24,653	24,747	24,653
- Other changes		3,225		3,225
31 Dec 2016	**4,849,676**	**4,891,873**	**4,849,676**	**4,891,873**
Average interest rate[1]		0.9050%		0.336%

Liabilities have been measured at fair value when they have been hedged with derivatives (fair value option). An amount equaling the nominal value of a liability is repaid at the maturity date. The change in fair value does not include the change in credit risk because the liabilities have been guaranteed by the state of Finland, whose credit risk has not changed.

[1] Average interest rate for the parent company and the Group is calculated as average interest rate for all interest-bearing loans.

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E11 Derivatives

(EUR 1,000)	Finnvera Group			Finnvera plc		
	Fair value		Nominal value	Fair value		Nominal value
	Positive	Negative	Total	Positive	Negative	Total
31 Dec 2017						
Fair value hedges [1]						
- Interest rate swaps		43,681	2,833,820		43,681	2,833,820
Hedging derivatives not designated in hedge accounting relationships [2]						
- Interest rate swaps	35,191	8,456	3,083,820	35,191	8,456	3,083,820
- Cross-currency interest rate swaps	44,533	81,514	868,259	44,332	81,514	831,225
- Forward foreign exchange contracts	69	4,671	255,907	69	4,671	255,907
Total	**79,792**	**138,321**	**7,041,805**	**79,591**	**138,321**	**7,004,771**
31 Dec 2016						
Fair value hedges [1]						
- Interest rate swaps		16,710	1,000,000		16,710	1,000,000
Hedging derivatives not designated in hedge accounting relationships [2]						
- Interest rate swaps	55,870	8,498	3,198,677	55,870	8,498	3,198,677
- Cross-currency interest rate swaps	54,123	181,811	1,074,215	54,123	177,592	1,033,696
- Forward foreign exchange contracts	656	5,534	364,138	656	5,534	364,138
Total	**110,649**	**212,553**	**5,637,029**	**110,649**	**208,334**	**5,596,510**

[1] Fair value hedging is used to hedge liabilities. The derivative contracts and the liabilities hedged with them have been measured at fair value (hedged liabilities are measured at fair value with regard to the hedged risk) and the changes in their fair values have been recognised in the income statement. Financial assets and liabilities encompassed by hedge accounting are presented in Note E20.

[2] Derivatives hedge liabilities and foreign currency exchange risks. Liabilities hedged with derivatives have been measured at fair value and the changes in their fair values have been recognized in the income statement (fair value option).

E12 Other liabilities

	Finnvera Group		Finnvera plc	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Grants under repayment obligation	24,252	24,252	24,252	24,252
Grant from the Ministry of Employment and the Economy to Seed Fund Vera Ltd for venture capital investments	14,653	14,653	14,653	14,653
Prepayments received for ERDF financing	7,598	7,598	7,598	7,598
Accounts payable for investments in debt securities	0	6,998	0	6,998
Other	3,159	2,627	9,439	2,581
Reclassified to assets of disposal groups held for sale (Note E23)	-3	-3		
Total	**49,659**	**56,125**	**55,942**	**56,082**

E13 Provisions

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Provision for export credit guarantee losses at 1 Jan	11,954	12,280	11,954	12,280
Provisions made during the period	856	8,457	856	8,457
Provisions used during the period	-4,888	-1,053	-4,888	-1,053
Other change	0	-7,729	0	-7,729
Provision for export credit guarantee losses at 31 Dec	**7,922**	**11,954**	**7,922**	**11,954**
Impairment losses on guarantees at 1 Jan	32,180	39,172	32,180	39,172
- of which individually assessed guarantees	17,302	20,519	17,302	20,519
- of which collectively assessed guarantees	14,878	18,653	14,878	18,653
Guarantee losses realized during the period on which an impairment loss has been earlier recognized	1,837	-810	1,837	-810
Individually assessed impairment losses recognized during the period	4,492	1,830	4,492	1,830
Collectively assessed impairment losses recognized during the period	-2,199	-3,775	-2,199	-3,775
Reversal of impairment losses	715	-1,315	715	-1,315
Other change	-4,802	-2,922	-4,802	-2,922
Impairment losses on guarantees at 31 Dec	**32,233**	**32,180**	**32,233**	**32,180**
- of which individually assessed guarantees	19,554	17,302	19,554	17,302
- of which collectively assessed guarantees	12,679	14,878	12,679	14,878
Other provisions at 31 Dec	**3,100**	**2,653**	3,100	**2,653**
Total	**43,255**	**46,786**	**43,255**	**46,786**

A provision for export credit guarantee losses is recognised when the Group has a constructive and legal obligation to pay a guarantee indemnity, the realisation of the obligation is probable and it can be measured reliably.

A provision for domestic guarantee losses is recognised when objective evidence exists of impairment of guarantees' value. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

For individually and collectively assessed provisions entered for the financial period, a negative figure indicates a decrease and a positive figure an increase in provisions.

E14 Operating leases

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Finnvera as the lessee, premises				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	2,149	2,330	2,149	2,330
Between one and five years	7,016	5,217	7,016	5,217
Later than five years	791	1,979	791	1,979
Total	**9,956**	**9,526**	**9,956**	**9,526**
Finnvera as the lessor, premises				
Non-cancellable minimum lease payments payable for premises eased under operating lease contracts				
Within one year	1	7	16	45
Between one and five years		0		0
Later than five years		0		0
Total	**1**	**7**	**16**	**45**

E15 Accruals and deferred income

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Interest	50,302	37,413	31,887	17,370
Advance interest payments received	477	9,686	477	9,686
Guarantee premiums paid in advance [1]	234,216	261,165	234,216	261,165
Cash collateral received for derivatives	34,130	45,400	34,130	45,400
Other accruals and deferred income	5,022	105,028	4,836	113,883
Total	**324,147**	**458,691**	**305,546**	**447,505**

[1] Premiums on export guarantees are usually collected in advance for the entire guarantee period.

E16 Subordinated liabilities, Finnvera plc

				Finnvera Group	
Loan	Purpose of use	Interest rate %	Loan period	Balance (EUR 1,000)	
(EUR 1,000)				31 Dec 2017	31 Dec 2016
Subordinated loan 2009-2	Increase in the share capital of Veraventure Ltd [1]	0	15 years	7,500	7,500
Subordinated loan 2009-3	Raising Finnvera plc's capital adequacy and improving the financing options [2]	0	15 years	0	50,000
Subordinated loan 2014	Increase in the share capital of Seed Fund Vera Ltd [3]	0	15 years	2,525	2,525
Subordinated loan 2015	Increase in the share capital of Seed Fund Vera Ltd [3]	0	15 years	5,000	5,000
Subordinated loan 2016	Increase in the share capital of Seed Fund Vera Ltd [3]	0	15 years	5,000	5,000

[1] The loan have been granted to Finnvera for raising the share capital of Veraventure Ltd. The loan will be repaid in one instalment at maturity, provided that the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeds the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements.

[2] The loan was granted for raising the capital adequacy of Finnvera plc and for improving its financing opportunities. The loan was repaid during the financial period.

[3] The loans have been granted to Finnvera for raising the share capital of Seed Fund Vera Ltd. The loans will be repaid in one instalment at maturity, provided that the sum of the company's unrestricted equity and all subordinated loans at the time of payment exceeds the loss recorded on the balance sheet adopted for the company's latest financial period or on a balance sheet included in more recent financial statements. During the financial period, Seed Fund Vera Ltd was turned into a limited partnership company and merged with Innovestor Kasvurahasto I Ky.

The subordinated loans granted for raising the share capital of Seed Fund Vera Ltd pertain to long-term assets held for sale (Note E23).

E17 Financial instruments classification and fair values

(EUR 1,000)	Finnvera Group					Finnvera plc				
Financial assets	**Loans and receiv-ables**	**Financial instru-ments carried at fair value**	**Available for sale**	**Total**	**Fair value [3]**	**Loans and receiv-ables**	**Financial instru-ments carried at fair value**	**Available for sale**	**Total**	**Fair value [3]**
31 Dec 2017										
Loans to and receivables from credit institutions	1,064,778			1,064,778	1,065,080	992,961			992,961	992,961
Loans to and receivables from customers	5,846,190			5,846,190	5,952,258	4,150,895			4,150,895	4,150,601
Commercial papers and T-bills			1,007,414	1,007,414	1,007,414			1,007,414	1,007,414	1,007,414
Bonds			2,052,302	2,052,302	2,052,302			2,052,302	2,052,302	2,052,302
Derivatives		79,792		79,792	79,792		79,591		79,591	79,591
Associated companies		0		0	0			0	0	0
Shares and participations [1]			24,092	24,092	24,092			14,068	14,068	14,068
Assets of disposal groups held for sale [2]		33,259	12,517	45,775	45,775			27,772	27,772	27,772
Other financial assets	125,808			125,808	125,808	111,399			111,399	111,399
Total	**7,036,776**	**113,051**	**3,096,324**	**10,246,152**	**10,352,522**	**5,255,256**	**79,591**	**3,101,556**	**8,436,403**	**8,436,109**

31 Dec 2016										
Loans to and receivables from credit institutions	922,491			922,491	922,849	855,078			855,078	855,078
Loans to and receivables from customers	6,078,034			6,078,034	6,215,475	3,818,600			3,818,600	3,816,768
Commercial papers and T-bills			339,128	339,128	339,128			339,128	339,128	339,128
Bonds			1,703,294	1,703,294	1,703,294			1,703,294	1,703,294	1,703,294
Derivatives		110,649		110,649	110,649		110,649		110,649	110,649
Associated companies		14,973		14,973	14,973				0	0
Shares and participations [1]			24,383	24,383	24,383			14,399	14,399	14,399
Assets of disposal groups held for sale [2]		25,713	13,009	46,911	46,911			27,662	27,662	27,662
Other financial assets	183,092			183,092	183,092	179,450			179,450	179,450
Total	**7,183,616**	**151,336**	**2,079,814**	**9,422,955**	**9,560,755**	**4,853,128**	**110,649**	**2,084,484**	**7,048,261**	**7,046,429**

[1]The Group's and the parent company's shares and participations include EUR 14 million (EUR 14 million) in investments in unlisted companies outside the Group. These have been measured at cost as fair value cannot be determined reliably.

[2]The parent company's item available for sale includes ERDF-Seed Fund Ltd's shares owned by the parent company and the capital input in Innovestor Kasvurahasto I Ky. As the fair value of the shares cannot be determined reliably, their acquisition value is presented as their fair value.
The Group's item available for sale includes unlisted shares and capital inputs. As their fair value cannot be determined reliably, their acquisition value is presented as their fair value.

[3] The fair values for balance sheet items 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).

(EUR 1,000)	Finnvera Group				Finnvera plc			
Financial liabilities	**Financial instru-ments carried at fair value**	**Other fi-nancial li-abilities**	**Total**	**Fair value 3**	**Financial instru-ments carried at fair value**	**Other fi-nancial li-abilities**	**Total**	**Fair value 3**
31 Dec 2017								
Liabilities to credit institutions		187,609	187,609	191,265		187,609	187,609	191,265
Liabilities to other institutions	37,227	1,736,453	1,773,680	1,826,166		82,519	82,519	82,519
Debt securities in issue	6,483,055		6,483,055	6,483,055	6,483,055		6,483,055	6,483,055
Derivatives	138,321		138,321	138,321	138,321		138,321	138,321
Other financial liabilities		75,821	75,821	75,821		72,632	72,632	72,632
Subordinated liabilities		7,500	7,500	7,500		7,500	7,500	7,500
Liabilities of disposal groups held for sale		12,525	12,525	12,525		12,525	12,525	12,525
Total	**6,658,604**	**2,019,908**	**8,678,513**	**8,734,654**	**6,621,377**	**362,786**	**6,984,163**	**6,987,818**
31.12.2016								
Liabilities to credit institutions		213,452	213,452	218,847		213,452	213,452	218,847
Liabilities to other institutions	41,476	2,297,067	2,338,543	2,425,850		75,793	75,793	75,793
Debt securities in issue	4,891,873		4,891,873	4,891,873	4,891,873		4,891,873	4,891,873
Derivatives	212,553		212,553	212,553	208,334		208,334	208,334
Other financial liabilities		195,909	195,909	195,909		193,114	193,114	193,114
Subordinated liabilities		57,500	57,500	57,500		57,500	57,500	57,500
Liabilities of disposal groups held for sale		12,525	12,525	12,525		12,525	12,525	12,525
Total	**5,145,902**	**2,776,453**	**7,922,354**	**8,015,057**	**5,100,207**	**552,385**	**5,652,591**	**5,657,987**

[3] The fair values for balance sheet items 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).

Valuation groups

Under IFRS rules, financial assets are classified into four valuation groups: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets. According to the rules, financial assets at fair value through profit or loss are further divided into the following categories: financial assets classified as held for trading and financial assets designated to be recognised at fair value through profit or loss upon initial recognition. The Group has no financial assets to be held for trading or held until maturity.

Under IFRS rules, the Group's financial liabilities are classified into two groups: financial liabilities at fair value through profit or loss and other financial liabilities. Other financial liabilities are measured at (amortised) cost. Financial liabilities at fair value through profit or loss are presented in the same manner as financial assets, classified as being held for trading and designated to be recognised at fair value through profit or loss upon initial recognition. The Group has no financial liabilities to be held for trading

Fair value measurement principles

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. Investments in associates

The fair value of subsidiaries involved in venture capital investment is determined using a valuation technique approved by the Board of Directors that complies with the International Equity and Venture Capital Valuation (IPEV) Guidelines and recommendations for early stage ventures. In this technique, the determination of the investment's fair value is based on the valuation and investments made by outside investors as well as on the portfolio company valuation approved by the fund's Board of Directors. The 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 with the government’s policy guidelines, Finnvera will give up its venture capital investments to a signifact extent. Finnvera has already initiated measures to this end. In consequence, when the fair value of venture capital investments is determined, attention is also paid to how the management of both Finnvera and its subsidiaries engaged in venture capital investment assess the fair value of the investments.

4. Shares and participations

Shares and reserve shares listed on the NASDAQ OMX Helsinki stock exchange that are classified as available-for-sale shares and participations are measured at the exchange rate on the date of the financial statements. Unlisted shares classified as available-for-sale shares and participations are measured using the effective interest method. Because their measurement using fair value measurement models has not been possible, nor could the fair value of investments otherwise be reliably determined. The most notable item of this type consists of shares in Finnfund EUR 13.67 million (2015: 13.67 million).

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. Other fair values of liabilities measured at fair value are calculated using a method based on the current value of cash flows. In this method, market interest rates on the end date of the financial period and other accounting information serve as the accounting principle. The company’s own credit risk is also taken into consideration in the measurement of liabilities.

E18 Hierarchy for carrying financing instruments at fair value

The presentation method has been changed from the previous year. The table below shows the fair value hierarchy levels for items that are measured at fair value in accounting. The fair values for balance sheet items that are not measured at fair value in accounting are disclosed in Note E17 and the principles for detemining the fair value in the footnotes 1–3 of Note E17.

(EUR 1,000)		Finnvera Group			Finnvera plc	
Financial assets 31 Dec 2017	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
- Derivatives		79,792			79,591	
- Associated companies						
- Assets held for sale			33,259			
Available-for-sale						
- Bonds		2,052,302			2,052,302	
- Shares and holdings	10,023					
Total	**10,023**	**2,132,094**	**33,259**	**0**	**2,131,893**	**0**
Financial liabilities 31 Dec 2017	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
- Liabilities to other institutions		37,227				
- Debt securities in issue		6,483,055			6,483,055	
- Derivatives		138,321			138,321	
Total		**6,658,604**			**6,621,377**	

(EUR 1,000)		Finnvera Group			Finnvera plc	
Financial assets 31 Dec 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
- Derivatives		110,649			110,649	
- Associated companies			14,973			
- Assets held for sale			25,713			
Available-for-sale						
- Bonds		1,703,294			1,703,294	
- Shares and holdings	9,983			331		
Total	**9,983**	**2,153,071**	**40,686**	**331**	**2,153,071**	**0**
Financial liabilities 31 Dec 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value						
- Liabilities to other institutions		41,476				
- Debt securities in issue		4,891,873			4,891,873	
- Derivatives		212,553			208,334	
Total		**5,145,902**			**5,100,207**	

Hierarchy levels

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, currency futures and liabilities are specified using a method based on the current value of cash flows, in which the market interest rates at the closing of the financial 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 pricing source. 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.

Level 3: The fair value of venture capital investments made by subsidiaries engaged in venture capital investment 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 complies with the International Private Equity and Venture Capital Valuation Guidelines (IPEV) for early-stage enterprises. In accordance with the government's policy guidelines, Finnvera will give up its venture capital investments to a significant extent. Finnvera has already initiated measures to this end. In consequence, when the fair value of venture capital investments is determined, attention is also paid to how the management of both Finnvera and its subsidiaries engaged in venture capital investment assess the fair value of the investments.

Transfers between levels 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.

E19 Specification of events at hierarchy level 3

LEVEL 3, Financial assets	**Finnvera Group**		**Finnvera plc**	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Financial assets carried at fair value				
Balance at 1 Jan	**40,687**	**101,320**	**0**	**0**
Profits and losses entered in the income statement, total	6,434	-9,646	0	0
Acquisitions	2,395	11,449	0	0
Sales	-16,235	-50,081	0	0
Transfers to level 3	0	0	0	0
Transfers from level 3	0	0	0	0
Other	-22	-12,356	0	0
Balance at 31 Dec	**33,259**	**40,687**	**0**	**0**
Profits and losses entered in the income statement for the instruments held by Finnvera	2,575	-2,688	0	0

The impact of the sale of the majority holding in Seed Fund Vera Ltd on the Group's financial assets is presented in the Group's comparison year item Sales.

E20 Financial assets and liabilities encompassed by hedge accounting and the net result of hedge accounting

	Finnvera Group		Finnvera plc	
(EUR 1,000)	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Financial assets				
Derivatives				
- Encompassed by hedge accounting				
- Other	79,792	110,649	79,591	110,649
Total	**79,792**	**110,649**	**79,591**	**110,649**
Financial liabilities				
Debt securities in issue				
- Encompassed by hedge accounting	2,790,698	984,000	2,790,698	984,000
- Other	3,692,357	3,907,873	3,692,357	3,907,873
Total	**6,483,055**	**4,891,873**	**6,483,055**	**4,891,873**
Derivatives				
- Encompassed by hedge accounting	43,681	16,710	43,681	16,710
- Other	94,641	195,843	94,641	191,623
Total	**138,321**	**212,553**	**138,321**	**208,334**
Net result of hedge accounting				
Gains (+) / losses (-) from items carried at fair value				
- Derivatives encompassed by hedge accounting	17,927	6,087	-17,872	6,087
- Debts encompassed by hedge accounting	-17,872	-6,818	17,927	-6,818
Total	**54**	**-731**	**54**	**-731**

In 2016, hedge accounting was applied to the 10-year bond of one billion euros issued by Finnvera in April as well as bonds issued in the financial year 2017 after January 2017.

In its financial statements, Finnvera plc recognises Finnish Export Credit Ltd’s share of the change in the fair value of liabilities and derivatives either as a liability to or as a receivable from Finnish Export Credit Ltd, depending on the final outcome of the change. Finnish Export Credit is Finnvera’s subsidiary.

E21 Financial instruments set off in the balance sheet or subject to netting agreements

	Finnvera Group / Finnvera plc						
(EUR 1,000)	Gross recognised financial assets	Gross recognised financial liabilities set of in the balance sheet	Net carrying amount in the balance sheet	Financial instruments [1]	Financial instruments received/ given as collateral [1]	Cash received/ given as collateral [1]	Net amount [1]
Financial assets 31 Dec 2017							
Derivatives	79,591	0	79,591	-45,745	0	-33,130	716
Total	**79,591**	**0**	**79,591**	**-45,745**	**0**	**-33,130**	**716**
Financial liabilities 31 Dec 2017							
Derivatives	138,352	0	138,352	-45,745	0	-78,100	14,507
Total	**138,352**	**0**	**138,352**	**-45,745**	**0**	**-78,100**	**14,507**
Financial assets 31 Dec 2016							
Derivatives	110,649	0	110,649	-69,850	0	-45,400	-4,601
Total	**110,649**	**0**	**110,649**	**-69,850**	**0**	**-45,400**	**-4,601**
Financial liabilities 31 Dec 2016							
Derivatives	208,334	0	208,334	-69,850	0	-156,080	-17,596
Total	**208,334**	**0**	**208,334**	**-69,850**	**0**	**-156,080**	**-17,596**

[1] Sums not subject to netting but included in the main netting agreements and similar arrangements.

E22 Equity

	Finnvera Group				Finnvera plc			
(EUR 1,000)	**31 Dec 2017**		**31 Dec 2016**		**31 Dec 2017**		**31 Dec 2016**	
Parent company's equity		196,605		196,605	0	196,605		196,605
Reserves		0			0	0		
- Share premium reserve	51,036	0	51,036		51,036	0	51,036	
- Fair value reserve	4,534	55,570	3,488	54,524	4,342	55,378	3,323	54,359
Restricted equity		**252,175**		**251,129**		**251,983**		**250,964**
Unrestricted reserves								
- Reserve for domestic operations	213,734		154,550		213,734		154,550	
- Reserve for export credit guarantee and special guarantee operations	687,681		668,440		687,681		668,440	
- Reserve for venture capital investments	15,252	916,667	15,252	838,242	15,252	916,667	15,252	838,242
Retained earnings								
- Profit/loss for previous periods	38,659	0	33,065		504	0	504	
- Profit/loss for the period	106,744	145,403	84,019	117,084	98,411	98,914	78,425	78,929
Unrestricted equity		**1,062,071**		955,327		**1,015,582**		**917,171**
Total		**1,314,245**		**1,207,362**		**1,267,565**		**1,168,136**
Equity attributable to the parent company's shareholders		1,314,245		1,206,456		1,267,565		
Share of equity held by non-controlling interests		0		906				

Share capital and ownership:	**31 Dec 2017**			**31 Dec 2016**		
Owner	**Share capital (EUR 1,000)**	**Shares, nb**	**Ownership**	**Share capital (EUR 1,000)**	**Shares, nb**	**Ownership**
The Finnish state	196,605	11,565	100%	196,605	11,565	100%

Reserves:

Share premium reserve

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

Fund for domestic operations and fund for export credit guarantee and special guarantee operations

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

Fund for venture capital investments

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

Fair value reserve

The reserve includes the fair value change of available-for-sale financial assets. The items recognised in the fair value reserve are taken to the income statement when an available-for-sale financial asset is disposed of or an impairment loss on such an asset is recognised.

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

E23 Disposal groups classified as held for sale

As a whole, venture capital investments belong to disposal groups classified as held for sale because, in accordance with the Government's policy outlines, the Group gives up its venture capital investment activities. The Group's figures include ERDF-Seed Fund Ltd's assets and liabilities as disposal groups classified as held for sale, as well as the capital input invested in Innovestor Kasvurahasto I Ky.

In 2017, Finnvera bought the holdings of ERDF-Seed Fund Ltd's minor shareholders (approximately 5 per cent), becoming the sole owner of the fund. The arrangement was made in preparation for Finnvera's overall withdrawal from ERDF-Seed Fund Ltd. In accordance with the presentation method allowed by IFRS 12 section B17, financial information concerning ERDF-Seed Fund Ltd is not presented in the financial statements for 2017.

In 2017, Seed Fund Vera Ltd merged with the Innovestor Kasvurahasto I Ky fund. At the end of 2017, the parent company had a 19.71 per cent holding in Innovestor Kasvurahasto I Ky, and the company is not included in the consolidated financial statements.

Veraventure Ltd's venture capital investments available for sale were sold during 2017, and the company no longer has any actual business operations.

	Finnvera Group		**Finnvera plc**	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Assets				
Loans to and receivables from credit institutions - payable on demand	3,632	6,004		
Loans to and receivables from customers – credits	1,228	2,185		
Investments in Group companies	0	0	15,256	14,653
Investments in associated companies	14,873	8,003		
Investments in other shares and participations	30,902	30,719	12,517	13,009
Prepayments and accrued income	48	83		
Total	**50,683**	**46,994**	**27,772**	**27,662**
Liabilities				
Other liabilities	3	3		
Subordinated liabilities	12,525	12,525	12,525	12,525
Deferred tax liabilities	2,749	1,550		
Total	**15,277**	**14,078**	**12,525**	**12,525**

Each year Finnvera conducts an impairment test on the investments of its subsidiaries, as laid down by IAS 36. The valuation principles of long-term assets held for sale are presented in Note A13 to the financial statements.

Finnvera Annual report 2017 / Financial Statements / Notes concerning the presentation of the financial statements / F Notes on personnel and management

F Notes on personnel and management

F1 Number of employees

(Number)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016	Finnvera plc 31 Dec 2017	Finnvera plc 31 Dec 2016
Number of employees				
- Permanent	357	364	353	356
- Temporary	26	34	26	33
Total	**383**	**398**	**379**	**389**
Personnel as person-years	367	376	363	367

F2 Key management personnel in the Group

In the Group, key management personnel are members of the parent company Board of Directors, members of the Supervisory Board, CEO Pauli Heikkilä, Deputy CEO Topi Vesteri as well as the Management Group, which is comprised of the CEO and Deputy CEO, along with Executive Vice President Jussi Haarasilta, CFO Ulla Hagman, Senior Vice President Risto Huopaniemi, Executive Vice President Katja Keitaanniemi, Communications Director Tarja Svartström and Chief Risk Officer Merja Välimäki.

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

F3 Key personnel benefit expenses

The table below shows the employment benefits received by key management personnel. The employment benefits shown are performance based. Employee benefits include the bonus corresponding to one month’s total remuneration paid to the Chief Executive Officer and the other members of the Management Group in 2017. Post-employment benefits are dealt with as voluntary pension plans, which include both defined contribution and defined benefit pension plans.

(EUR 1,000)	Finnvera Group 31 Dec 2017	Finnvera Group 31 Dec 2016
Salaries and other short-term employee benefits	1,748	1,652
Supplementary pension commitments	125	111
Remuneration of the Board of Directors and Supervisory Board members	205	181
Total	**2,078**	**1,944**

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

The Deputy CEO belongs to the defined benefit pension plan, which offers eligibility for retirement at 60 years of age. Therefore, the target pension is 60 per cent of the average yearly earnings over the previous five years. Lowering the retirement age from the statutory retirement age is done with a defined benefit supplementary pension.

The period of notice for the CEO is six months, in addition to which the CEO will receive termination benefits equivalent to 18 months' salary if the company terminates their employment. The period of notice for the Deputy CEO is six months, in addition to which the Deputy CEO will receive termination benefits equivalent to 12 months' salary if the company terminates their employment.

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

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

F4 Salaries, remuneration and pension commitments for the key personnel

	Finnvera Group					
	31 Dec 2017			31 Dec 2016		
		Pension commitments			Pension commitments	
(EUR 1,000)	**Salaries**	**Voluntary**	**Statutory**	**Salaries**	**Voluntary**	**Statutory**
Management salaries (incl. social security costs) as well as applicable pension commitments						
CEO Pauli Heikkilä	413	39	68	376	35	64
Deputy CEO Topi Vesteri	284	77	46	284	58	48
Other members of the Management Group	1,051	19	186	992	18	168
Members of the Board of Directors:						
Markku Pohjola, chairman until 6 April 2017	9	No	-	26	No	-
Pentti Hakkarainen, chairman since 7 April 2017	21	No				
Pekka Timonen, I deputy chairman	23	No	-	18	No	-
Marianna Uotinen, II deputy chairman until 6 April 2017	7	No	-	19	No	-
Terhi Järvikare, II deputy chairman since 7 April 2017	14	No				
Kirsi Komi, member	21	No	-	20	No	-
Pirkko Rantanen-Kervinen, member	19	No	-	18	No	-
Harri Sailas, member until 6 April 2017	6	No	-	16	No	-
Ritva Laukkanen, member since 7 April 2017	13	No				
Antti Zitting, member	18	No	-	18	No	-
Members of the Supervisory Board (total)	**54**	**No**	**-**	**43**	**No**	**-**

F5 Defined benefit pension plans

The Group has several defined benefit group pension insurance plans, which cover personnel who transferred to Finnvera from previous organisations, and supplementary pension insurance plans for Management Group members and Regional Directors appointed before 2 April 2009. At the end of the year, there were 120 people covered by the plans. When a person resigns or retires, the insurance is changed to a defined contribution plan, because paid-up policies and pensions are increased by a credit issued by the insurance provider.

The plans are funded with annual contributions paid to the insurance company and based on actuarial calculations. The plans are subject to local tax and other legislation.

The obligation is shown as the pledge made to all insurees and the asset is shown as the share of this obligation assumed by the insurance provider. The amount of assets is calculated using the same discount interest rate as an equivalent obligation. As a result, the risk posed by changes in the discounted interest rate only affects the net liabilities. A hypothetical 0.25% increase in salary would increase the obligation 0.9% (1.4%) and, correspondingly, an equivalent decrease would have the opposite effect.

Balance sheet items arising from the defined benefit:

	Finnvera Group			
(EUR 1,000)		**31 Dec 2017**		**31 Dec 2016**
Pension obligation				
Present value of funded obligations 1 Jan		4,004		3,854
Unrecognised actuarial gains or losses	52		152	
Interest on obligation	60		85	
Effect of fulfilling the plan and reducing the obligation	-399		-481	
Revaluation of defined benefit pension plans				
- Caused by changes in financial assumptions	13		476	
- Caused by changes in demographic assumptions	0		93	
- Based on experience	253	-21	-174	150
Present value of funded obligations 31 Dec		**3,983**		**4,004**
Fair value of assets				
Fair value of plan assets 1 Jan		3,952		3,838
Interest income on assets	61		85	
Effect of fulfilling the obligation	-399		-481	
Return on plan assets, excluding items contained in interest expenses or income	416		251	
Contributions paid to the plan	56	134	259	114
Fair value of plan assets 31 Dec		4,086		3,952
Net liabilities (difference between obligations and assets)		**-103**		**53**
Consolidated statement of comprehensive income – pension costs				
Unrecognised actuarial gains or losses		52		152
Effect of fulfilling the obligation		0		0
Net interest expenses		-1		0
Consolidated income statement defined benefit pension costs		**51**		**151**
Items resulting from revaluation		**-150**		**144**

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

	Finnvera Group	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**
Defined benefit net liabilities		
Pension debt (+) / Pension receivable (-) 1 Jan	53	16
Expenses recognised in the income statement	51	151
Paid pension contributions	-56	-259
Other items recognised in the consolidated statement of comprehensive income	-151	144
Pension debt (+) / Pension receivable (-) 31 Dec	**-103**	**53**

The plan assets include 100% qualifying insurance policies.

	Finnvera Group	
Actuarial assumptions	**31 Dec 2017**	**31 Dec 2016**
Discount rate	1.50%	1.50%
Future salary increases	2.25%	2.16%
Future pension increases	1.65%	1.65%

The duration based on the weighted obligation average is 17.7 years. Finnvera estimates that it will pay EUR 206,000 for defined benefit arrangements in 2018.

Finnvera Annual report 2017 / Financial Statements / Notes concerning the presentation of the financial statements / G Shares and holdings

G Shares and holdings

G1 Shares and holdings in Group companies

		Finnvera plc					
		31 Dec 2017			31 Dec 2016		
Name and domicile of the company	**Sector**	**Holding of all shares, %**	**Share of votes, %**	**Book value EUR 1,000**	**Holding of all shares, %**	**Share of votes, %**	**Book value EUR 1,000**
Subsidiaries (holding over 50%)							
ERDF-Seed Fund Ltd, Kuopio	Development and investment company	100%	100%	15,256	100.00%	100.00%	15,256
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalisation	100%	100%	20,182	100.00%	100.00%	20,182
Veraventure Ltd, Kuopio	Development and investment company	100%	100%	48,634	100.00%	100.00%	48,634

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

				Finnvera plc	
Name and domicile of the company		**Sector**	**Year**	**Holding of all shares, %**	**Share of votes, %**
Veraventure Ltd					
Saimaa Capital Oy		Venture capital investments	2017 2016	0.00% 31.60%	0.00% 31.60%
Uudenmaan Pääomarahasto Oy		Venture capital investments	2017 2016	0.00% 41.13%	0.00% 41.13%
Wedeco Oy Ab		Venture capital investments	2017 2016	0.00% 39.80%	0.00% 39.80%
ERDF-Seed Fund Ltd					
Airmodus Oy	Helsinki	Research and development on other natural sciences	2017 2016	20.13% 20.13%	20.13% 20.13%
Aranda Pharma Oy	Kuopio	Research and development on medical sciences	2017 2016	40.00% 40.00%	40.00% 40.00%
Bone Index Finland Oy	Kuopio	Research and development on medical sciences	2017 2016	35.70% 34.91%	35.70% 34.91%
GlowWay Oy Ltd	Pieksämäki	Manufacture of electric lighting equipment	2017 2016	26.44% 24.32%	26.44% 24.32%
Hapella Oy	Kiuruvesi	Wholesale of other machinery for use in industry	2017 2016	21.69% 21.69%	21.69% 21.69%
Injeq Oy	Tampere	Manufacture of irradiation, electromedical and electrotherapeutic equipment	2017 2016	26.51% 25.23%	26.51% 25.23%
Netled Oy	Honkajoki	Electrical engineering design	2017 2016	25.00% 23.94%	25.00% 23.94%
Norsepower Oy Ltd	Rauma	Building of ships and floating structures	2017 2016	25.17% 25.17%	25.17% 25.17%
Proxion Solutions Oy	Varkaus	Manufacture of other electrical equipment	2017 2016	30.89% 30.89%	30.89% 30,89%
Savroc Oy	Kuopio	Manufacture of products not listed elsewhere	2017 2016	22.84% 20.02%	22.84% 20.02%
Silvergreen Oy Ltd	Tampere	Manufacture of other chemical products not listed elsewhere	2017 2016	26.61% 26.61%	26.61% 26.61%
Traplight Oy	Ylöjärvi	Design and manufacture of software	2017 2016	20.46% 22.60%	20.46% 23.43%

G3 Related party transactions, loans and receivables

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

	Finnvera Group	
(EUR 1,000)	**31 Dec 2017**	**31 Dec 2016**
Related party transactions, loans and receivables		
Services purchased	3,310	5,488
Interest subsidies, compensation for losses and other items from the State	23,370	29,675
Interest income	25,269	21,703
Interest expenses	43,740	59,985
Cancellation of subordinated loans	0	23,063

(EUR 1,000)	**0**	**0**
Related party transactions, loans and receivables		
Loans	3,036,473	2,500,398
Receivables	113,242	102,767
Long-term liabilities	1,736,453	2,297,067
Short-term liabilities	18,253	115,256
Guarantees	12,503,395	3,726,849

G4 Separate result of activities referred to in the Act on the State Guarantee Fund §4, and its share of the total result of Finnvera plc

(EUR 1,000)	Finnvera plc's profit 31 Dec 2017		Activities referred to in the Fund Act and their share of the profit 31 Dec 2017		Finnvera plc's profit 31 Dec 2016		Activities referred to in the Fund Act and their share of the profit 31 Dec 2016	
Interest income	63,030		499		55,702		493	
Interest expenses	-23,518	39,512	343	842	-13,277	42,425	638	1,131
Fee and commission income	150,849		106,230		164,438		120,484	
Fee and commission expenses	-24,407	126,442	-23,505	82,725	-21,737	142,701	-20,989	99,495
Gains and losses from financial instruments carried at fair value through profit or loss		1,035		400		1,723		-506
Net income from investments		135		0		20		0
Other operating income		2,814		92		12,617		291
Administrative expenses								
- Wages and salaries	-28,297		-7,774		-28,853		-7,500	
- Other administrative expenses	-14,127	-42,424	-4,844	-12,618	-13,555	-42,408	-4,691	-12,191
Depreciation and amortisation from intangible assets, property, plant and equipment		-1,798		-579		-2,326		-585
Other operating expenses		-9,050		-578		-22,356		-977
Net impairment loss on financial assets								
- Loans and guarantees	-38,949		0		-26,662		0	
- Credit loss compensation from the state	22,833		0		28,272		0	
- Export credit guarantees and special guarantees	-2,291	-18,407	-2,291	-2,291	-67,416	-65,805	-67,416	-67,416
Impairment losses on other financial assets		0		0		-1,932		0
Operating profit		**98,260**		**67,993**		**64,659**		**19,241**

Finnvera Annual report 2017 / Financial Statements / Notes concerning the presentation of the financial statements / H Key Figures & Formulas for the key indicators

H1 Key figures

	Finnvera Group		Finnvera Plc	
Key P&L figures:	**2017**	**2016**	**2016**	**2017**
Net interest income, MEUR	46	50	40	42
Net fee and commission income, MEUR	127	144	126	143
Administrative expenses, MEUR	43	44	42	42
-Of which salaries including social security costs, MEUR	29	30	28	29
Impairment loss on financial assets	41	94	41	93
Credit loss compensation from the State, MEUR	23	28	23	28
Operating profit or loss, MEUR	109	69	98	65
Profit for the year, MEUR	107	70	98	65
Key Balance sheet figures:				
Loans to and receivables from customers, MEUR	5,846	6,078	4,151	3,819
Investments, MEUR	3,084	2,082	3,143	2,126
Liabilities, MEUR	9,023	8,290	7,316	6,010
-Of which debt securities in issue, MEUR	6,483	4,892	6,483	4,892
Shareholders' equity, MEUR	1,314	1,207	1,268	1,168
-Of which non-restricted reserves, MEUR	1,062	955	1,016	917
Balance sheet total, MEUR	10,337	9,498	8,584	7,178
Key ratios:				
Return on equity, ROE, %	8.5	6.0	8.1	5.7
Return on assets, ROA, %	1.1	0.8	1.2	1.0
Equity ratio, %	12.7	12.7	14.8	16.3
Capital adequacy ratio, Tier 1, %	25.3	22.4	24.3	21.8
Expense-income ratio, %	27.2	27.0	32.4	33.6
Average number of employees [1]	383	398	379	389
SMEs and midcaps; financing, exposures and effectiveness				
Loans, guarantees and export credit guarantees offered, Billion EUR			1.0	1.0
Outstanding commitments, Billion EUR			2.5	2.6
Number of start-up enterprises financed			3,100	3,400
Number of new jobs created			9,100	8,700
Large Corporates; financing and exposures				
Export credit guarantees and special guarantees offered, Billion EUR			7.5	4.2
Outstanding commitments, Billion EUR			22.2	18.1
Clients				
Number of clients, SMEs and midcaps and Large Corporates together			27,300	27,700

[1] Based on monthly average for the whole period.

H2 Formulas for the key indicators

Return on equity % (ROE)	profit/loss for the year	x 100
	equity (as the average of the value at the beginning and the end of the period)	
Return on assets %, ROA	operating profit/loss – income taxes	x 100
	balance sheet total on average (as the average of the value at the beginning and the end of the period)	
Equity ratio, %	equity + minority share + accumulated appropriations deducted by the deferred tax liability	x100
	balance sheet total	
Capital adequacy ratio, Tier1, domestic operations, %	calculated according to Basel III standard method	
Expense-income ratio, %	administrative expenses + depreciation, amortisation and impairment from tangible and intangible assets + other operating expenses	x 100
	net interest income + net fee and commission income + gains/losses from financial instruments carried at fair value + net income from investments + other operating income	

Signatures

In Helsinki on 19 February 2018

Pentti Hakkarainen

Pekka Timonen

Terhi Järvikare

Kirsi Komi

Ritva Laukkanen

Pirkko Rantanen-Kervinen

Antti Zitting

Pauli Heikkilä
CEO

Our audit report was submitted on 19 February 2018.

KPMG Oy Ab

Juha-Pekka Mylén
Authorised Public Accountant, KHT

Auditor's Report

To the Annual General Meeting of Finnvera plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Finnvera plc (business identity code 1484332-4) for the year ended 31 December 2017. The financial statements comprise both the consolidated and the parent company's balance sheet, comprehensive income statement, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies.

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note D7 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

The key audit matter	How the matter was addressed in the audit

Fee and commission income from export credit guarantees and special guarantees and guarantee premiums paid in advance
(A Accounting principles, note D2 to the income statement and note E15 to the balance sheet)

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

- We assessed the adequacy and functionality of application controls in the IT system and other internal controls in respect of the accounting for guarantee premiums.
- We tested on a sample basis unrecognized guarantee-specific premiums paid in advance. Testing included guarantee premiums charged both in one installment and periodically.
- We assessed and tested the control environment of the IT system, emphasizing change management.

Impairment losses on receivables and guarantees losses
(A Accounting principles, B Risk management, Contingent liabilities, note D10 to the income statement and notes E2 and E13 to the balance sheet)

- Impairment losses on receivables from clients and loss provisions for guarantees, export credit guarantees and special guarantees granted are items that involve management judgments.
- Impairment losses on receivables and provisions for guarantee losses are recognized on an individual or collective basis
- In particular, the export credit guarantee portfolio includes significant individual guarantees which may bear risks and involve loss provisions that are material for the financial statements.
- The risk rating of clients plays an essential role in the accounting for impairment losses and loss provisions.
- The estimates involve the risk that the impairments and provisions recognized are not recorded at accurate amounts nor on a timely basis.

- We assessed risk management, monitoring systems, accounting for impairment losses and provisions in respect of doubtful receivables and guarantees, and tested related internal controls.
- We evaluated the Group's approval processes in place for impairment losses and provisions.
- Concerning significant individual loss provisions and recovery receivables we assessed the appropriateness of the assumptions and methods used for accounting purposes, the financial status of the counterparty and coverage of the company's reinsurance protection.
- In respect of impairment losses and provisions recognized on a collective basis we assessed the appropriateness of the assumptions and data used and the accounting treatment applied, and tested the accuracy of these calculations.
- Furthermore, we considered the appropriateness of the notes concerning impairment losses and provisions.

Debt securities, debt securities in issue and derivatives (A Accounting principles and notes E3, E10, E11, E18 and E20 to the balance sheet)

- At the financial year-end the Group had debt securities carried at fair value amounting to EUR 2.1 billion.
- Debt securities in issue carried at fair value through profit or loss totaled EUR 6.5 billion in the balance sheet as at 31 December 2017. Bonds are measured at fair value when they are hedged with derivatives.
- Derivatives are used to hedge the Group's funding-related currency and interest rate risks and they are measured at fair value in preparing financial statements.
- The company applies hedge accounting to fixed interest rate bonds and to related interest rate and currency swap derivatives when the criteria for hedge accounting are fulfilled.
- Due to the significance of debt securities, debt securities in issue and derivatives, the related internal control and accounting are considered a key audit matter.

- We evaluated the company's principles for treasury operations, monitoring systems for investments and derivatives, related internal controls, risk management and valuation principles applied to financial assets and financial liabilities.
- In respect of the hedge accounting we evaluated the appropriateness of the procedures and documentation by reference to the applicable international financial reporting standards
- Regarding the treasury IT system we assessed, among others, user rights management and reconciliations to the accounting data.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 1999, and our appointment represents a total period of uninterrupted engagement of 19 years.

Other Information

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

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

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

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

Other Opinions

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

Helsinki, 19 February 2018

KPMG Oy Ab

Juha-Pekka Mylén
Authorised Public Accountant, KHT

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