TAALERI PLC

BOARD OF DIRECTORS' REPORT & FINANCIAL STATEMENTS

2016

TAALERI

ELÄMÄ ON RIKKAUS.

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TAALERI GROUP 1 JANUARY–31 DECEMBER 2016

- The Group's income grew by 3.7 percent to EUR 60.6 million (1–12/2015: EUR 58.4 million)
- The Group's assets under management grew by 22.7 percent to EUR 4.8 billion (EUR 3.9 billion).
- The Group's operating profit was EUR 16.3 million (47.4). The result for the reference year 2015 included the entry of EUR 27.3 million of negative goodwill from the acquisition of Garantia.
- The Group's adjusted operating profit was EUR 16.3 million (20.1). EUR 2.5 million costs related to rebranding, stock exchange listing and sale of Finsilva affect the financial comparability.
- The result per share was EUR 0.45 (1.53) and the adjusted result per share EUR 0.45 (0.55).
- The Board of Directors proposes a dividend of EUR 0.22 per share to be distributed.
- The company carried out a major brand change, and changed its name from Taaleritehdas Plc to Taaleri Plc in January 2016.

The Group's realised financial objectives	2016	2015	2016 objective
Adjusted operating profit, EUR million	16.3	20.1	-
Adjusted operating profit, %	27.0	34.4	> 15.0
Adjusted profit after taxes, EUR million	12.8	16.8	-
Adjusted return on equity, %	13.4	24.9	> 15.0*
Equity ratio	44.0	44.8	> 30.0
Conglomerate's capital adequacy ratio, %	268.9	259.2	> 150.0

* long term objective

The income of the **Wealth Management** segment was EUR 37.1 million. The operating profit of Wealth Management was EUR 6.2 million, representing 17 percent of income. Wealth Management continued to invest in growing its business, and the result included non-recurring costs from, among other things, the rebranding and IT systems development. The increase in personnel and administrative expenses of the Wealth Management segment halted during the second half of the year. The number of customers increased during 2016 to a total of 3,900 and assets under management by 23 percent to EUR 4.7 billion.

The insurance premium income of the **Financing** segment grew by 22 percent to EUR 12.2 million. The income was EUR 12.3 million consisting of net income from guaranty insurance operations of EUR 8.7 million and realised net income from investment operations of EUR 3.6 million. The return on investments at fair value was 5.8 percent. Garantia's guaranty insurance exposure grew by 13 percent and was EUR 1.3 billion at the end of 2016. Claims incurred were on a low level.

The **Energy** segment, where Taaleri is significantly expanding its operations, was formally established in summer 2016. The Energy segment's result was a loss of EUR 0.9 million due to recruitments and the start-up costs.

Other operations consist of Taaleri Plc, Taaleri Investments Ltd and associated companies Fellow Finance and Inderes. During the early part of 2016, Taaleri Investments Ltd sold its share in Finsilva and Havuz Holding.

TAALERI IN BRIEF

Taaleri is a Finnish financial group, whose parent company Taaleri Plc is listed on Nasdaq Helsinki's main market. The Taaleri Group comprises three business areas: Wealth Management, Financing, and Energy. Taaleri provides services to institutional investors, companies and private individuals. The Group's operational subsidiaries are: Taaleri Wealth Management Ltd and its subsidiaries, Taaleri Private Equity Funds Group, Taaleri Investments Group, Taaleri Energia Oy and Garantia Insurance Company Ltd. In addition, Taaleri has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, and Inderes Oy, which produces analyses and media content for investors.

At the end of December 2016, Taaleri had assets under management totalling EUR 4.8 billion and 3,900 wealth management customers. Taaleri Plc has some 2,700 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

More information about our company and services can be found at: www.taaleri.com

REVIEW BY CEO JUHANI ELOMAA

2016 certainly brought plenty of changes and anticipation of other changes to come, both within the company and in our operating environment. Tensions in the operating environment, driven by the Brexit referendum and the US presidential election, in particular, caused much uncertainty, but interestingly the direct impact on the market was lower and shorter than expected. The long-term effects remain to be seen, however.

Taaleri Group achieved good financial results with an operating profit of 27 percent. While the market situation was characterised by nervousness, which affected customers' investment activity, thus weakening continuing earnings, sales profits and the positive development of investment assets drove improved profits for the period. Streamlining of cost structures also continued to gain momentum.

Assets under management increased during the year from EUR 3.9 billion to EUR 4.8 billion. Assets are still growing by a good rate of 20 percent. We see the fastest growth in private equity funds, where assets under management increased by more than 40 percent. In June, we established the world's first private equity fund investing in the circular economy and, at the end of the year, a solar energy and wind power fund and a fund for social housing, financing the production of reasonably-priced rental units.

Taaleri's equity and money market funds also continue to play a significant role, and last year they were a great success. The continuing earnings from wealth management have remained at the level of the previous year. Fewer sales of private equity projects were recorded last year than the year before. On the other hand, in spring 2016 Taaleri's investment company sold its share of forestry business Finsilva to Etera, a mutual employment pension insurance company, from which we recorded a significant sales profit.

Last year was the first whole financial period that Garantia, which sells guaranty insurance, was part of Taaleri Group. In August, credit rating company Standard & Poors confirmed Garantia's credit rating as an independent company at A- (stable outlook). Garantia's income from insurance premiums grew by 22 percent, a significant change of direction for the company. Garantia's investment activity was also very successful last year, showing a return of +5.8 percent. Significant events for Taaleri also included the company's move from the First North marketplace to the Helsinki main market as a medium-sized company with a market value of about EUR 230 million, and the establishment of its Energy segment. At the end of 2016, a EUR 35 million bond issue targeted at institutions was significantly oversubscribed.

Juhani Elomaa
CEO
Taaleri Plc

BOARD OF DIRECTORS' REPORT 1 JANUARY–31 DECEMBER 2016

OPERATING ENVIRONMENT

For the stock exchange, 2016 was very much a year of two halves. During the first part of the year, fears of slowing Chinese growth, a strong fall in raw material prices and a slowdown in industrial activity made investors nervous. In the second half of the year, however, strengthening economic data, a recovery in raw material prices, a rise in profit forecasts and expectations of a more supportive financial policy in the United States fed the desire of investors to take risks. Measured in terms of local currency, the British stock market (FTSE 100) rose the most (+19 percent), the USA, (S&P 500) took silver with a return of just over 11 percent and developing markets took bronze with a return of 10 percent. During 2016, currency movements had significant effects on the returns received overseas by euro-denominated investors. The US dollar strengthened against the euro by about 5 percent and the Japanese yen by about 8 percent. The British pound, on the other hand, fell by 16 percent, almost completely wiping out all the positive gains made in the local markets.

Of the individual market events, the British referendum on whether or not to remain in the EU and the American presidential election overwhelmingly gained the most visibility in the media. For both, the results of the votes and the market reactions that followed came as a surprise to most financial players. After a few days of quiet following the Brexit vote, the stock market began to rise sharply and long-term interest rates turned upwards. After the election of Donald Trump, the quiet period in the market lasted only a few hours. The world's stock markets began to rise strongly, led by the USA. The MSCI World Index reached an all-time high as early as the beginning of December. The investment year ended very well with most high-risk investments, both on the fixed interest and equity sides, ending close to their peaks for the year.

From a perspective of market development, Brexit and the American presidential election were, in our opinion, secondary events. More important were the recovery of raw material prices, the end of the 'mini-recession' in global industry, the wide-scale strengthening of economic data and a rise in inflation expectations. As a result of the former and particularly the latter factor, long-term interest rates made a clear upturn, both in the USA and in the Eurozone.

In the second half of the year, it became possible after a very long time to test the durability of the price movements of high-risk investments in an environment of rising interest rates. On the whole stock markets coped well, but a strong rotation was evident within them: blue-chip companies succeeded better than growth companies, defensive market segments lagged behind more cyclical ones, and the under-performance of the banking sector compared to the broader market indices finally reached a conclusion.

The Finnish economy returned to a path of growth in 2016, driven particularly by private consumption and construction investments. Production investments also started to grow, but at a modest level. A turn for the better was also evident in industrial production, and the contraction of exports witnessed in recent years stopped. Unemployment fell and consumer confidence in the future strengthened.

TAALERI'S BUSINESS DURING THE FINANCIAL YEAR

At the beginning of 2016, Taaleri carried out a significant rebranding exercise, at the same time changing its name from Taaleritehdas to Taaleri. In February, the company decided to apply to have its shares listed on the main market of the Helsinki stock exchange after three years on the Nasdaq Helsinki First North marketplace, and at the beginning of April it became one of the medium-sized companies on the stock exchange. During the year, the company gained almost 1,000 new shareholders.

In 2016, Taaleri reorganised the operations of the Wealth Management segment, with the business being managed through Customer Operations and Market Operations. Jorma Alanne was appointed Head of Wealth Management, also being responsible for Market Operations. Petri Lampinen heads Customer Operations. In the first half of the year, Taaleri bought a 40 percent minority holding in analytics house Inderes, sold its holdings in Finsilva and Havuz Holding and sold the Biofactory fund that it had built to state-owned energy company Gasum. The increase in personnel and administrative expenses of the Wealth Management segment stopped during the second half of the year.

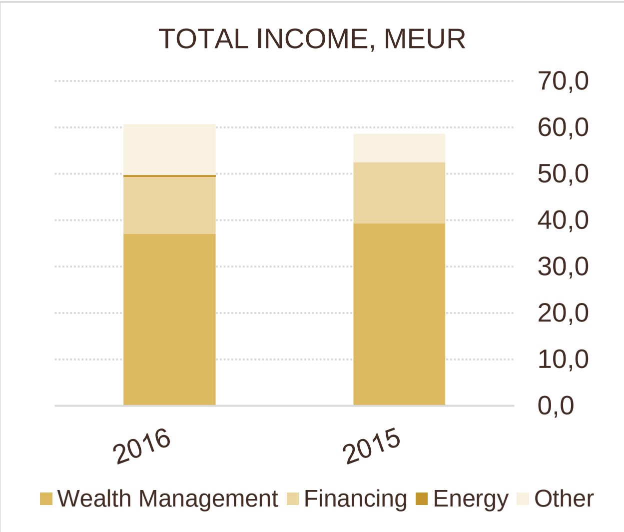
In the second half of 2016, we invested in the launch of Taaleri's Energy segment, and concluded significant cooperative agreements with global leaders ABB and Wärtsilä. The future growth of the Energy-segment is mainly based on international energy projects, while in Finland it is focused on the operation of the company's portfolio of wind farms.

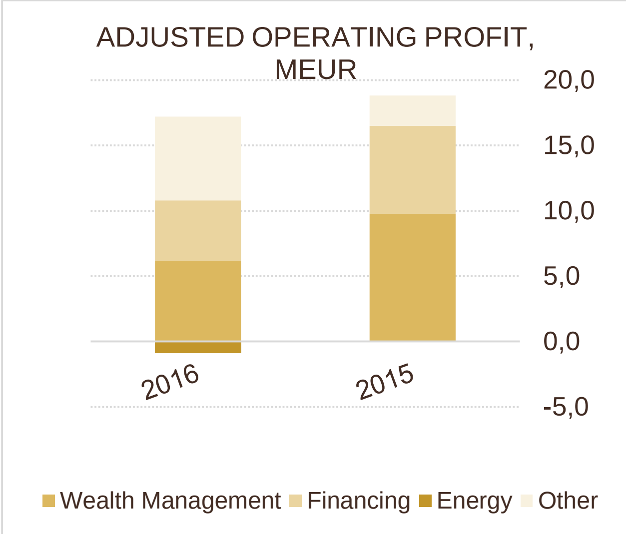
In the latter part of 2016 some wind power projects were sold. The international Solar Wind fund was established, focusing on renewable energy, and a social housing fund producing reasonably priced rental units was established. At the end of 2016, a EUR 35 million bond issue targeted at institutions was significantly oversubscribed.

Taaleri Group

The Group's income grew by 3.7 percent to EUR 60.6 million (58.4). Of the Group's continuing earnings, fee and commission income increased by 4.5 percent to EUR 33.2 million (31.8), and the net income from insurance operations by 36.1 percent to EUR 8.7 million (6.4). Garantia is included in the reference period from 31 March 2015, which has to be taken into account when comparing financial performance. The sale of Finsilva brought the Group a sales profit of EUR 8.5 million, while reducing the company's dividend yield to EUR 1.3 million (4.9). EUR 3.1 million in sales profits was recorded from private equity projects, whilst the corresponding figure for 2015 was EUR 6.0 million. Realised net income from investment operations of insurance operations was EUR 3.6 million (6.8). Income from investment operations of insurance operations at fair value was 5.8 percent, whilst the corresponding comparable figure for the whole of 2015 was 4.6 percent.

The Group's operating profit was EUR 16.3 million (47.4), a decline of 65.5 percent. Operating profit for the comparison year 2015 was significantly affected by negative goodwill of EUR 28.6 million recorded from the acquisition of Garantia, as well as costs of EUR 1.3 million pertaining to the acquisition. Adjusted operating profit for the financial period was EUR 16.3 million, a decline of 18.7 percent (EUR 20.1 million in 2015, not including the non-recurring items from the acquisition of Garantia). The result for the early part of the year includes costs totalling EUR 2.5 million from, among other things, rebranding, the stock exchange listing and the sale of Finsilva.





The result for the 2016 financial period was EUR 12.8 million (44.1), which corresponds to an adjusted result after taxes of EUR 12.8 million (16.8). Comprehensive income for the financial period 2016 was EUR 15.8 million (39.5).

Taaleri manages the group through three segments: Wealth Management, Financing, and Energy. Operations that do not belong to the segments are presented in "Other operations", which includes the Group management of parent company Taaleri Plc and the Group's own investments, as well as the Group's share of Fellow Finance Plc and Inderes Oy.

RESULT AND RISK POSITION OF THE WEALTH MANAGEMENT SEGMENT

Taaleri's Wealth Management segment consists of Wealth Management for private individuals and corporate customers as well as a large selection of investment products. Taaleri's key investment products cover in addition to equity and money market funds also private equity funds, which invest in, among other things, forest, property, renewable energy and business operations.

With Taaleri, it is possible to invest directly into funds and businesses operations, which would otherwise be difficult to access for many private investors and smaller institutions. Taaleri challenges established operating models by combining capital, ideas and entrepreneurship. The company offers not only investment opportunities, but also market views and insight.

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiaries[1] and Taaleri Private Equity Funds Group and Taaleri Kapitaali Oy. Taaleri Private Equity Funds Ltd. has the Finnish Financial Supervisory Authority's authorisation to act as an alternative investment fund manager. Taaleri also provides wealth management services in Turkey.

The income of Wealth Management in the period under review was EUR 37.1 (39.4) million, down by 6.0 percent. The continuing fees of Wealth Management were EUR 28.3 (28.8) million, down by 2.0 percent. One reason for the decline was a reduction in fees received from structured investments in comparison to the previous year. On the other hand, the continuing fee and commission income received from private equity funds increased by 28 percent. The performance fees grew by 29 percent to EUR 5.8 million (4.5). Other income, which mainly comprises the sale of projects developed by Private Equity Funds, declined by 51 percent to EUR 3.0 million (6.1). The operating profit of Wealth Management fell overall by 37 percent to EUR 6.2 million (9.8), which was influenced by a decline in income received from the sale of private equity projects, as well as additional costs from, among other things, rebranding and the development of IT systems. In addition to this, the amount of performance fees from private equity funds was reduced by EUR 1.1 million in the latter part of the year.

The most significant events of the financial period included the opening of Taaleri Kauppa in the spring and the establishment of three new Owner funds in connection with this. On the private equity fund side, the most significant events in the period included the sale to Gasum of the Biofactory chain owned by a private equity fund managed by Taaleri, and the opening to investors of the new private equity funds Wind Power III, Circular Economy, Solar Wind, Rental Home and Property Fund II. During the financial period, the Wind Power III and Circular Economy funds were closed and the others will remain open to new investors into 2017.

Wealth Management continued to invest in business growth and the development of improved IT systems and, in the second half of the year, was able to halt the increase in personnel and administrative expenses in the segment. During the financial period, the average number of full-time personnel was 123 (119). During the financial period, Taaleri Kapitaali Oy was also established to, undertake assignments concerning capital acquisitions and corporate reorganisations for Taaleri's customers.

The assets under management in the Wealth Management segment grew by 23 percent to EUR 4.7 billion (3.8). The assets under management in our own private equity funds grew by 41.1 per cent to EUR 880 million (623). Assets under management in discretionary wealth management grew by 12.2 percent to EUR 1.4 (1.3) billion, while assets in non-discretionary wealth management grew by 43.7 percent to EUR 1.5 (1.1) billion. Assets under management in our own mutual funds remained at the level of the end of 2015 at EUR 857 million (850), in spite of their good performance.

[1] Taaleri Wealth Management Ltd's subsidiaries are Taaleri Fund Management Ltd, Taaleri Portföy Yönetimi A.S., Kultataaleri Oy and Taaleri Tax Services Ltd.

Wealth Management	1-12/2016	1-12/2015	Change, %
EUR million			
Wealth Management fees	28.3	28.8	-1.6
Performance fees	5.8	4.5	28.6
Other income	3.0	6.1	-51.2
Total income	**37.1**	**39.4**	**-5.8**
Operating profit	**6.2**	**9.8**	**-36.8**
Average full time personnel	123	119	3.4

Assets under management	31/12/2016	31/12/2015	Change, %
EUR million			
Assets under management	**4,678**	**3,800**	**23.1**
Mutual funds	857	850	0.8
Private equity funds	880	623	41.1
Discretionary wealth management	1,431	1,275	12.2
Non-discretionary wealth management	1,511	1,052	43.7

The most significant future risks from the segment's point of view are risks related to the growth of business income, which is partially dependent on changes in the external operating environment.

RESULT AND RISK POSITION OF THE FINANCING SEGMENT

The Financing segment includes Garantia Insurance Company Ltd as of 31 March 2015. Associated company Fellow Finance is presented in the 'Other operations' segment and comparative information for the segments has been correspondingly adjusted. The different time periods need to be taken into account when comparing the period under review to the corresponding period last year. The development of the operations compared to last year is described in the section "Garantia's result (FAS)".

Garantia is an insurance company specialising in guaranty insurance, which promotes the availability of financing and the more effective use of capital by offering guaranty services to companies operating in Finland and to households through cooperation partners. The company's main products are loan guaranties, residential mortgage guaranties and commercial bonds. The company's business is divided into insurance operations and investment operations.

The income of the Financing segment was EUR 12.3 million (31 March–31 December 2015: 13.2), and the adjusted operating profit was EUR 4.6 million (8.0) as a result of net income from investments recorded in the income statement, which was lower than in the comparison period.

The net income from guaranty insurance grew by 36 percent to EUR 8.7 (6.4) million due to the strong growth of premiums written and the fact that claims incurred have remained low. The comparable gross premiums written for the whole year increased by 22 percent to EUR 12.2 million (10.0), but premiums earned fell to EUR 10.4 million (11.0) as a result of a change in provision for unearned premiums. The change in provision for unearned premiums was a result of strong growth of premium income. Realised net income recorded in the income statement of the investment operations fell to EUR 3.6 million (6.1).

The profit before tax at fair value of the Financing segment was EUR 7.7 million (29.6). The change in fair value of investment operations was EUR 3.1 million (-5.7), meaning that Garantia's investment operations yielded a total of EUR 6.7 million (0.4) to Taaleri Group. The return on investment at fair value was 5.8 percent. The result of the comparison period of the Financing segment included EUR 27.3 million of recognised income from the corporate acquisition of Garantia Insurance Company Ltd, which is not reported in adjusted operating profit.

Strong growth in the construction sector and the recovering housing market increased guaranty fees especially in commercial bonds and residential mortgage guaranties. New exposure in corporate loan guaranties clearly turned to growth, but despite low interest rates, demand for corporate loan guaranties remained at a low level. The gross exposure of the insurance portfolio increased by 13.3 percent and was EUR 1,320 million at the end of the year (1,164). Residential mortgage guaranties accounted for 35 percent of the gross exposure (33), loan guaranties 31 percent (37), commercial bonds 27 percent (22) and other guaranties 7 percent (8).

Claims paid remained at an exceptionally low level. Claims incurred in relation to the gross exposure were 0.09 percent (0.13). The growth in operating expenses was a result of investments in personnel and IT as well as, the development of improved risk models and of the corporate brand. Operating expenses for 2015 included EUR 1.0 million in capital transfer tax from the acquisition of Garantia.

Financing, EUR million	1-12/2016	4-12/2015	Change, %
Net income from guaranty insurance operations	8.7	6.4	36.1
Net income from investment operations	3.6	6.1	-40.4
Other income	-	0.7	
Total income	**12.3**	**13.2**	**-6.3**
Adjusted operating profit before valuations	4.6	8.0	-42.2
Adjusted operating profit at fair value before tax	7.7	2.4	227.2
Average full time personnel	21	24	-12.5

	31/12/2016	31/12/2015	Change, %
Investment assets, fair value	123.5	114.1	8.2
Guaranty insurance, gross exposure	1,320	1,164	13.3

Risk Position

The key risks associated with Garantia's business operations are credit risks arising from guaranty operations, and the market risk associated with investments covering insurance liabilities.

Garantia's risk position remained stable in 2016. Investment portfolio growth took place in dispersed mortgage guaranties and in short-term commercial guaranties covered by comprehensive reinsurance. As a result of the shortening of loan guaranties, the share of the insurance exposure made up by investment grade guaranties, i.e. with a rating of AAA–BBB-, excluding residential mortgage guaranties, residual value guaranties and assumed reinsurance, declined to 21% (30), however. The share of those with lower credit ratings of C+ or lower remained low and was 2.8% (2.5). The biggest sectors in the insurance exposure were construction at 37% (33) and manufacturing 26% (33). The proportion of construction guaranties that is reinsured is 52% (58).

As part of the Taaleri Group, Garantia is subject to the regulations on large exposures as defined in the EU Capital Requirements Regulation. At the end of the year Garantia's largest individual exposure was 38.9% (51.3) of the Group's own funds and the exposures of a total of 1 (7) client exceeded the 25% exposure limit prescribed by law. The Financial Supervisory Authority approved an updated action plan drawn up by Garantia to reduce the exposure of guaranties to the level required by law by 30 October 2017.

The risk level of investment activities was raised moderately when the share of finance sector fixed income investments was reduced and the share of corporate sector fixed income investments and US equities was increased to secure the return level. Fixed income investments made up 79% (82) and equity investments 18% (17) of the investment portfolio (incl. cash and bank balances). Fixed income investments mainly consist of investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The share of investment grade fixed income investments (excluding fixed income funds) was 70% (78). The modified duration of the fixed income investments was 3.0 (2.5).

Credit Rating

On 1 December 2016, Standard & Poor's Credit Market Services Ltd (S&P) confirmed the credit rating describing Garantia's financial strength as A- and changed the rating's outlook from negative to stable.

Guaranty insurance business

This section briefly describes Garantia Insurance Company's key financial information in accordance with Finnish accounting standards (FAS) to illustrate the company's operative development compared with 2015. Garantia belongs to the Financing segment of the Taaleri Group as of 31 March 2015, and Garantia's financial information according to IFRS as of 31 March 2015 has been presented above, in the section about the Financing segment.

Garantia Insurance Company (FAS)* EUR million	1-12/2016	1-12/2015	Change, %
Premiums written	**12.2**	**10.0**	21.9
Other items**	-2.8	-0.2	
Earned premiums	**9.5**	**9.8**	**-3.9**
Claims incurred	-1.2	-1.5	-21.3
Operating expenses	-5.0	-4.8	3.9
Balance on technical account before changes in equalisation provision	**3.3**	**3.6**	**-7.1**
Change to equalisation provision	1.2	-3.5	
Balance on technical account	**4.5**	**0.0**	
Investment income and expenses, net	3.2	8.5	-62.0
Earnings before tax	**7.7**	**8.5**	**-9.5**
Combined ratio, %	64.9	63.7	
Claims ratio, %	12.4	15.1	
Expense ratio, %	52.5	48.5	
Return on investments at fair value, %	5.8	4.6	
Solvency ratio (S2), %* **	435.4	505.8	

* Figures presented in the table are based on Garantia's FAS financial statements
** Reinsurers' share of premiums written, change to provision for unearned premiums and reinsurers' share of change to provision for unearned premiums.
*** The Solvency II regulations were not in force during the 2015 financial year and they do not fall within the sphere of statutory auditing under the insurance Companies Act that entered into force on 1 January 2016. The Solvency II capital adequacy figures have not been audited.

Garantia's result (FAS)

Gross premiums written (excluding the reinsurers' share) increased 22% to EUR 12.2 (10.0) million. Earned premiums declined, however, to EUR 9.5 (9.8) million on account of the change in the provision for unearned premiums. The change in the provision for unearned premiums was a result of strong growth in premiums written.

Claims paid remained at an exceptionally low level. The claims ratio was 12.4% (15.1). In 2016 a total of EUR 1.2 (1.9) million in claims were paid and about 72% of these were for residential mortgage guaranties, 15% for loan guaranties and 13% for commercial bonds. Operating expenses grew by 3.9% to EUR 5.0 (4.8) million. The operating expenses were increased by investments in personnel, in IT, in the development of risk models and in corporate branding. The company's expense ratio was 52.5% (48.5) and the combined ratio was 64.9% (63.7).

The balance on the technical account before the change to the equalization provision was EUR 3.3 (3.6) million. The change to the equalization provision was EUR 1.2 (-3.5) million, so the balance on the technical account increased to EUR 4.5 (0.06) million. Regulations on the equalization provision changed as a result of the Insurance Companies Act that came into force on 1 January 2016, and the Financial Supervisory Authority confirmed Garantia's calculation bases for the equalization provision on 21 October 2016.

Net return on investments recognised in profit and loss were EUR 3.2 (8.5) million. The valuation difference of investment assets grew from EUR 6.7 million to EUR 9.9 million during the financial year. The return on investments at fair value (excl. the cash and bank balances, and unallocated income, expenses and operating expenses) was 5.8% (4.6). Net return on investments from capital employed at fair value was EUR 6.5 (5.2) million, or 5.4% (4.4). The investment portfolio (incl. cash and bank balances) was EUR 127 (120) million at the end of the year.

RESULT AND RISK POSITION OF THE ENERGY SEGMENT

The Energy segment is a new business area for Taaleri, and it began its operations in the second half of 2016. The Group has existing expertise in renewable energy, which is being utilised in the new business. The aim of the energy segment is to channel capital under management into renewable energy, such as wind and solar power, as well as into existing energy sources and networks. The energy segment comprises Taaleri Energia Oy and Taaleri Energia Operations Oy.

The objective is for the energy business to internationalise and expand into new forms of energy production, such as solar power. The aim of the Energy segment is to develop, build, finance and operate Finnish and international energy projects. The Energy segment makes investments in different stages into energy projects in Finland and internationally, chiefly in industrial scale projects, in order to build a diversified investment portfolio. The energy business also includes the operational activities of energy projects, which it is intended will bring to the company a steady and long-term cash flow. The Energy segment operates in close cooperation with the Wealth Management segment. The capital is primarily committed to new investments made through funds.

The first cooperative agreements were concluded late in 2016 with well-reputed international operators.

Energy segment, EUR million	1-12/2016	1-12/2015	Change, %
Income	0.3	-	-
Operating profit	-0.9	-	-
Average full time personnel	4	-	-

OTHER OPERATIONS

Other operations include the Group administration services of Taaleri Plc that support the segments, the investments on the Group's own balance sheet, which are implemented through Taaleri Investments Ltd, and Taaleri's share in Fellow Finance Plc and Inderes Oy.

The Group's investment company Taaleri Investments Ltd invests from its own balance sheet in unlisted and listed companies on the principles of common investment. Taaleri Investments Ltd aims to make longer-term investments where value is created for Taaleri through ownership and combining entrepreneurship, ideas and private capital. The largest investment that Taaleri Investments Ltd has acquired, through Metsärahasto II Ky (Forest Fund II GP), was a 19.8 percent holding in Finsilva Oyj at the beginning of the financial period. Finsilva Oyj's business includes the production and sale of wood. Taaleri Investments Ltd sold Forest Fund II and the shares it owned in Finsilva Oyj to Etera in March, and the transaction was confirmed in April. Taaleri Investments Ltd recorded income of EUR 8.5 million from sales in the operating profit for the period under review and incurred costs of EUR 0.7 million. Taaleri Investments Ltd also sold its holding in Havuz Holding, which had no material impact on the result. In May, Taaleri Investments Ltd purchased a 40.0 percent holding in the analytics house Inderes Oy.

The returns of Taaleri Investments Ltd vary based on the changes in value of the investments it makes and any divestments from the investments. The returns and income of Taaleri Investments Ltd may thus vary significantly between periods under review. Income from other operations was EUR 11.0 (6.1) million. Investments in other operations totalled 10.3 (49.3) million at the end of the period under review, and loan receivables were EUR 6.8 (9.2) million.

Fellow Finance offers an online peer-to-peer lending service, and its returns consist of fee and commission income from loans transmitted between a lender and a financier. Fellow Finance Plc became an associated company of Taaleri on 26 May 2015. At the same time, Fellow Finance acquired the entire shareholding of Lainaamo Oy from Taaleri and the other shareholders of Lainaamo Oy. Lainaamo Oy, which is included in the Fellow Finance Group, is a Finnish special purpose entity, whose products are mainly loans directed at consumers.

Other business, EUR million	1-12/2016	1-12/2015	Change, %
Income	11.0	6.1	79.0
Operating profit	6.4	2.3	176.0
Investments, fair value	10.3	49.3	-79.2
Average full time personnel	18	23	-21,7

DISCONTINUED OPERATIONS

Taaleri Plc sold its shares in the subsidiary Lainaamo Oy in May 2015. The product range of the financing company Lainaamo Oy comprises consumer credit for households, corporate loans to SMEs, investment loans and Takaamo's rental deposits. The loan portfolio had grown to approximately EUR 20 million when the company divested its holding. The income of Lainaamo in the Taaleri Group in 2015 was EUR 2.0 million, which is presented in the income statement in discontinued business operations.

TAALERI'S BALANCE SHEET AND FINANCING

The balance sheet total of Taaleri Group at the end of 2016 was EUR 213.3 (216.8) million. The Group's investments totalled EUR 135.1 (163.7) million, corresponding to 63.4 (75.5) percent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 73.7 (75.1) million, which consisted of the bond programmes of Taaleri Plc of EUR 64.7 million, liabilities to credit institutions of EUR 9.0 (14.9) million, and in 2015 liabilities to the public of EUR 30.3 million. Liabilities totalled EUR 119.4 million (119.7). At the end of the financial period, equity was EUR 93.9 million (97.1 million).

The equity ratio of Taaleri Group remained strong in 2016 and was 44.0 percent (44.8) at the end of the financial period.

TAALERI'S RISK MANAGEMENT AND RISK POSITION

The task of risk management is to identify, assess, measure, mitigate and supervise risks caused by business operations that influence the implementation of the Group's strategy. Risk management aims to mitigate the likelihood of unforeseeable risks being realised, their influence on and the threat they present to the business operations of the Taaleri Group, as well as to support the achievement of the objectives set in the strategy by ensuring that the principles set by the Taaleri Plc Board of Directors are complied with in the company's operations. Taaleri Group's risks are divided into five main categories: strategic and business operations risk, credit risk, liquidity risk, market risk and operative risk (including compliance risk). The principles of Taaleri's risk and capital adequacy management are described in note 39 to the financial statements.

The risk-bearing capacity of the Taaleri Group comprises a properly optimised capital structure, profitability of business operations and qualitative factors, which include reliable management, internal control and proactive risk and capital adequacy management. Taaleri Group's attitude towards risk-taking is based on calculated risk/return thinking. The Group may not in its activities take a risk that jeopardises the target level set for the capital adequacy ratio of the company's own funds (1.5 times the calculated minimum level of equity or 1.1 times for the internal equity requirement).

A key change in Taaleri's risk position was the 2015 acquisition of Garantia Insurance Company Ltd, not merely because of actual new business in the insurance sector, but also because of the company's relatively large balance sheet compared to Taaleri's earlier business, which tied a small amount of assets. Garantia's capital adequacy is strong and its risk position has remained stable. In 2016, Garantia's claims ratio was 12.4 percent and the claims incurred in relation to gross exposure remained low at 0.09 percent. The share of interest investments in Garantia's investments was 70 percent. On 1 December 2016, Standard & Poor's Credit Market Services Ltd (S&P) confirmed for Garantia an A- credit rating indicating financial strength, and changed the rating prospects from negative to stable.

The greatest risks of Taaleri's Wealth Management segment mainly consist of operative risks and, to a slight extent, credit risks. In future, Taaleri will also be subject to international risks through the Energia segment, once the operations of Taaleri Energia Oy get fully underway. The most significant risks of other business operations consist of private equity investments made by Taaleri Investments Ltd and loans granted from the credit risks of Taaleri Plc and credit institution receivables.

Taaleri falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of 2016, Taaleri's largest single customer risk was 38.9 (57.9) percent of the Group's own funds and, combined, liabilities of one (eight) customer entity exceeded the 25 percent limit required by the law. The maximum customer risk regulation is only applied to Garantia as part of the Taaleri Group. The guaranty insurance liabilities in question were granted in their entirety before the change in ownership, at which time the regulation in question did not concern the insurance company. The Financial Supervisory Authority approved the action plan prepared by Garantia to lower its liabilities to the level required by the law by 30 October 2017.

CAPITAL ADEQUACY OF TAALERI

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

Taaleri Group forms a financing and insurance conglomerate according to the Act on the Supervision of Financial and Insurance Conglomerates (RaVa) (2004/699) as a result of the acquisition of Garantia Insurance Company Ltd. The Financial Supervisory Authority (FSA) confirmed the formation of the RaVa Conglomerate in its decision on 23 October 2015.

As a RaVa conglomerate, Taaleri Group publishes its own funds and capital adequacy in accordance with the capital adequacy regulations for financial and insurance conglomerates. On 31 December 2016, Taaleri RaVa conglomerate's own funds amounted to EUR 84.7 (86.9) million, with the minimum requirement being EUR 31.5 (33.5) million. The conglomerate's capital adequacy is EUR 53.2 (53.4) million and the capital adequacy ratio is 268.9 (259.2) percent, with the minimum requirement being 100 percent. The table below also presents the capital adequacy requirements of the RaVa conglomerate calculated according to the Solvency I rules, which were in force on 31 December 2015. The capital adequacy regulations of Solvency II were not in force in the 2015 financial period, so the capital requirements are not comparable.

The Solvency II rules tightened the capital requirements, which is also reflected in the capital adequacy according to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699). Changes in regulations reduced the conglomerate's capital adequacy from EUR 53.6 million to EUR 53.4 million and the capital adequacy ratio from 469 percent to 259 percent.

Capital adequacy of RaVa conglomerate, EUR thousand	Solvency II 31 December 2016	Solvency II 31 December 2015	Solvency I (valid on 31 December 2015) 31 December 2015
Shareholders' equity of the Taaleri Group	**93,850**	**97,060**	**97,060**
Goodwill and other intangible assets	-2,513	-2,368	-2,368
Equalisation provision	-		-18,716
Minority interests	-354	-2,119	-2,119
Planned distribution of profit	-6,237	-5,670	-5,670
Total of conglomerate's own funds	**84,746**	**86,903**	**68,187**
Financing business' requirement for own funds	7,163	10,844	10,844
Insurance business' requirement for own funds	24,357	22,678	3,700
Minimum amount of own funds of the Conglomerate	**31,520**	**33,522**	**14,544**
Conglomerate's capital adequacy	**53,226**	**53,381**	**53,643**
Conglomerate's capital adequacy ratio	**268.9 %**	**259.2 %**	**468.8 %**

Within the Taaleri Group, the regulatory capital according to Solvency II is determined and reported not only to Garantia Insurance Company Ltd, but also to Taaleri Plc and Garantia together as part of the RaVa conglomerate. Taaleri applies the standard approach in its regulatory capital calculation. The solvency capital requirement (SCR) of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd was EUR 24.4 (22.7) million. Taaleri's own funds fully comprise its own unrestricted Tier 1 basic funds. The final amount of the requirements of the insurance business' own funds is still being assessed by the Financial Supervisory Authority. The executive management expects the conglomerate's capital adequacy to remain strong, in spite of a possible increase in the capital requirement for insurance risk.

Capital adequacy according to the Act on Credit Institutions and the EU Capital Requirements Regulation

Within the Taaleri Group, the regulatory capital according to the Act on Credit Institutions (610/2014) and the EU Capital Requirements Regulation (CRR) (Regulation (EU) No 575/2013 of the European Parliament and of the Council) is determined and reported to the supervised parties operating in the Financing sector. Taaleri applies the standard approach in the regulatory capital calculation of the credit risk capital requirement and the basic approach in the calculation of the operative risk capital requirement. The Taaleri Group's objective for the capital adequacy of the Financing sector is 12 percent.

On 23 October 2015, the Financial Supervisory Authority granted Taaleri Plc special permission valid until 31 December 2016, based on which a new consolidation group for capital adequacy calculations has been formed for Taaleri, which does not include Taaleri Plc. Due to this, the Group does not report the regulatory capital according to CRR, only the capital adequacy requirement according to RaVa.

On 29 November 2016, the Financial Supervisory Authority granted Taaleri Plc permission not to deduct its holding in Garantia from the Common Equity Tier consolidated in the investment service company as of 1 January 2017. Instead of deducting them, investments in insurance companies must be risk-weighted in accordance with CRR Article 49 Paragraph 4. Special permission is valid from 1 January 2017 until 31 December

2018, assuming that the Company continuously meets the conditions for special permission. Garantia's acquisition cost of EUR 60 million can be left undeducted. Neither is the impact of the result accumulated by the insurance company included in the consolidated Common Equity Tier of the investment service company. When using a method allowed by special permission in the processing of an insurance company investment, the insurance company investment is processed as a risk-weighted item in the consolidated capital adequacy calculation of the investment service company. The consolidated Common Equity Tier of the investment service company would be negative on 1 January 2017 if the special permission was not applied but the insurance company investment was deducted from the Common Equity Tier. The company meets the requirements for special permission in the situation of 1 January 2017, and considers that it does not need new special permission after this special permission.

Solvency according to the Insurance Companies Act (Solvency II)

The Solvency II regulatory capital requirements for insurance companies entered into force on 1 January 2016. The objective of Solvency II is a harmonised, comprehensive and risk-based regulatory capital framework that promotes internal competition within the EU, the effective utilisation of capital and companies' own risk management and, through this, enhances the security of the benefits of the insured.

On 31 December 2016, Garantia Insurance Company Ltd's own funds amounted to EUR 100.9 (96.1) million, which clearly exceeded the solvency capital requirement of EUR 23.2 (19.0) million. Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 435 (506) percent. The growth in the solvency capital requirement was the result of growth in the market risk related to investments. Garantia's own funds fully comprise its own unrestricted Tier 1 basic funds. Garantia uses neither correlation correction nor volatility correction in the calculation of technical reserves. In the calculation of the solvency capital requirement, Garantia applies a standard formula. Garantia does not apply technical reserve or market risk calculation transitional provisions. The final amount of Garantia's solvency capital requirements is still being assessed by the Financial Supervisory Authority. The executive management expects Garantia's capital adequacy to remain strong, in spite of a possible increase in the capital requirement of insurance risk.

The Solvency II capital adequacy regulations were not valid in the 2015 financial period, neither do they come within the sphere of statutory auditing based on the Insurance Companies Act that came into force on 1 January 2016. The Solvency II capital adequacy figures have not been audited.

DECISIONS MADE AT GENERAL MEETINGS

The extraordinary general meeting of Taaleri Plc decided on 8 January 2016 to amend the Articles of Association and combine the share series. The company's A-series shares were converted to shares corresponding to B-series shares with a 1:1 relationship. Since the combining, the company has only one share series, and each share carries one vote and otherwise equal rights. After the combining, all the company's 28,350,620 shares became subject to trading on the First North Finland market maintained by Nasdaq Helsinki with the trading code TAALA. In the same connection, the company's trade name was changed to Taaleri Plc. The change is related to the more extensive change in the corporate image of the Taaleri Group and its gradual internationalisation.

The extraordinary general meeting of the company also authorised the Board of Directors to decide on the acquisition of no more than 2,000,000 of the company's treasury shares with non-restricted equity in one or several instalments. The authorisation will remain valid for 18 months after the decision of the extraordinary general meeting, and it revokes the authorisation to acquire the company's treasury shares granted at the AGM of 20 March 2015. The shares may be acquired to develop the company's capital structure, to finance or implement corporate acquisitions, investments or other arrangements related to the company's business operations, to be used as part of the company's reward scheme, or to be invalidated if justified from the point of view of the company and its shareholders.

The Annual General Meeting was held on 7 April 2016. It decided to adopt the financial statements for 2015 and discharge the Board of Directors and the CEO from liability for 2015. The AGM decided to distribute dividends of EUR 0.14 per share and to return EUR 0.06 per share from the reserve for invested non-restricted equity, in total EUR 5,661,124. Members of the Board of Directors, Peter Fagernäs, Esa Kiiskinen, Juha Laaksonen, Pertti Laine and Vesa Puttonen, were re-elected as members, and Hanna Maria Sievinen was elected as a new member. Ernst & Young Oy, Authorised Public Accountants, was re-elected as the company's auditor, with Ulla Nykky, Authorised Public Accountant, as auditor-in-charge.

The AGM decided to authorise the Board of Directors to decide on the issue of new shares and the assignment of treasury shares in the possession of the company on the following terms:

- The Board of Directors may issue new shares and assign treasury shares in the possession of the company to a maximum of 3,000,000 shares.
- The new shares may be issued and the treasury shares possessed by the company may be assigned to the company's shareholders in relation to their ownership of shares or in deviation from the privilege of shareholders by a directed issue, if there is a weighty financial reason for it from the point of view of the company, such as using the shares as consideration in potential corporate acquisitions or other arrangements that are part of the company's business operations, to finance investments or as part of the company's reward scheme.
- The Board of Directors may also decide on a free-of-charge share issue to the company itself.
- The new shares may be issued and the shares possessed by the company may be assigned either against payment or without payment. A directed issue may only be without payment if there is an especially weighty reason for it from the point of view of the company and taking into account the benefit of all its shareholders.
- The Board of Directors will decide on all factors related to share issues and the assignment of shares.
- The authorisation is valid until 7 April 2017.

Peter Fagernäs was re-elected as Chairman of the Board, and Juha Laaksonen was elected as Vice Chairman. The Board of Directors decided to establish two committees: the Inspection Committee and the Reward Committee. Vesa Puttonen was elected as Chairman of the Inspection Committee and Esa Kiiskinen and Hanna Maria Sievinen were elected as its other members. Peter Fagernäs was elected as Chairman of the Reward Committee, and Juha Laaksonen and Pertti Laine were elected as its other members.

Shares and share capital

At the beginning of the period under review, the company had 13,637,049 A-series shares and 14,713,571 B-series shares. The extraordinary general meeting of 8 January 2016 decided to combine the share series without any separate compensation. The shares were recorded in the Trade Register on 28 January 2016, and trading in one share series started on 29 January 2016 on the First North Finland market maintained by Nasdaq Helsinki. Since the combining, Taaleri has a total of 28,350,620 shares. The company's share capital has remained at EUR 125,000.00.

On 29 March 2016, Taaleri Plc submitted an application to Nasdaq Helsinki for the company's shares to be admitted for trading on the main market of Nasdaq Helsinki, which the Financial Supervisory Authority and the stock exchange approved. Trading in the company's shares began on the main market on 1 April 2016. The transfer to the main market increases transparency for investors and increases the company's disclosure obligation.

Taaleri shareholders and treasury shares

Taaleri transferred to the main market of Nasdaq Helsinki in 2016 and the number of owners of the company continued to show strong growth during the financial period. At the end of 2016, the company had 2,704 shareholders, and it had 1,760 at the end of 2015. On 31 December 2016, the company possessed 45,000 (45,000) treasury shares. The company's 10 largest shareholders on 31 December 2016 are presented in the table below, as well as additional information about the division of holdings.

10 largest shareholders 31 December 2016	Percentage of shares and votes
1. Oy Hermitage Ab	8.83
2. Veikko Laine Oy	8.57
3. Juhani Elomaa*	7.30
4. Lombard International Assurance S.A.	5.89
5. Karri Haaparinne**	5.89
6. Berling Capital Oy	5.02
7. Fennia Life Insurance Company Ltd	3.54
8. Swiss Life (Luxembourg) S.A.	2.52
9. Capercaillie Capital Oy	1.88
10. Petri Lampinen	1.85

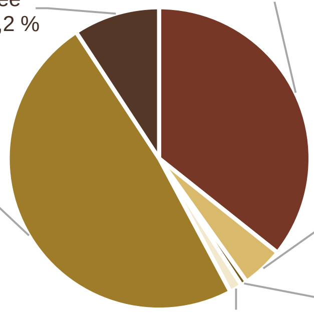
*includes the share of the controlled company E-capital Oy, 0.94%
**includes the share of the controlled company Xabis Oy, 0.59%

Distribution of shareholdings 31 December 2016

Lower limit	Share-holders no.	Share-holders %	Book-entry amount no.	Book-entry amount %	Number of votes no.	Number of votes %
1–100	702	25.96	37,722	0.13	37,722	0.13
101–500	826	30.55	208,300	0.74	208,300	0.74
501–1,000	408	15.09	323,525	1.14	323,525	1.14
1,001–5,000	353	13.06	820,228	2.89	820,228	2.89
5,001–10,000	152	5.62	1,193,284	4.21	1,193,284	4.21
10,001–50,000	198	7.32	3,597,715	12.69	3,597,715	12.69
50,001–100,000	28	1.04	1,885,215	6.65	1,885,215	6.65
100,001–500,000	27	1.00	6,173,721	21.78	6,173,721	21.78
500,001–1,000,000	3	0.11	1,773,742	6.26	1,773,742	6.26
1,000,001–10,000,000	7	0.26	12,337,168	43.52	12,337,168	43.52
Total	**2,704**	**100.00**	**28,350,620**	**100.00**	**28,350,620**	**100.00**
of which nominee-registered	5		90,542	0.32	90,542	0.32
Total on waiting list	0		0	0.00	0	0.00
In joint account			0	0.00	0	0.00
Total in special accounts			0	0.00	0	0.00
No. issued			28,350,620	100.00	28,350,620	100.00

Sector	Share-holders	Shares total	%
Companies	272	10,123,521	35.71
Financing and insurance institutions	17	1,267,822	4.47
Public corporations	2	189,447	0.67
Non-profit organisations		382,399	1.35
Households	2,379	13,768,539	48.57
Foreign and nominee-registered	20	2,618,892	9.24
Total	**2,690**	**28,350,620**	**100.00**

SHAREHOLDERS BY SECTOR



Name	Position	Number of shares
Board of Directors		**31 December 2016**
Peter Fagernäs 1)	Chairman of the Board of Directors	2,503,128
Juha Laaksonen	Vice Chairman of the Board of Directors	-
Pertti Laine 2)	Member of the Board of Directors	2,430,694
Esa Kiiskinen 3)	Member of the Board of Directors	232,496
Vesa Puttonen 4)	Member of the Board of Directors	182,224
Hanna Maria Sievinen	Member of the Board of Directors	-
Total		**5,348,542**
Board of Directors' share of shares and votes, %		18.9%

Executive Management Team		**31 December 2016**
Juhani Elomaa 5)	CEO of Taaleri Plc	2,087,006
Karri Haaparinne 6)	Deputy CEO of Taaleri Plc	1,848,314
Vesa Aho	Managing Director of Garantia	-
Jorma Alanne 7)	Head of Wealth Management	1,000
Janne Koikkalainen	Head of Legal of Taaleri Plc	10,000
Petri Lampinen	Taaleri Wealth Management Ltd, Managing Director	525,858
Minna Smedsten	CFO of Taaleri Plc	-
Total		**4,472,178**
Executive Management Team's share of shares and votes, %		15.8%

1) Peter Fagernäs' shareholding consists of 2,503,128 shares owned by Oy Hermitage Ab, in which he has a controlling interest.
2) Pertti Laine's shareholding consists of 2,430,694 shares owned by Veikko Laine Oy, in which he has a controlling interest.
3) Esa Kiiskinen's shareholding consists of 232,496 shares, 78,891 of which are owned by Saija ja Esa Kiiskinen Oy, in which he has a controlling interest, and 74,714 are owned by Saija Kiiskinen Oy.

4) Vesa Puttonen's shareholding consists of 182,224 shares owned by Enabla Oy, in which he has a controlling interest.

5) Juhani Elomaa's shareholding consists of 2,087,006 shares, 266,656 of which are owned by E-Capital Oy, in which he has a controlling interest, and 16,175 are owned by other related parties.

6) Karri Haaparinne's shareholding consists of 1,848,314 shares, 167,683 of which are owned by Xabis Oy, in which he has a controlling interest, and 178,539 are owned by other related parties.
7) Jorma Alanne's shareholding consists of 1,000 shares owned by Alanne Capital Oy, in which he has a controlling interest.

Personnel

Professional and motivated personnel are Taaleri's most important success factor and strength. The turnover of the company's personnel has been very low throughout its operations, and successful recruitments have enabled the company to grow.

The Group employed an average of 167 (163) full-time personnel during the period under review. There were 123 (119) full-time people in the Wealth Management segment, 21 (18) in the Financing segment and 4 (0) in the Energia segment. The full-time personnel of other business operations averaged 18 (23). Of the personnel, 95 percent were employed in Finland and 5 percent abroad.

The personnel costs of the Taaleri Group totalled EUR 22.4 (19.3) million during the period under review. In comparison to the previous year, personnel costs were increased by the inclusion of Garantia in the Group's figures for the whole of the financial period, and the costs of bonuses and synthetic options, amounting to EUR 5.6 million (4.7).

Company administration and management during the financial period

The composition of the Board of Directors in the period 1 January–7 April 2016 was Peter Fagernäs, Juha Laaksonen, Esa Kiiskinen, Pertti Laine and Vesa Puttonen. Composition of the Board of Directors in the period 7 April–31 December 2016:

- Peter Fagernäs, Chairman
- Juha Laaksonen, Vice Chairman
- Esa Kiiskinen
- Pertti Laine
- Vesa Puttonen
- Hanna Maria Sievinen

The Board of Directors has an Inspection Committee and a Reward Committee. Juhani Elomaa was CEO of the parent company throughout the period, and Karri Haaparinne Deputy CEO. There is a Group Executive Management Team, whose main task is to assist the CEO by preparing area-specific strategies and policies, operating plans, internal guidelines and various monthly reports to be processed jointly by the Management Team and potentially by the Board of Directors.

At the end of the 2016 financial period, the Group Executive Management Team comprised CEO of Taaleri Plc Juhani Elomaa, Deputy CEO Karri Haaparinne, Head of Legal Janne Koikkalainen and CFO Minna Smedsten. The Group Executive Management Team also included Head of Wealth Management Jorma Alanne, Managing Director of Taaleri Wealth Management Ltd Petri Lampinen and Managing Director of Garantia Insurance Company Ltd Vesa Aho.

Ernst & Young Oy, Authorised Audit Firm, served as the company's auditor with Ulla Nykky APA as appointed auditor.

On its website at www.taaleri.com/en/investor-relations, Taaleri publishes a separate report on its corporate governance.

The company's share capital and changes to it during the financial period

On 31 December 2016, the company's share capital was EUR 125,000.00.

Incentive schemes

On 4 December 2013, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key persons. Under the incentive scheme, key persons are issued synthetic option rights, and a potential bonus will be paid in 2017–2018 partly in the company's shares and partly in cash. On 19 February 2015, the Board decided that, in terms of the number of shares in the synthetic option programme, the effect of the share issue decided upon by the extraordinary general meeting on 12 February 2015 would be taken into account, so that it would have no impact on the value of the synthetic option rights. Because of this, a maximum of 800,000 new shares can be granted, including the part paid in cash.

On 28 October 2015, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key persons. Under the incentive scheme, key persons are issued synthetic option rights, and a potential bonus will be paid in 2019–2020 in cash. At the moment of granting, the bonuses paid based on the incentive scheme will correspond to the value of a total of no more than about 800,000 Taaleri Plc shares, including the part paid in cash.

Changes in Group structure

Taaleri Plc serves as parent company for the Group, whose subsidiaries are Taaleri Wealth Management Ltd and its subsidiaries Taaleri Private Equity Funds Ltd, Taaleri Investments Ltd, Garantia Insurance Company Ltd and Taaleri Energia Oy.

On 30 March 2016, Taaleri Plc purchased the minority 25 percent holding in Taaleri Private Equity Funds Ltd and so now owns 100 percent of the company. As a result of this transaction, the Group's equity was reduced by EUR 11.3 million. On 29 April 2016, Taaleri Investments sold its holding in Forest Fund II, in which Taaleri Plc had a controlling interest in accordance with IFRS 10, and which was included in the financial statements of Taaleri Group until 29 April 2016. As a result of the transaction, a profit of EUR 8.5 million was recorded in 2016.

During the financial period, Taaleri Plc established Taaleri Energia Oy, which was capitalised to the tune of EUR 0.7 million, and Taaleri Kapitaali Oy. In 2016, Taaleri Wealth Management Ltd's share of Taaleri Portföy Yönetimi A.S. fell from 84 percent to 83 percent, when the company was capitalised in July 2016. Bonus Solutions Oy, a subsidiary of Taaleri Investments Ltd, was capitalised by EUR 0.3 million.

During the 2016 financial period, Taaleri Private Equity Funds Ltd and Taaleri Investments Ltd established new administrative subsidiaries and subscribed to 100 percent of their shares.

Board's proposal for measures concerning profit and unrestricted capital

The parent company's results for the financial period 1 January–31 December 2016 amounted to EUR 6,364,826.18, and the parent company's distributable assets on 31 December 2016 were EUR 42.8 million. The Board proposes to the Annual General Meeting to be held on 29 March 2017 that EUR 0.22 per share of dividend be distributed based on the balance sheet adopted for the financial period ending on 31 December 2016, making total dividends of EUR 6,237,136.40. The dividend record date will be 31 March 2017, and the dividend payment date will be 7 April 2017. No material changes have taken place in the company's financial position since the end of the financial period. The proposed distribution of dividends does not jeopardise the company's solvency.

Comment on the scope of research and development activity

During 2016, Taaleri established the new Energia segment, and personnel costs in particular as well as start-up costs have been allocated to its development. Development work for IT systems and administrative processes has been targeted at the operations of Taaleri Group subsidiaries in 2016, aiming to boost Group operations. During the financial period, the product range of the Group's business areas has been deliberately expanded.

Material events after the financial period

On 29 February 2016, Taaleritehtaan Biotehdas I Ky and Gasum Ltd carried out ownership reorganisation, in which ownership of the Biofactory chain was transferred to Gasum. The divestment process has not yet been completed, and it is expected that it will be during the first half of 2017.

Since the end of the financial period, the business of Taaleri Group has continued as planned. Among other things, Taaleri has succeeded in collecting a good number of commitments to invest in the new funds launched at the end of the year, Taaleri Solar Wind Fund, Taaleri Property Fund II and Taaleri Rental Home Fund.

Estimate of likely future development

The company's management thinks that the business environment has become more demanding, but that the company has an opportunity to win market share in capital markets. The development of the Wealth Management segment has been positive, particularly in the latter half of the year, and the company has gained new customers in a competitive market, thanks to successful and varied private equity fund projects. The development of the Financing segment has been positive, both in relation to premiums written and claims incurred. The company believes that through active sales and high-level risk management, significant growth can be achieved. It is expected that the Group's expansion into the energy sector will significantly increase the assets managed by the company's private equity funds in the long term.

Taaleri's Board of Directors confirms at least 20 percent of income as the new target for operating profit. Financial targets related to growth are growth of more than 15 percent per annum in assets under management for the Wealth Management segment and growth of more than 15 percent per annum in gross premiums written for the Financing segment. Taaleri's target for return on equity over a long period is more than 15 percent and equity ratio is at least 30 percent. In addition to these, the company is endeavouring to increase the amount of dividend it distributes, and annually to distribute a competitive dividend, taking into account the company's financial and financing situation, the capital adequacy requirements, and future investment plans.

KEY FIGURES

GROUP	2016 IFRS	2015 IFRS	2014 IFRS
Income, EUR 1 000	60,569	58,401	53,565
Adjusted income, EUR 1,000 [1)]	60,569	58,401	39,383
Operating profit (-loss), EUR 1,000	16,340	47,379	20,827
- as percentage of turnover	27.0 %	81.1 %	38.9 %
Adjusted operating profit (-loss), EUR 1,000 [1)]	16,340	20,092	6,645
- as percentage of turnover	27.0 %	34.4 %	16.9 %
Net profit for the period, EUR 1,000	12,771	44,087	16,489
- as percentage of turnover	21.1 %	75.5 %	30.8 %
Adjusted net profit for the period, EUR 1,000 [1)]	12,771	16,800	4,915
- osuus liikevaihdosta %	21.1 %	28.8 %	9.2 %
Basic earnings per share, EUR	0.45	1.53	0.61
Adjusted basic earnings per share, EUR [1)]	0.45	0.55	0.15
Basic earnings per share, continuing operations, EUR	0.45	1.54	0.61
Diluted earnings per share, EUR	0.45	1.52	0.61
Diluted earnings per share, continuing operations, EUR	0.45	1.53	0.61
Return on equity % (ROE)	13.4 %	65.3 %	54.5 %
Adjusted return on equity-% (ROE) [1)]	13.4 %	24.9 %	16.2 %
Return on equity at fair value % (ROE)	16.5 %	58.6 %	54.5 %
Adjustede return on equity at fair value % (ROE) [1)]	16.5 %	18.2 %	16.3 %
Return on assets % (ROA)	5.9 %	23.9 %	18.2 %
Adjusted return on assets % (ROA) [1)]	5.9 %	9.1 %	5.4 %
Cost/income ratio	73.2 %	67.5 %	61.1 %
Price/earnings (P/E)	18.4	5.5	10.4
Number of employees, avg	179	175	153

1) In the adjusted key figures, the impact of EUR 28,567 thousand of negative goodwill recognised as income in 2015 and expenses of EUR 1,280 thousand directly relating to the Garantia acquisition have been deducted. In 2014 the Finsilva change in fair value of 14,182 thousand euros and the related tax impact has been deducted.

GROUP	2016 IFRS	2015 IFRS	2014 IFRS
Equity ratio -%	44.0 %	44.8 %	24.8 %
Modified equity ratio % 1)	44.0 %	44.8 %	40.2 %
Net gearing -%	20%	49%	182%
Equity/share, EUR	3.30	3.35	1.45
Dividend/share, EUR 2)	0.22	0.20	0.09
Dividend/earnings, % 2)	49.2 %	13.0 %	14.7 %
Effective dividend yield, % 2)	2.7 %	2.4 %	1.4 %
Loan receivables, EUR 1,000	6,919	9,416	21,671
Conglomerate's capital adequacy ratio, %	269%	259%	-
Number of shares at the end of period 3)	28,305,620	28,305,620	25,151,020
Number of series A shares at the end of period 3)	n/a	13,592,049	16,365,816
Number of series B shares at the end of period 3)	n/a	14,713,571	8,785,204
Average number of shares 3)	28,305,620	27,684,777	25,159,091
Average number of series A shares (act/act) 3)	n/a	14,671,451	17,589,199
Average number of series B shares (act/act) 3)	n/a	13,013,327	7,569,892
Share average price, EUR 4)	8.73	8.10	5.21
- highest price, EUR	9.50	9.25	6.50
- lowest price, EUR	8.00	6.04	4.63
- closing price, EUR	8.24	8.38	6.36
Market capitalization, EUR 1,000 5)	233,238	237,201	160,023
Shares traded, thousands	2,719	2,148	1,387
Shares traded, %	10%	17%	18%

1) Modified equity ratio relates to a covenant term of a bond issued by the Group, which is presented according to FAS up to 2014. From 2015 it equals the equity ratio, because Lainaamo Plc is no longer consolidated into the Group, and therefore the equity ratio does not need to be modified. See calculation formula on page 25.
2) The Board's proposal for 2016 EUR 0.22 dividend/share.
The 2015 dividend consists of a dividend of EUR 0.14 per share and a return of capital of EUR 0.06 per share.
3) Adjusted for share issues and reduced by own shares acquired
4) In January 2016 Taaleri Plc's two share series were combined. Key figures from 2014 and 2015 reflect series B shares which were traded before the combination.
5) Reduced by own shares acquired. In the key figures from 2014 and 2015 Series A shares have been valued at the Series B share closing price.

All per share key figures have been adjusted in accordance with the bonus issue in March 2015 (1:3).

INSURANCE OPERATIONS KEY FIGURES

The insurance business key figures have been calculated in accordance with the rules, regulations and instructions of the Finnish Financial Supervisory Authority (FSA). Taaleri's insurance business operations consist entirely of Garantia Insurance Company Ltd. Garantia Insurance Company Ltd has been consolidated from 1 April 2015. The key figures below are for comparative reasons presented from the whole of 2014 and 2015.

EUR 1,000	**2016**	**2015**	**2014**
Premiums written	**12,218**	**10,019**	**11,250**
Other items [1]	-2,751	-170	-179
Earned premiums	**9,467**	**9,849**	**11,071**
Claims incurred	-1,174	-1,492	-412
Operating expenses	-4,966	-4,778	-4,646
Balance on technical account before changes in equalisation provision	**3,327**	**3,579**	**6,013**
Change in equalisation provision	1,174	-3,517	-6,101
Balance on technical account	**4,501**	**62**	**-88**
Investment income and expenses, net	3,212	8,460	5,348
Earnings before tax	**7,713**	**8,523**	**5,260**
Combined ratio, %	65%	64%	46%
Claims ratio, %	12%	15%	4%
Expense ratio %	53%	49%	42%
Return on investments at fair value, %	5.8 %	4.6 %	7.1 %
Solvency ratio (S2), % [2]	435%	506%	383%
Insurance exposure, EUR billion	1.32	1.16	1.34
Number of employees, avg	22	25	25

1) Reinsurers share of premiums written, change in provision for unearned premiums and reinsurers' share of change in provisision for unearned premiums.
2) The Solvency II regulations were not in force during the 2015 financial year and they do not fall within the sphere of statutory auditing under the Insurance Companies Act that entered into force on 1 January 2016. The Solvency II -figures have not been audited.

KEY FIGURES ACCOUNTING PRINCIPLES

Basic earnings per share, EUR

$$\frac{\text{Profit or loss attributable to ordinary share holders of the parent company}}{\text{Weighted average number of ordinary shares outstanding - repurchased own shares}}$$

Diluted earnings per share, EUR

$$\frac{\text{Profit or loss attributable to ordinary share holders of the parent company}}{\text{Weighted average number of ordinary shares outstanding + dilutive potential ordinary shares - repurchased own shares}}$$

Alternative performance measures

The Alternative Performance Measures Guidelines issued by the European Securities and Markets Authority (ESMA) came into force on 3 July 2016. The Alternative Performance Measures (APMs) are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. They should not be considered to be replacements for the performance measures defined in IFRS -standards.

Taaleri presents certain adjusted key figures that are named "adjusted" as in previous years. No changes have been made to the accounting principles of these key figures and the adjustments made are presented below.

In addition to the adjusted key figures, Taaleri also reports other key figures that are not defined in IFRS. No changes have been made to definitions or names of these key figures since the financial reporting in 2015 and the formulas are presented below.

The table below presents the adjustments made in the adjusted key figures.

Items affecting comparability, EUR 1,000	**2016**	**2015**	**2014**
Finsilva fair value change	-	-	14,182
Total items affecting comparability in income	**-**	**-**	**14,182**
Negative goodwill and expenses directly relating to the Garantia acquisition	-	27,287	-
Total items affecting comparability in operating profit	**-**	**27,287**	**14,182**
Finsilva fair value change tax impact	**-**	**-**	-2,609
Total items affecting comparability in net profit for the period	**-**	**27,287**	**11,574**

Return on equity (ROE), %

$$\frac{\text{Profit for the period x 100}}{\text{Total equity (average of the beginning and end of the year)}}$$

Return on equity at fair value % (ROE)

$$\frac{\text{Total comprehensive income for the period x 100}}{\text{Total equity (average of the beginning and end of the year)}}$$

Return on assets (ROA), %

$$\frac{\text{Profit for the period x 100}}{\text{Balance sheet total (average of the beginning and end of the year)}}$$

Cost/income ratio, %

$$\frac{\text{fee and commission expense + interest expense + administrative expenses + depreciation + other operating expenses}}{\text{total income + share of associates' profit or loss}}$$

Price/Earnings (P/E)

$$\frac{\text{Price of series B share at the end of the period}}{\text{Earnings/share}}$$

Equity ratio, %

$$\frac{\text{Total equity x 100}}{\text{Balance sheet total}}$$

Modified equity ratio, %

$$\frac{\text{(total equity + minority interest + voluntary provisions less deferred tax liability excluding Lainaamo consolidation) x 100}}{\text{balance sheet total excluding Lainaamo consolidation}}$$

Net gearing ratio, %

$$\frac{\text{(Interest-bearing liabilities - cash and cash equivalents) x 100}}{\text{Total equity}}$$

Equity/share, EUR

$$\frac{\text{Equity attributable to ordinary share holders of the parent company}}{\text{Number of shares at end of period - repurchased own shares}}$$

Dividend/share, EUR	Dividend payable for the financial period x 100 / Weighted average number of ordinary shares
Dividend/earnings, %	Dividend/share x 100 / Basic earnings per share
Effective dividend yield, %	Dividend/share x 100 / Price of series B share at the end of the period
Conglomerate's capital adequacy ratio, %	Conglomerate's total capital base / Conglomerate's minimum requirement of total capital base
Total capital in relation to risk-weighted items	Total Capital (TC) / Risk-weighted items (Total risk)
Common equity tier in relation to risk-weighted items	Common Equity Tier (CET1) / Risk-weighted items (Total risk)
Market capitalization	Number of shares (A + B) at end of financial period, less repurchased own shares, multiplied by stock exchange price of series B share at end of financial period
Shares traded, %	Shares traded during the financial period x 100 / Weighted average number of ordinary shares outstanding

KEY FIGURES FOR INSURANCE OPERATIONS

The key figures for the insurance operations are calculated based on regulations from the Financial Supervisory Authority. In calculating the key figures, the function-specific expenses of the insurance companies are used, which are not presented on the same principles as in the Group’s income statement.

Combined ratio, %	Claims ratio, % + Expense ratio, %
Claims ratio, %	Claims incurred x 100 / Insurance premium income This key figure is calculated after the share of the reinsurers.
Expense ratio, %	Operating costs x 100 / Insurance premium income This key figure is calculated after the share of the reinsurers.
Solvency ratio (S2), %	Basic own funds x 100 / Solvency capital requirement (SCR)

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	1/1-31/12/2016	1/1-31/12/2015
CONTINUING OPERATIONS			
Fee and commission income	4	33,238	31,801
Net income from insurance	5	12,328	13,156
From guaranty insurance operations		8,714	6,401
From investment operations		3,614	6,756
Net gains or net losses on trading in securities and foreign currencies	6	9,898	1,651
Income from equity investments	7	1,334	4,850
Interest income	8	700	913
Other operating income	9	3,071	6,029
TOTAL INCOME		**60,569**	**58,401**
Fee and commission expense	10	-4,326	-3,901
Interest expense	11	-2,313	-2,906
Administrative expenses			
Personnel costs	12, 45	-22,383	-19,251
Other administrative expenses	13	-7,179	-5,529
Negative goodwill	3	-	28,567
Depreciation, amortisation and impairment of tangible and intangible assets	14	-1,388	-871
Other operating expenses	15	-6,870	-7,161
Impairment losses on loans and other receivables	16	60	-228
Share of associates' profit or loss		169	258
OPERATING PROFIT		**16,340**	**47,379**
Income tax expense	17	-3,568	-2,976
PROFIT FROM CONTINUING OPERATIONS		**12,771**	**44,403**
DISCONTINUED OPERATIONS			
Loss from discontinued operatoins	3	-	-316
PROFIT FOR THE PERIOD		**12,771**	**44,087**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**Note**	**1/1-31/12/2016**	**1/1-31/12/2015**
Profit for the period		12,771	44,087
Items that may be reclassified to profit or loss	18		
Translation differences		-110	-158
Available-for-sale financial assets		3,887	-5,497
Income tax		-777	1,099
Items that may be reclassified to profit or loss in total		**2,999**	**-4,555**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**15,770**	**39,532**
Profit for the period attributable to:			
Owners of the parent company		12,661	42,455
Non-controlling interests		110	1,632
Total		**12,771**	**44,087**
Total comprehensive income for the period attributable to:			
Owners of the parent company		15,660	37,900
Non-controlling interests		110	1,632
Total		**15,770**	**39,532**
Total comprehensive income for the period attributable to the owners of the parent			
Continuing operations		15,660	38,216
Discontinued operations		-	-316
Total		**15,660**	**37,900**

Earnings per share for profit attributable to the shareholders of the parent company	**Note**	**1/1-31/12/2016**	**1/1-31/12/2015**
Basic earnings per share, continuing operations	19	0.45	1.54
Diluted earnings per share, continuing operations	19	0.45	1.53
Basic earnings per share, discontinued operations	19	-	-0.01
Diluted earnings per share, discontinued operations	19	-	-0.01
Basic earnings per share, profit for the period	19	0.45	1.53
Diluted earnings per share, profit for the period	19	0.45	1.52

Income is presented as gross figures, except for gains or losses on trading in securities and foreign currencies, which are presented as net figures to give a fair presentation of the operations. Gross figures are presented for insurane income from 2016 onward.

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	Note	31/12/2016	31/12/2015
Receivables from credit institutions	20, 26, 27, 40, 41	55,148	27,983
Receivables from the public and general government	21, 26, 27, 40, 41	6,919	9,416
Debt securities	22, 26, 27, 40	100	1,541
Shares and units	23, 26, 27	7,353	45,154
Participating interests	23, 26, 27, 47	4,185	2,958
Derivative instruments	24, 26, 27	28	-
Insurance assets	25, 26, 27	126,202	116,715
Insurance receivables		2,740	2,628
Investments		123,463	114,087
Intangible assets	26, 28	2,514	2,369
Goodwill		627	627
Other intangible assets		1,886	1,741
Tangible assets	26, 29	503	546
Other assets	26, 30, 40	4,846	4,877
Accrued income and prepayments	26, 31, 40	4,898	4,956
Deferred tax assets	26, 37, 40	566	249
		213,262	**216,764**

Liabilities, EUR 1,000	Note	31/12/2016	31/12/2015
LIABILITIES		**119,412**	**119,704**
Liabilities to credit institutions	26, 27, 32, 40, 41	8,967	14,939
Liabilities to the public and general government	26, 27, 33, 40, 41	-	30,250
Debt securities issued to the public	26, 27, 34, 40, 41	64,691	29,946
Insurance liabilities	25, 26	14,998	13,071
Other liabilities	26, 35, 40	1,411	3,583
Accrued expenses and deferred income	26, 36, 40	12,494	10,186
Deferred tax liabilities	26, 37, 40	16,852	17,729
EQUITY CAPITAL	38	**93,850**	**97,060**
Share capital		125	125
Reserve for invested non-restricted equity		35,814	37,512
Fair value reserve		-1,288	-4,398
Translation difference		-248	-138
Retained earnings or loss		46,432	19,384
Profit or loss for the period		12,661	42,455
Non-controlling interest		354	2,119
		213,262	**216,764**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Cash flow from operating activities:		
Operating profit (loss)	16,340	47,379
Depreciation	1,388	871
Change in goodwill	-	-28,567
Other adjustments		
Changes in fair value of investments		
- Held for trading	6,669	6,813
- Available-for-sale	3,109	-4,398
Other adjustments	-666	-939
Cash flow before change in working capital	26,841	21,159
Change in working capital		
Increase (-)/decrease (+) in loan receivables	2,498	-3,124
Increase (-)/decrease (+) in current interest-free receivables	-120	3,237
Increase (+)/decrease (-) in current interest-free liabilities	2,120	-588
Cash flow from operating activities before financial items and taxes	31,338	20,684
Direct taxes paid (-)	-2,890	-1,681
Cash flow from operating activities (A)	**28,448**	**19,004**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,490	994
Investments in subsidiaries and associated companies		
net of cash acquired	-1,240	-17,962
Other investments	-8,605	-10,281
Cash flow from investing activities (B)	**-11,335**	**-27,249**
Cash flow from financing activities:		
Chargeable changes in equity capital	-	23,200
Purchase of own shares	185	10
Transactions with non-controlling interests	-12,000	-
Debt securities issued to the public	35,000	-
Increase (+)/decrease (-) in non-current liabilities	-6,000	-15,250
Dividends paid and other distribution of profit		
To parent company shareholders	-5,661	-2,264
To non-controlling shareholders	-1,472	-1,004
Cash flow from financing activities (C)	**10,052**	**4,693**
Increase/decrease in cash and cash equivalents (A+B+C)	27,166	-3,553
Cash and cash equivalents at beginning of period	27,983	31,536
Cash and cash equivalents at end of period	55,148	27,983
Net change in cash and cash equivalents	27,166	-3,553

CHANGES IN GROUP EQUITY CAPITAL

2016, EUR 1,000	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
01/01/2016	125	-4,398	37,512	-138	61,839	94,941	2,119	97,060
Total comprehensive income for the financial period	-	3,109	-	-110	12,661	15,660	110	15,770
Earnings for the period	-	-	-	-	12,661	12,661	110	12,771
Other comprehensive income items	-	3,109	-	-110	-	2,999	-	2,999
Chargeable additions to equity	-	-	-	-	-	-	-	-
Distribution of profit	-	-	-1,698	-	-3,963	-5,661	-1,472	-7,133
Dividend EUR 0.14/share	-	-	-	-	-3,963	-3,963	-	-3,963
Return of capital EUR 0.06/share	-	-	-1,698	-	-	-1,698	-	-1,698
Distribution of profit for subgroup	-	-	-	-	-	-	-1,472	-1,472
Purchase of own shares	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
payable as equity	-	-	-	-	185	185	-	185
Transactions with non-controlling interests [1)]	-	-	-	-	-11,232	-11,232	-451	-11,683
Other	-	-	-	-	-397	-397	47	-350
31/12/2016	**125**	**-1,288**	**35,814**	**-248**	**59,093**	**93,496**	**354**	**93,850**

2015, EUR 1,000	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
01/01/2015	125	-	14,638	20	21,637	36,420	1,447	37,868
Total comprehensive income for the financial period	-	-4,398	-	-158	42,455	37,900	1,632	39,532
Earnings for the period	-	-	-	-	42,455	42,455	1,632	44,087
Other comprehensive income items	-	-4,398	-	-158	-	-4,555	-	-4,555
Chargeable additions to equity	-	-	22,874	-	-	22,874	-	22,874
Distribution of profit	-	-	-	-	-2,264	-2,264	-1,004	-3,268
EUR 0.09/share for Series A shares	-	-	-	-	-1,473	-1,473	-	-1,473
EUR 0.09/share for Series B shares	-	-	-	-	-791	-791	-	-791
Distribution of profit for subgroup	-	-	-	-	-	-	-1,004	-1,004
Purchase of own shares	-	-	-	-	-195	-195	-	-195
Share-based payments	-	-	-	-	-	-	-	-
payable as equity	-	-	-	-	206	206	-	206
Other	-	-	-	-	-	-	43	43
31/12/2015	**125**	**-4,398**	**37,512**	**-138**	**61,839**	**94,941**	**2,119**	**97,060**

1) See note 46.

SEGMENT INFORMATION

Business segments

Taaleri Group's business segments are Wealth Management, Financing, and Energy. Any activity not belonging to these segments is presented in "Other operations".

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiary Taaleri Private Equity Funds Ltd Group. The segment also includes Taaleri Kapitaali Oy. Fee and commission income is the most significant income item in the Wealth Management segment. Costs mainly comprise personnel and other administrative expenses as well as fee and commission expenses. The most significant type of business risk is operative risk, but the business also entails market risk and credit risk.

The Financing segment fully comprises Garantia Insurance Company Ltd. Garantia is an insurance company specialising in guaranty insurance. Garantia guarantees funding and other liabilities for Finnish companies, and insures investment-related risks. The most significant income items in the Financing segment are fee and commission income from guaranty insurance and investment income. The most significant risks in the guaranty business are insurance risks and investment risks.

The Energy segment comprises Taaleri Energia Oy and Taaleri Energia Operations Oy. Taaleri Energia works actively in international energy infrastructure markets seeking new investment opportunities. Operations are based on a life-cycle model, which begins by seeking and selecting targets of development, then continuing on through project development, construction and operation to the controlled shutdown of energy plants. Since 1 July 2016, income from the Energy business has been based on fund units from the Energy segment. The Energy business also develops projects whose income and costs are recorded in the financial period when the end result of the project can be reliably assessed. The Energy business also includes operating and maintenance services for wind farms from which annual fees are received. The most significant risks of the Energy business are country risks related to international projects and market risks and credit risks.

Other operations include the Group administration services of Taaleri Plc that support the segments and the investments on the Group's own balance sheet that are implemented through Taaleri Investments Ltd. The costs of services that support the business segments are allocated to the segments and charged monthly.

The segment reporting accounting principles are explained in greater detail in Note 2.

SEGMENT INFORMATION - EARNINGS

1 January–31 December 2016, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
	Continuing operations				
Continuing earnings	28,327	12,328	336	2,494	43,486
Performance fees	5,781	-	-	-	5,781
Sales profits	2,963	-	-	8,508	11,471
Total income	**37,072**	**12,328**	**336**	**11,002**	**60,738**
Fee and commission expense	-4,247	-	-15	-61	-4,323
Interest expense	-41	-	-	-2,266	-2,307
Personnel costs	-13,802	-3,610	-521	-4,450	-22,383
Direct expenses	-5,790	-1,434	-273	-3,091	-10,588
Depreciation, amortisation and impairment	-914	-204	-3	-27	-1,148
Impairment losses on loans and other receivables	60	-	-	-	60
Operating profit before overhead costs	**12,338**	**7,080**	**-476**	**1,107**	**20,050**
Overhead costs	-6,168	-435	-392	3,284	-3,710
Allocation of financing expenses	-	-2,019	-	2,019	-
Operating profit before valuations	**6,171**	**4,626**	**-868**	**6,411**	**16,340**
Recognition of negative goodwill	-	-	-	-	-
Change in fair value of investments	809	3,064	-	14	3,887
Profit before taxes and non-controlling interests	**6,979**	**7,690**	**-868**	**6,425**	**20,226**

1 January–31 December 2015, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
	Continuing operations				
Continuing earnings	28,788	12,460	-	6,145	47,393
Performance fees	4,495	-	-	-	4,495
Sales profits	6,075	696	-	-	6,771
Total income	**39,358**	**13,156**	**-**	**6,145**	**58,659**
Fee and commission expense	-3,852	-	-	-49	-3,901
Interest expense	-32	-	-	-2,874	-2,906
Personnel costs	-13,382	-2,353	-	-3,516	-19,251
Direct expenses	-5,691	-1,670	-	-2,096	-9,457
Depreciation, amortisation and impairment	-435	-179	-	-8	-622
Impairment losses on loans and other receivables	-228	-	-	-	-228
Operating profit before overhead costs	**15,739**	**8,954**	**-**	**-2,399**	**22,294**
Overhead costs	-5,970	-210	-	2,698	-3,482
Allocation of financing expenses	-	-2,024	-	2,024	-
Operating profit before valuations	**9,769**	**6,720**	**-**	**2,323**	**18,812**
Recognition of negative goodwill	-	28,567	-	-	28,567
Change in fair value of investments	153	-5,650	-	-	-5,497
Profit before taxes and non-controlling interests	**9,921**	**29,637**	**-**	**2,323**	**41,882**

Reconciliations

Reconciliation of total income	2016	2015
Total income of segments	60,738	58,659
Share of associates' profit or loss allocated to total income of segments	-169	-258
Consolidated total income	**60,569**	**58,401**

Reconciliation of operating profit	2016	2015
Total earnings of segments before taxes and non-controlling interests	20,226	41,882
Change in fair value of investments	-3,887	5,497
Consolidated operating profit	**16,340**	**47,379**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2016

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Taaleri Plc is a Finnish public limited liability company. It is domiciled in Helsinki, Finland and its registered office is at Kluuvikatu 3, 00100 Helsinki. The company's shares are listed on the Nasdaq Helsinki stock exchange. Taaleri Plc and its subsidiaries form the Taaleri Group ("Taaleri" or "the Group"). The Taaleri Group consists of three business areas: Wealth Management, Financing and Energy. Taaleri provides services to institutional investors, companies and private individuals. The Group's subsidiaries engaging in business are Taaleri Wealth Management and its subsidiaries, Taaleri Private Equity Funds Ltd Group, Taaleri Investments Ltd Group, Taaleri Energia Ltd and Garantia Insurance Company Ltd. In addition, Taaleri has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, and Inderes Ltd, which produces analyses for investors (see Group companies on page 107). Taaleri offices are located in Helsinki, Tampere, Turku, Pori, Oulu, Istanbul and Nairobi. The operations of Taaleri are monitored by the Finnish Financial Supervisory Authority. Taaleri Group forms a financing and insurance conglomerate (RAVA conglomerate) and, therefore, it is within the scope of the Finnish Act on the Supervision of Financial and Insurance Conglomerates.

2. SUMMARY OF KEY ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS

Key accounting policies applied to these consolidated financial statements are presented below. They have been applied consistently during all presented financial periods, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Taaleri have been prepared according to the International Financial Reporting Standards (IFRS). In the preparation of the financial statements, the IAS and IFRS standards and the SIC and IFRIC interpretations which were valid on 31 December 2016 have been followed. IFRS refers to the standards and interpretations which have been approved in accordance with Regulation (EC) No. 1602/2002 of the European Parliament and of the Council. In addition to IFRS, regulations and guidelines on investment service companies have been applied to the consolidated financial statements of Taaleri. Taaleri Group adopted IFRS approved within the EU starting from 1 January 2015. Until 31 December 2014, consolidated financial statements were prepared in accordance with the Finnish Accounting Standards (FAS).

The consolidated financial statements have been prepared over 12 months for the financial period of 1 January – 31 December 2016. The Board of Directors of Taaleri Plc approved the consolidated financial statements for public release on 27 February 2017. Shareholders have the right to approve or reject the financial statements at the Annual General Meeting held after the release of the financial statements.

The information included in the financial statements is presented in EUR thousand, and prepared in accordance with an accounting model based on recoverable historical cost, unless otherwise stated in the accounting policies below. As the values presented in the financial statements have been rounded from their exact values, the sum of individual figures presented may differ from the sum total presented. Key figures have been calculated using exact values.

The preparation of financial statements according to IFRS requires certain key accounting estimates to be used. In addition, it requires that members of the management use judgement when applying the accounting policies. Section 2.18 offers a more detailed description on complex matters that require judgement, and assumptions or estimates that have a material impact on the group financial statements.

2.2 Consolidation principles

The consolidated financial statements include Taaleri Plc and its subsidiaries that the parent company controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. If there are changes to one or more of the elements of control, the group will reassess whether it still controls the subsidiary. If the group loses control over a subsidiary, it recognises any investment retained in the former subsidiary at its fair value on the day control is lost, and any change in the carrying amount is recognised through profit or loss.

The profit for the period attributable to the owners of the parent company and the non-controlling interests is presented in the consolidated income statement, and the attribution of other comprehensive income is presented in the separate statement of comprehensive income. The profit for the period and comprehensive income are allocated to non-controlling interests also if the proportion of non-controlling interests became negative. The proportion of non-controlling interests has been presented in shareholders' equity on the consolidated balance sheet, separate from equity attributable to the shareholders of the parent company. Non-controlling interests in an acquiree are measured at either fair value or the proportionate share in the recognised amounts of the acquiree's net identifiable assets. The measurement principle is defined separately for each purchase.

Associates, in which the parent company holds 20–50 per cent of the votes provided by all shares or in which it otherwise has significant influence, but not control, are consolidated using the equity method. When applying the equity method, investments are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. If the Group's proportion of an associate's losses exceeds the carrying amount of the investment, the investment is recognised as zero on the balance sheet and the losses exceeding the carrying amount are not consolidated, unless the Group is committed to fulfilling the associate's obligations. The Group's share of the associate's profit for the period is presented before the operating profit. The Group's proportion from changes recognised in other comprehensive income is recognised in the Group's other comprehensive income. The Group's associates had no such items in financial periods 2015–2016. When the Group loses its significant influence, the remaining holding is recognised at fair value, and the difference between the carrying amount and the fair value of the remaining holding and any transfer gains/losses is recognised through profit or loss. At the end of each reporting period, it is evaluated whether or not there is objective evidence of any decrease in the value of the investment in the associate. If there is such evidence, an impairment loss is defined as the difference between the recoverable amount of the investment and its carrying amount, and it is recognised in the income statement line item "Share of associates' profit or loss".

Subsidiaries or associates acquired during the financial period are consolidated from the date on which the Group obtained control or significant influence, and subsidiaries or associates sold are correspondingly consolidated until the date on which control or significant influence is lost. If required, adjustments are made to the financial statements of subsidiaries so that their accounting policies correspond with those of the Group.

All intra-group transactions, as well as receivables, liabilities, unrealised profit and internal distribution of profit are eliminated. Unrealised losses are not eliminated if the losses are caused by impairment.

2.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Acquisition costs are defined as the acquisition-date fair value of the consideration transferred and any non-controlling interest in the acquired entity. For each business combination, the Group selects whether the non-controlling interests are measured at fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised as expenses in the income statement over the periods, during which the costs are incurred and the corresponding services are received.

When the Group acquires a business, it evaluates assets and liabilities in the light of agreement terms, financial conditions and other related conditions prevailing on the acquisition date, to determine the correct classification. This evaluation includes the separation of embedded derivatives included in main agreements of the acquired business.

Any contingent consideration is recognised at fair value on the acquisition date. A contingent considerations which has been classified as an asset or liability, is a financial instrument and is within the scope of IAS 39 (Financial Instruments: Recognition and Measurement), is measured at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income in accordance with that IFRS. If a contingent considerations is not within the scope of IAS 39, it is accounted for according to the applicable IFRS. A contingent consideration classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is recognised at the original acquisition cost, which corresponds to the amount that the consideration transferred and any non-controlling interest in the acquired business, exceeds the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the fair value of the acquired net assets exceeds the total transferred contribution, the Group will reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and it will review the procedures used to measure the amounts to be recognised at the acquisition date. If the fair value of the acquired net assets, even after the reassessment, exceeds the total transferred contribution, profit is recognised through profit or loss.

After the original recognition, goodwill is recognised at the acquisition cost less accrued impairment losses. Goodwill acquired through business combinations is allocated, for impairment testing purposes starting from the acquisition date, to the Group's cash-generating units which are expected to benefit from the business combination, regardless of whether or not other assets or liabilities of the object of acquisition are allocated to these entities. Cash generating units are either business segments or companies thereof.

Goodwill is tested annually against any impairment by discounting estimated future net cash flows using market-based discount factors. If the recoverable assets of a cash-generating unit are lower than their carrying amount, an impairment loss is recognised. Impairment losses associated with goodwill are not reversed in future periods.

When goodwill has been allocated to a cash-generating unit and an operation of the unit is disposed of, the goodwill allocated to the operation disposed of is included in the carrying amount of that operation when defining gains or losses on the disposal. Goodwill transferred in such a situation is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

In conjunction with the adoption of IFRS, Taaleri Group has applied the exemption permitted by the IFRS 1 transition standard, and the IFRS 3 standard (Business Combinations) has not been applied retroactively.

2.4 Segment reporting

Taaleri Group has three operating segments: Wealth Management, Financing and Energy. Operations not included in these three segments is presented under Other Operations. Operating segments are reported in a way which is consistent with internal reporting to the chief operating decision maker. The Group's Executive Management Team has been designated as the chief operating decision maker, who is responsible for the allocation of resources to operating segments and the evaluation of their results.

Segment reporting follows the Taaleri Group's accounting policies for financial statements. The income and expenses which are deemed to be directly attributable to each segment have been allocated to those segments. The segment reporting only includes group external income and expenses, so there is no need for group eliminations. Assets and liabilities are not monitored on a segment level and are therefore not presented in the group financial statements. The profitability and result of the segments are assessed before tax.

2.5 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, the asset is available for immediate sale in its present condition, and the sale is highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The management must be committed to the expected sale within one year after the classification.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or is part of a separate major line of business that has been disposed of, or classified as held for sale. Assets classified as held for sale are measured at the smaller of their carrying amount, and fair value less costs to sell. Assets that meet the requirements set for being held for sale are presented separately on the balance sheet and the result of discontinued operations are presented separately as a single amount in the statement of comprehensive income.

No depreciation is made on tangible or intangible assets if they have been classified as held for sale. Assets and liabilities held for sale are presented separately as current items on the balance sheet.

2.6 Foreign currency items

Items included in the financial statements of Group companies are measured in the currency of the economic environment in which the company is mainly operating (functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group.

Transactions denominated in a foreign currency are translated at the exchange rate valid on the transaction date. Any receivables and liabilities denominated in a foreign currency and remaining open on the closing date are translated at the exchange rate valid on the closing date. Exchange rate gains and losses associated with actual business operations are recognised in the income statement line item *Net gains or net losses on trading in foreign currencies*.

Income statements and balance sheets of Group companies (none of which are operating in a country with hyperinflation), using a functional currency other than the presentation currency of the Group, are translated into the presentation currency as follows: assets and liabilities on the balance sheet are translated at the exchange rate valid on the closing date and income and expenses on the income statement are translated at the period's average exchange rate. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation, and translated at the closing rate. All translation differences are recognised in other comprehensive income. If a subsidiary is disposed of, the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal. When Taaleri Group adopted IFRS, it applied the exemption permitted by the IFRS 1 transition standard, and the cumulative translation differences on 1 January 2014 of EUR 99,000 were deemed to be zero.

2.7 Financial assets and liabilities

Assets and liabilities are presented in the order of liquidity which, for the Taaleri Group, offers more reliable and significant information than the presentation of current and non-current items. Note 40 presents a more detailed maturity distribution for financial assets and liabilities.

Financial assets

The Group's financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the specific financial assets have been acquired.

Investments in financial assets are, at initial recognition, measured at fair value plus transaction costs, apart from financial assets recognised at fair value through profit or loss, in which case transaction costs are recognised as expenses. Regular way purchases or sales of financial assets are recognised using trade date accounting.

Financial assets are derecognised when the Group has lost its contractual right to cash flows or it has transferred significant parts of its risks and income outside the Group.

Financial assets recognised at fair value through profit or loss include derivatives, embedded derivatives and assets held for trading. Financial assets classified in this category are measured at fair value, and any changes in fair value are recognised in the income statement in *Net gains or net losses on trading in securities and foreign currencies*.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and other receivables are measured at amortised cost using the effective interest method less any impairment. Effective interest is recognised in the income statement under interest income or expenses.

Available-for-sale financial assets are non-derivative financial assets that are specifically designated as available for sale or not classified in any of the other categories. This category includes both equity and liability instruments, including private equity funds, equities, equity and interest mutual funds, bonds and other debt instruments. After the initial recognition, available-for-sale financial assets are recognised at fair value, and any changes in fair value are recognised in the fair value reserve in other comprehensive income less taxes. Fair value changes recognised in the fair value reserve is transferred to the income statement when the instrument is sold or when its value is impaired (see impairment below).

The Group's cash and cash equivalents, which correspond to the balance sheet item *Receivables from credit institutions*, consist of cash and bank deposits withdrawable as required.

Financial liabilities

The Group's financial liabilities are classified as financial liabilities through profit or loss, or as other loans at initial recognition. The Group had no financial liabilities recognised at fair value through profit or loss in financial periods 2015 or 2016.

Other loans are originally recognised at fair value plus transaction costs. Subsequently, other loans are recognised at the amortised cost using the effective interest method. Other loans are derecognised when the obligations related to the loans have been fulfilled and the loans have expired.

Fair value measurement

The Group recognises the aforementioned financial instruments at fair value on the balance sheet or in the notes to the financial statements. The Group has no other assets or liabilities recognised at fair value. The fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments quoted in active markets is based on prices quoted on the measurement date, and the fair value of financial instruments not quoted on active markets is based on the group's own valuation methods. All financial instruments which have been recognised at fair value on the balance sheet or the fair value of which is presented in the notes, are classified into three hierarchical levels (note 27) according to the valuation techniques.

Level 1 includes instruments, the fair value of which is based on quoted prices for identical assets or liabilities in active markets. Markets are deemed to be active if price quotations are easily and regularly available, and they represent actual and regular market transactions between independent parties. The fair value of financial assets is based on buy quotations on the measurement date. Level 1 instruments mainly consist of quoted equity investments, equity and interest fund investments and bond investments which have been classified to be available for sale or recognised at fair value through profit or loss.

Level 2 includes instruments, the fair value of which is based on information other than quoted prices, but still on directly or indirectly observable information. To measure the fair value these instruments, the Group uses generally accepted valuation models, the input data of which is largely based on verifiable market information.

Level 3 includes instruments, the fair value of which is measured based on other than observable significant input data. Level 3 instruments mainly consist of unquoted equity investments. The value of these instruments is based on the best information available in the prevailing conditions. Often, they are recognised at acquisition cost or price details are obtained from third parties. A significant amount of managerial judgement is included in these measurements. Note 27 offers a more detailed description of the measurement methods applied to Level 3 instruments.

With regard to assets and liabilities presented repeatedly in financial statements, the Group defines when transfers have occurred between the hierarchical levels of fair value by reassessing the classification (on the basis of input data available at the lowest level, which is significant considering the entire measurement process) at the end of each reporting period.

Impairment

At the end of each reporting period, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation. For equity instruments a significant or prolonged decline in the fair value of the instrument below its cost is also objective evidence of impairment. The Group has defined a significant or prolonged decline for an equity instrument as a fair value that is 20 % below the acquisition cost or a fair value that has been below the acquisition cost for more than 12 months.

A significant and prolonged decline in the fair value of a financial instrument classified as available-for-sale, is reclassified from the fair value reserve in other comprehensive income, to profit or loss, although the financial asset has not been derecognized. Losses transferred to profit or loss are measured as the acquisition cost (adjusted with capital repayments and amortisations) less the fair value on the measurement date (less previously transferred losses on the particular instrument). If the value of a liability instrument later increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. For equity instruments, any later increase in value is recognised in other comprehensive income items.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced with the loss amount and amount of the loss is recognised in the income statement line item *Impairment losses on loans and other receivables*. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed so that it doesn't result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.8 Insurance assets and liabilities

Insurance contracts have been treated and valued according to the definition of the IFRS 4 standard. According to the definition, an insurance contract is a contract under which significant insurance risk has been passed from the policy holder to the insurer. The company has no financial contracts pertaining to the IFRS 4 standard which would deviate from insurance contracts in that a financial risk but no significant insurance risk is passed to the issuer of the contract.

Technical liabilities generated with regard to insurance contracts are mainly calculated according to national regulations. Deviating from national regulations, the equalisation provision is recognised, according to IFRS, in shareholders' equity adjusted with deferred taxes. Technical liabilities generated from insurance contracts consist of provision for unearned premium and claims provision. The provision for unearned premium includes the proportion of the insurance premium income accrued during the financial year and previous years, which is allocated to a period following the financial year relative to the risk. The claims provision consists of two parts: claims to be paid by the company after the financial year caused by known losses occurred during or before the financial year, and provisions made for unknown losses calculated using statistical methods for claims which have not been reported to the insurance company by the reporting date.

Investment assets from insurance activities are classified to be available for sale, and their recognition principles are presented in Section 2.7 (Financial assets and liabilities).

Recognition and valuation of insurance contracts

Premiums have been recognized as revenue from those contracts defined in insurance agreements which have started during the financial period. The insurance premium receivables which are unlikely to be paid have been deducted from the premium income as credit losses. In addition to premiums, the premium income includes start-up fees, management fees, waiver fees and other such one-time payments, recoveries and credit losses. The full insurance premium is normally recognised to the profit and loss account in one go at the beginning of the insurance period. The provision for unearned premium includes the proportion of the insurance premium income accrued during the financial year and previous years, which is allocated to a period following the financial year relative to the risk. The provision for unearned premium mainly consists of residential mortgage guarantees and construction defect insurance agreements, which normally have an insurance period exceeding one year.

Claims expenses include claims paid during the financial period, regardless of the loss occurrence date. Claims expenses also include operating and depreciation expenses allocated to claims management during the financial year as well as costs arising from debt collection. According to the guarantee insurance agreement, the insurance company has the right for a claim recovery from the insured, after paying a claim. Therefore, the claims expenses can be adjusted with collaterals causing, part of the claims paid to be recognised as claims of recourse. Recourse receivables based on insurance claims are recognised in Garantia accounting at such probable values which can be calculated on the basis of the best possible information available on the evaluation date. The valuation of receivables is updated in conjunction with financial statements and half-year financial statements.

Reinsurance receivables

"Reinsurance" refers to insurance contracts defined in the IFRS 4 standard, with which an insurance company can obtain compensation from another insurance company in case of an insurance event. The company utilises facultative reinsurance for loan guarantees in those agreements which exceed the retention share of the insurance risk as defined by the company and in situations where collaterals cannot be utilised to sufficiently reduce the insurance risk. Commercial guarantees have mainly been reinsured using Quota Share reinsurance, under which all insurance contracts entered into force during the calendar year are reinsured. According to the IFRS 4 standard, the reinsurers' share of technical provisions are handled as an asset. If an insurance liability has been reinsured, the reinsurers' share of the claims paid is simultaneously recognised in a separate account as receivables from reinsurers reducing the amount of claims expenses. Similar recognitions are made for reinsurers' share of claims of recourse.

Adequacy testing for liabilities associated with insurance contracts

On the closing date, the adequacy of the insurance liabilities recognised on the balance sheet is evaluated. The testing is based on current estimates of future cash flows from insurance contracts.

2.9 Tangible assets

Tangible assets are recognised on the balance sheet if their acquisition cost can be measured reliably and it is probable that future economic benefits associated with the assets will flow to the company. Tangible assets are carried on the balance sheet at cost less any accumulated depreciation and accumulated impairment losses. Tangible assets mainly consist of machinery and equipment which are depreciated in four years. Depreciation of an asset begins when it is available for use. When an asset is classified as available for sale in accordance with IFRS 5, depreciation ceases.

The residual values and useful lives of assets are reviewed on every closing date, and they are changed as required. If the carrying amount of an asset is higher than the estimated recoverable amount, the carrying amount is immediately reduced to correspond to the recoverable amount. The gain or loss arising from the derecognition of an asset is included in profit or loss. Gains are recognised in other operating income and losses in depreciation and impairment. Gains or losses are determined as the difference between the net disposal proceeds and the carrying amount of the asset.

If there are indications that a tangible asset is impaired, the assets recoverable amount is estimated. If the recoverable amount is less than the assets carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

2.10 Intangible assets

Other intangible assets

Intangible assets are recognised on the balance sheet if their acquisition cost can be measured reliably and it is probable that future economic benefits associated with the assets will flow to the company. Other intangible assets are carried on the balance sheet at cost less any accumulated depreciation and accumulated impairment losses. Intangible assets mainly consist of IT software development costs and licences, the useful life of which are 3–5 years. No internally generated intangible assets have been recognised on the balance sheet.

The gain or loss arising from the derecognition of an asset is included in profit or loss. Gains are recognised in other operating income and losses in depreciation and impairment. Gains or losses are determined as the difference between the net disposal proceeds and the carrying amount of the asset.

If there are indications that an intangible asset is impaired, the assets recoverable amount is estimated. If the recoverable amount is less than the assets carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Goodwill

Goodwill accounting policies have been presented in Section 2.3 (Business combinations and goodwill).

2.11 Lease agreements

Lease agreements where the lessor largely holds the risks and benefits of ownership are classified as other lease agreements. Rents paid on the basis of other lease agreements are recognised as costs through profit or loss in the income statement through fixed instalments over the lease period. The Group has no financial lease agreements.

2.12 Employee benefits

Management long-term remuneration

All full-time employees of the Taaleri Group in Finland (apart from the Group CEO and his substitute) are members of the Taaleri Group's personnel fund (Taaleri Palkkiorahasto hr). Part of the Group's annual fees is transferred to the personnel fund according to predefined criteria.

The Group uses long-term remuneration schemes for its personnel, on the basis of which employees within the schemes can obtain rewards partly in Taaleri shares and partly in cash for their work performance during the vesting period. These remuneration schemes are recognised as either equity-settled or cash-settled share-based payments, depending on the payment method.

Equity-settled share-based payments are measured at fair value on the grant date. The amount recognised as expenses is booked in personnel costs during the vesting period, with a corresponding increase in equity. Cash-settled share-based payments and the corresponding liabilities are remeasured at fair value at the end of each reporting period. The amount recognised as expenses is booked in personnel costs during the vesting period, with a corresponding increase in accrued liabilities.

The estimated number of shares to be paid is reviewed on a quarterly basis. Any impact of these reviews on the original estimates are recognised in the income statement as personnel costs, and a corresponding adjustment is made to shareholders' equity and accrued liabilities.

Pensions

The statutory pension cover of the company's employees and management has been arranged using TyEL (employee pension) insurance agreements. Voluntary additional pension insurance has been taken out for members of the company's management. All of the Group's pension arrangements are defined-contribution plans. Expenses arising from statutory pension arrangements are recognised in the income statement under personnel costs and those arising from voluntary additional pension insurance is recognised under other administrative expenses. Insurance premiums are paid to the insurance company and recognised as expenses over the financial period, which the premiums cover. The defined-contribution plans have no other payment obligations.

2.13 Contingent liabilities

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed by the occurrence of an uncertain event not wholly in the control of the Group. In addition, an existing obligation which probably does not require that the payment obligation is met, or the amount of which cannot be estimated reliably, is considered to be a contingent liability. The Group's contingent liabilities are presented in the notes to the financial statements.

2.14 Income taxes and deferred taxes

Tax expenses consist of taxes based on the taxable income for the period, taxes for previous periods and deferred taxes. Taxes are recognised through profit or loss, unless they are associated with items recognised directly in shareholders' equity or other comprehensive income. In this case, taxes are recognised in the items in question. Taxes based on the taxable income for the period is calculated from the taxable income on the basis of tax rates valid in the specific country.

Deferred taxes are calculated on temporary differences between the carrying amount and taxable value. However, deferred tax liabilities are not recognised on the original recognition of goodwill. Deferred tax assets are recognised up to the amount at which it is likely that taxable income will be generated in the future, against which the temporary difference can be utilised. The Group's most significant temporary differences are generated from the elimination of the equalisation amount of guaranty liabilities in insurance activities and the measurement of investments at fair value. Deferred taxes are calculated using the tax rates regulated by the closing date or tax rates which have been approved in practice before the closing date.

2.15 Revenue recognition principles

Revenue recognition principles for wealth management

Fee and commission income is based, for example, on fund units, asset management, securities brokerage and the issuance of securities. Taaleri Group's most significant commission income consists of fund units and asset management. Fee and commission expenses include commissions paid to others related to income recognised in commission income. Wealth management commissions are invoiced beforehand every quarter and periodised as income over every month. Securities brokerage transactions are recognised according to the trading date. The above mentioned revenues are recognised in Fee and commission income.

Project income and expenses are recognised during the financial period when the project outcome can be evaluated reliably. Short-term unfinished project expenses are activated on the balance sheet. Project income is presented in other operating income and, correspondingly, project expenses are recognised in other operating expenses.

Net income from securities trading includes the positive or negative difference between the sale price/settlement amount of financial instruments held for trading and their carrying amount. In addition, this line item includes changes in fair value of all financial instruments recognised at fair value through profit or loss, and impairment losses on assets available for sale. Net income from securities trading includes transfer gains and losses and changes in the fair value of shares and units.

Revenue recognition principles for insurance activities

Revenue recognition principles for insurance activities have been described in Section 2.8 (Assets and liabilities from insurance activities). All income from insurance activities are presented in net income from insurance activities, apart from changes in fair value in investment activities. These are presented in the statement of comprehensive income.

Revenue recognition principles for the Energy business

Fee and commission income for the Energy business is based on Energy segment fund units as of 1 July 2016. The Energy business also develops projects whose income and costs are recognised in the financial period when the end result of the project can be reliably assessed. Incomplete project costs are activated on the balance sheet. Fee and commission expenses include commissions paid to others related to income recognised in fee and commission income.

The Energy business also includes operating and maintenance services for wind farms, whose invoicing is based on a pre-agreed annual payment, which is recognised as income within the year as the year progresses.

Other income

Income from equity investments mainly includes dividend income from equity investments and transfer gains/losses from associates and subsidiaries, as well as available-for-sale financial assets. Dividends are mainly recognised after the Annual General Meeting of the distributing company has made its decision on the distribution of dividends.

Interest income and expenses on interest bearing assets and liabilities are recognized on an accrual basis. On receivables, the difference between the acquisition cost and the nominal value is recognised in interest income on an accrual basis, and on liabilities the difference is recognised in interest expenses on an accrual basis. The difference between the nominal value and acquisition cost of fixed-rate bonds is recognised in interest income and expenses over the loan term on an accrual basis.

The effective interest method has been applied to the recognition of interest income and expenses over the agreement term. When calculating the effective interest rate, the expected life of the financial instrument and the future cash flows are estimated based on all contractual terms. Received commissions, transaction costs and possible premiums or discounts, which are an integral part of the effective interest rate of the financial instrument, have been taken into account when recognising interest income and expenses.

2.16 Shareholders' equity

The Group classifies instruments it has issued, into equity or liabilities (financial liabilities) on the basis of their characteristics. Equity instruments include any contracts which indicate a right to obtain a proportion of an entity's assets after deducting all of its liabilities. Costs related to the issuance or acquisition of equity instruments are accounted for as a deduction from equity. If the company reacquires its own equity instruments, those instruments are deducted from equity.

2.17 Operating profit and income

The IAS 1 (Presentation of Financial Statements) standard does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount of Total income, Fee and commission expenses, Interest expenses, Administrative expenses, Negative goodwill, Depreciation and Impairments, Other operating expenses and the Share of associate's profit or loss. All income statement items other than those listed above are presented below the operating profit.

Income included in the operating profit have been presented as a gross amount, apart from income from securities and currency trading, which are presented as a net amount to offer a fair view.

2.18 Accounting policies requiring management's judgment and key uncertainties regarding estimations

When preparing the financial statements, estimates and assumptions concerning the future need to be made, and their outcome may differ from the estimates and assumptions made. In addition, applying the accounting policies requires judgement.

In 2015 Taaleri acquired Garantia insurance company. The purchase price paid, compared to the actual market value includes uncertainty and managerial judgement. The Group has measured assets and liabilities of the acquired company at fair value according to best estimates, but future guaranty losses involve significant uncertainties, particularly in a poor market situation. The fact that EUR 28.6 million was recognised in negative goodwill on the acquisition date of 31 March 2015, does not mean that no guaranty losses relating to the outstanding guaranties on the acquisition date, could occur in the future. On the acquisition date, the company was not aware of any guaranty losses which the company had not taken into account on its balance sheet and, according to IFRS, general unallocated provisions cannot be made.

The measurement of the liabilities associated with the guaranty operations offered by Garantia involve a number of factors and uncertainties subject to judgement. In addition to assumptions concerning the external operating environment, the evaluation is mainly based on the insurance mathematical analysis of its loss statistics. The managerial judgement is particularly required to define risks and the capital required for business operations, to price risks according to profitability and solvency objectives, to fulfil the obligations required by insurance agreements and to evaluate provisions for outstanding claims caused by loss events that have already occurred.

When assessing the Group's control in structured entities, the power of the Group to affect relevant activities and its exposure to variable returns are evaluated. The assessment of control is subject to judgement. The assessment of control is done in more detail, when the Group's share in the structured entity's net assets and returns exceeds 20 percent. The investee is consolidated as a subsidiary at the latest, when the Group's exposure to variable returns is significant and the Groups is able to use its power over the investee to affect the amount of the variable returns.

Managerial judgement is needed when measuring the unfinished projects of the Wealth Management segment. External costs associated with active projects have been recognised on the balance sheet if the net present value of the project is positive. Project expenses have been recognised through profit or loss if a project has ended or its net present value is negative.

The values of businesses acquired through business combinations are based on estimated future development, estimated cash flows and the discount rate used. Goodwill is tested annually for impairment. The recoverable amount defined in impairment testing is often based on the value in use, the calculation of which requires estimates of future cash flows and the discount rate used.

Impairment testing for receivables is prepared separately for each receivable item or group. Receivable item-specific impairment testing is based on the management's estimate of future loan-specific cash flows. The most critical factor in loan-specific impairment testing is the definition of the cash flow most probably realised. Receivable group-specific impairment testing is based on the statistical model used in the calculation of the financial capital claim, whereby probable future losses are adjusted with realised losses based on historical data. In this case, the management's judgement is required to evaluate how well the estimates of future losses adjusted with historical data correspond with realised losses, and to determine whether adjustments are required for them. Impairment testing for available-for-sale financial assets, loans and debt instruments included in receivables must be performed on every closing date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement. The verification of objective evidence is subject to the management's judgement. For equity instruments, impairment must also be recognised if it is significant or prolonged. The definition of significant and prolonged impairment is a part of continuous managerial judgement.

Management must evaluate when the markets of financial instruments are no longer deemed to be active. When the fair value of a financial instrument is measured using valuation methods, the management's judgement is required for the selection of the applicable valuation method. International Valuation Standards (IVS) and valuation methods based on their applications have been used to measure the fair value of private equity fund investments and unquoted shares and units. The valuations take a number of different factors into consideration, such as when an investment was made and at what price, the price development of quoted reference companies, local market conditions in the specific industry, realised and estimated operating results, and additional investments. Value analyses have usually been prepared for finished projects using a cash flow-based income approach and a comparative market-based measurement method. Funds including unfinished project have been measured at their acquisition cost. Estimates and managerial judgement is required in the valuations. Illiquid investments include uncertainty regarding the future realised gains or losses, compared to the estimated fair value.

Managerial judgement has been applied when measuring the fair value of synthetic options, and the amount recognised in profit or loss, from share-based payment schemes. Hence, deferred taxes from the synthetic options have been recognised in profit or loss and on the balance sheet.

Deferred taxes have been recognised from the equalisation amount of Garantia, the amount of which is based on loss statistics confirmed by the management and estimated future losses which involve judgement. Managerial judgement is needed when comparing the current period's loss ratio with the long-term expected average, on the basis of which the equalisation amount is either increased or decreased through profit or loss, which has a direct impact on the amount of deferred tax liabilities.

2.19 Applied new and revised standards

Starting from 1 January 2016, the Group has applied the following new and revised standards and interpretations with an impact on the financial statements:

- Improvements to IFRS. Annual improvements to standards are performed collectively once a year. The impact of these changes varies according to standard, but these changes have not had any significant impact on consolidated financial statements.

2.20 New and revised standards to be applied later

Several new standards and amendments to and interpretations of standards will only be adopted later than in the financial periods beginning 1 January 2016, and they have not been applied in the preparation of these consolidated financial statements. It is expected that the following revisions will have some impact on Taaleri's financial statements:

IFRS 9 Financial instruments

IFRS 9 *Financial instruments* discusses the classification, measurement and impairment of financial assets and liabilities. The standard was published in full in July 2014, and it will become applicable in financial periods beginning on 1 January 2018 or later. IFRS 9 brings changes to the classification and measurement of financial instruments, to the impairment of financial assets and to hedge accounting. Of these, classification, measurement and impairment concern Taaleri Group. The Group does not apply hedge accounting.

The Group has an ongoing project to introduce IFRS 9, in which a preliminary analysis of the key impacts of the new standard has so far been carried out. During 2017, more detailed analyses of portfolios and investments will be carried out, processes and models will be developed and documented, and finally the developed models will be tested. On 1 January 2018, the Group will start applying IFRS 9 *Financial instruments.*

Classification and measurement

According to IFRS 9, financial assets, with the exception of derivatives and equity instruments, must be classified into three main groups: those recorded at amortised cost, those recorded at fair value through profit and loss, and those recorded at fair value through other comprehensive income items. Classification depends on the company's business model and on the characteristics of the cash flows of the financial assets in question. We do not foresee significant problems in determining the business models. With regard to financial assets, Taaleri will most likely have two business models. As a result of the nature of the Insurance business, Garantia's investment portfolio will probably use a combination model. For business other than the Insurance business, the assets will mainly fall under the holding-to-collet contractual cash flows – business model, but this will be assessed on an instrument-specific basis. Because the number of debt instruments is very limited, we do not foresee problems in this. According to a preliminary analysis, Taaleri does not have a significant number of debt instruments that would not pass the cash flow criterion (SPPI). Challenges might be caused by the evaluation of the cash flow criterion SPPI of instruments deviating from standard contracts, such as hybrid loans and subordinated loans.

According to IFRS 9, investments in equity instruments are measured at fair value through profit or loss but, at initial recognition, the entity may make an irrevocable choice (on an instrument-by-instrument basis) to present subsequent changes in the fair value in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, even on derecognition. The Group is considering this option for equity instruments in the insurance business investment portfolio, as well as for the Group's non-strategic investments. Derivatives are all measured at fair value through profit or loss.

The only change affecting classification and measurement of financial liabilities is that fair value changes resulting from the credit risk of financial liabilities classified as being measured at fair value through profit or loss will be recognised in other comprehensive income.

According to a preliminary analysis by the Group, IFRS 9 will not bring any fundamental change in classification and measurement.

- Receivables from credit institutions, receivables from the public and general government and other financial assets (such as fee and commission receivables, interest receivables and accrued income) which, under IAS 39, are classified in Loans and Receivables, will primarily, under IFRS 9, be measured at amortised cost.

- Debt securities which, according to IAS 39, are classified as available-for-sale or at fair value through profit or loss will, according to IFRS 9, be measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss, depending on the characteristics of the instrument's cash flows and on which business model it belongs to. The assessment will be made on an instrument-by-instrument basis.

- Shares and units which, under IAS 39, are classified either as available-for-sale or at fair value through profit or loss will, under IFRS 9, be measured either at fair value through other comprehensive income (without transfer to profit or loss) or at fair value through profit or loss. Investments perceived as strategic will primarily be measured at fair value through profit or loss, and non-strategic investments at fair value through other comprehensive income (without transfer to profit or loss).

- Investments included in insurance assets which, according to IAS 39, are classified as available-for-sale will, according to IFRS 9, primarily be measured at fair value through other comprehensive income unless the cash flow characteristics of the debt instrument lead to measurement at fair value through profit or loss. For equity instruments, this means that changes in fair value will no longer have an impact on profit or loss at any stage.

- Liabilities to credit institutions, debt securities issued to the public and other financial liabilities (such as accounts payable and accrued expenses) which, under IAS 39, are classified as other liabilities, will, under IFRS 9, be measured at amortised cost.

Preliminary assessments are naturally dependent on the financial instruments on Taaleri's balance sheet at the moment of transfer.

Impairment

The new impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model. Impairment must be recorded on all loans and debt instruments not recorded at fair value through profit or loss and on off-balance sheet liabilities.

For the purpose of impairment testing, assets to be tested are divided into three stages. On the first stage are instruments whose credit risk has not increased significantly; on the second stage are instruments whose credit risk has increased significantly; and on the third stage are instruments whose value has decreased. For instruments on the first stage, a loss allowance for 12 month expected credit losses is recorded. For instruments on the second and third stages, a loss allowance for lifetime expected credit losses is recorded. Taaleri has not yet decided on what criteria and thresholds to use when determining a significant increase in credit risk.

For debt instruments in Garantia's investment portolio, the preliminary plan is to create an individual credit risk calculation model (PDxLGD) based on the calculation model used at present. The Group only has a few other debt instruments and for these the impairment need will be assessed on an instrument-by-instrument basis.

It is expected that the application of the expected credit loss model will increase and bring forward credit loss allowances, particularly in the investment portfolio of the Insurance business. As a result of this, it is probable that the volatility of the consolidated income statement will increase.

The revision made to standard IFRS 4 *Insurance contracts* concerning the application of standard IFRS 9 *Financial instruments,* together with standard IFRS 4 *Insurance contracts* must be applied on 1 January 2018. The revisions have not yet been approved for application in the EU. It is our assessment that the Group cannot apply a temporary exemption for IFRS 9 in its IFRS consolidated financial statements, because the relationship of its insurance liabilities to other liabilities does not meet the eligibility criteria for operating primarily in the insurance business. We have estimated that there would be no significant benefit to the Group in using the overlay approach in the consolidated financial statements. As a result of the above, we estimate that the change will have no impact on the consolidated financial statements; the Group will adopt the IFRS 9 standard on 1 January 2018.

Other standards

IFRS 15 *Revenue from contracts with customers* specifies the requirements an entity must apply to measure and recognise revenue and the related cash flows, as well as requires entities to provide users of financial statements with more informative, relevant disclosures regarding the nature, quantity and uncertainty of revenue. Revenue is recognised when (or as) a company transfers control of goods or services to a customer and the customer thus can control its use and receive benefit from it. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. IFRS 15 applies to different fee and commission income in the Group, but insurance income (to which IFRS 4 is applied) and financial instruments (to which IAS 39/IFRS 9 are applied) remain outside the scope of application. The new standard is effective for annual periods beginning on or after 1 January 2018. Management does not expect the adoption of the standard to have a material impact on the Group.

IFRS 16 *Leases* was issued in January 2016 and will become applicable on 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for nearly all leases. For lessees there will no longer be a distinction between operative and financial leases. According to the new standard, an asset (the right to use the object leased) and the financial liability concerning the payment of leases will be recognised. The only exceptions are short-term lease agreements and those concerning low value assets. There will be no significant changes to the accounting procedure applied by lessors. The Group is assessing the impact of IFRS 16. The standard has not yet been endorsed by the EU.

No other IFRS standard or IFRIC interpretation already published but not yet valid is expected to have a material impact on the Group.

3 ACQUIRED AND SOLD BUSINESSES

2016

In 2016 the group has not acquired any businesses or classified any businesses as held for sale.

2015

Acquisition of Garantia Insurance Company Ltd

With a contract of sale signed on 11 December 2014, Taaleri Plc undertook to purchase the entire share capital of Garantia insurance Co Ltd. The transaction entered into force on 31 March 2015. Garantia is an insurance company specialised in guaranty insurance policies. Garantia guarantees funding and other liabilities for Finnish companies, and insures investment-related risks.

The purchase price of EUR 60 million was paid in full in cash.

In connection with the acquisition, Taaleri Plc and the sellers have agreed that if Taaleri Plc sells (or otherwise realises) Garantia to a party outside the Taaleri Group within three years of the transaction entering into force, Taaleri Plc will pay to the sellers half the financial benefit that it may gain as an additional purchase price. No provision for the conditional purchase price has been recorded as its execution is not considered probable.

The EUR 28.6 million profit gained from the bargain purchase has been recognised in the income statement item "Negative goodwill". The reason for the bargain purchase is the difference between the net assets of the acquired Garantia Insurance Company Ltd and the purchase price paid at the time of acquisition. Because Garantia Insurance Co Ltd is engaged in guaranty operations, there will be uncertainty about its future guaranty losses, particularly in a weak market situation. At the time of acquisition, the company did not have any known guaranty losses and, according to IFRS regulations, no general unallocated provisions can be made.

EUR 1 185 million in expenses related to the acquisition was recorded in profit and loss during the financial period.

The fair value of identifiable assets acquired and liabilities assumed, the consideration paid and the gain from the bargain purchase at the time of acquisition on 31 March 2015 were as follows:

Gain from bargain purchase, EUR 1,000	31/03/2015
Intangible assets	411
Tangible assets	1,951
Financial assets available-for-sale	109,493
Receivables from direct insurance operations	375
Receivables from reinsurance operations	182
Reinsurers' share of technical provisions	787
Accrued income	1,321
Other receivables (regresses)	1,300
Cash and cash equivalents	4,731
Provision for unearned premiums	-11,785
Claims outstanding	-816
Deferred tax liabilities	-16,910
Liabilities from direct insurance operations	-175
Liabilities from reinsurance operations	-955
Accrued expenses	-922
Other liabilities	-422
Identifiable net assets	88,567
Consideration transferred	-60,000
Profit from reasonably priced transaction	**28,567**

Since the transaction, the acquired operations have been part of Taaleri's financing segment. From the moment of acquisition on 31 March 2015 onwards, income of EUR 13.2 million and profit of EUR 7.7 million from insurance operations has been consolidated for the 2015 financial period. If the insurance operations had been acquired on 1 January 2015, income of EUR 16.9 million and profit of EUR 9.7 million from Garantia Insurance Co Ltd would have been consolidated. The recognition of negative goodwill would then have been correspondingly smaller, i.e. EUR 24.6 million instead of the current EUR 28.6 million. The total income presented in Taaleri's consolidated income statement would have been EUR 62.2 million, profit for the financial period EUR 41.7 million and the comprehensive income for the financial period EUR 39.5 million.

The sale of Lainaamo and investment in Fellow Finance

On 25 May 2015, Taaleri invested EUR 2.38 million in Fellow Finance Plc, a company offering peer-to-peer lending services and, at the same time, sold to Fellow Finance in a share exchange the share capital it owned in its financing company, Lainaamo Oy. The total amount paid to acquire Fellow Finance was EUR 2 million, EUR 1.37 million of which was paid in cash and EUR 0.63 million in Lainaamo shares. As a result of the transaction, Taaleri now owns 38.4% of Fellow Finance and has no shareholding at all in Lainaamo. Taaleri is entitled to acquire a further 7.3% stake in Fellow Finance. Jouni Hintikka and Teemu Nyholm, the founders of Fellow Finance, each owned 18.4% of the shares on 31 December 2015. The shareholding of key personnel of Fellow Finance totaled 57.3%.

Lainaamo’s operations are classified in the financial statements as discontinued operations. Fellow Finance has been consolidated into the group as an associated company and is presented in Other operations in the segment reporting.

Earnings from discontinued operations, EUR 1 000	**1/1-31/12/2016**	**1/1-31/12/2015**
Investment income	-	2,034
Commission and interest expenses	-	-897
Other income and expenses, net	-	-878
Profit before taxes	-	258
Taxes	-	-48
Profit after taxes	-	211
Loss from divestment	-	-527
Earnings from financial period from discontinued operations	-	-316

Net cash flows from discontinued operations, EUR 1 000	**1/1-31/12/2016**	**1/1-31/12/2015**
Cash flow from operating activities	-	2,973
Cash flow from investing activities	-	-3,326
Cash flow from financing activities	-	-
Cash flows, total	-	-353

Effect of the sale of Lainaamo on the Group’s financial position, EUR 1 000	**25/05/2015**
Assets	21,154
Liabilities	-20,909
Assets and liabilities in total	245
Payment received in cash	-
Cash and cash equivalents from discontinued unit	-342
Cash flow effect	-342

NOTES TO THE INCOME STATEMENT

4 FEE AND COMMISSION INCOME

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Wealth management fees and commissions	27,457	27,306
Performance fees	5,781	4,495
Total	**33,238**	**31,801**

5 NET INCOME FROM INSURANCE

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Earned premiums, net		
Premiums written	12,218	8,238
Reinsurers' share	-810	-828
Change in provision for unearned premiums	-1,855	391
Reinsurers' share	-86	-100
Total	**9,467**	**7,702**
Claims incurred, net		
Claims paid	-618	-1,170
Reinsurers' share	105	-
Change in provision for outstanding claims	-100	-381
Reinsurers' share	-140	250
Total	**-753**	**-1,301**
Net income from investment operations		
From financial assets available for sale		
From interest	2,616	1,626
From dividends	315	305
From sales profit and loss	715	4,999
From others	-32	-175
Total	**3,614**	**6,756**
Net income from insurance, total	**12,328**	**13,156**

Interest income from insurance operations does not include earnings from financial assets that are impaired.

6 NET GAINS OR NET LOSSES ON TRADING IN SECURITIES AND FOREIGN CURRENCIES

Net gains or net losses on trading in securities, EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
From financial assets recorded at fair value in profit and loss	8,365	105
From financial assets kept for trading purposes	890	767
From financial assets held for sale	167	-
Total	**9,422**	**873**

Net gains or net losses on trading in securities and foreign currencies, EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Net gains or net losses on trading in securities by type		
From shares and units	9,394	873
Sales profit and loss	9,233	777
Changes in fair value	161	96
From derivative instruments	28	-
Changes in fair value	28	-
Net gains or let losses on trading in securities, total	9,422	873
Net gains or net losses on trading in foreign currencies	477	778
Total	**9,898**	**1,651**

7 INCOME FROM EQUITY INVESTMENTS

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
From financial assets recorded at fair value in profit or loss	1,334	4,671
Dividend income	1,334	4,671
From financial assets available for sale	-	-38
Losses from divestment	-	-38
From group companies	-	217
Profits from divestment	-	217
Total	**1,334**	**4,850**

8 INTEREST INCOME

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Interest income from other loans and receivables		
From receivables from credit institutions	22	75
From receivables from the public and general government	669	835
Other interest income	9	3
Total	**700**	**913**

Interest income includes EUR 19.2 thousand (2015 3.5 thousand) in income from financial assets that are impaired.

9 OTHER OPERATING INCOME

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Rental income	5	-
Project sales	2,963	6,075
Other income	103	-46
Total	**3,071**	**6,029**

10 FEE AND COMMISSION EXPENSE

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Wealth management fee and commission expenses	4,326	3,901
Total	**4,326**	**3,901**

Management fees relating to private equity funds have been reclassified as Wealth management fee and commission expenses. The 2015 fees have been adjusted accordingly.

11 INTEREST EXPENSE

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Interest expenses from other liabilities		
From liabilities to credit institutions	466	351
From liabilities to the public and general government	198	850
From debt securities issued to the public	1,646	1,701
Other interest expenses	3	3
Total	**2,313**	**2,906**

12 PERSONNEL COSTS

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Wages, salaries and fees	17,303	14,934
- whereof variable fees	3,714	3,060
Pension expenses - from defined contribution plans	2,815	2,286
Share-based payments	1,059	887
Payable in equity	185	206
Payable in cash	874	681
Social security contributions	1,206	1,145
- whereof attributable to variable fees	891	734
Total	**22,383**	**19,251**

13 OTHER ADMINISTRATIVE EXPENSES

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
ICT expenses	2,492	1,673
Marketing and communication expenses	1,961	1,323
Other expenses	2,726	2,534
Total	**7,179**	**5,529**

14 DEPRECIATION, AMORTISATION AND IMPAIRMENT ON TANGIBLE AND INTANGIBLE ASSETS

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Intangible assets		
Planned depreciation	1,171	604
Tangible goods		
Planned depreciation	217	267
Total	**1,388**	**871**

15 OTHER OPERATING EXPENSES

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Premises and other rental expenses	1,715	1,646
External services	2,708	1,395
Equipment rental and leasing	458	383
Fees paid to the company's auditors	347	299
Auditing fees	224	150
Other	123	149
Other expenses	1,642	3,438
Total	**6,870**	**7,161**

16 IMPAIRMENT LOSSES ON RECEIVABLES

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Impairment losses on receivables from the public and general government:		
Agreement-specific amortisation and impairment losses, gross	-	228
Agreement-specific amortisation and impairment losses, deductions	-60	-
Recognised in profit or loss	**-60**	**228**

No credit losses have been realised in the 2015 and 2016 financial periods.

17 INCOME TAXES

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
From profit for the financial period	5,461	3,902
Taxes from previous periods	51	-72
Deferred taxes	-1,943	-854
Total	**3,568**	**2,976**

Reconciliation of taxes on the income statement with profit before taxes	1/1-31/12/2016	1/1-31/12/2015
Operating profit (profit before taxes)	16,340	47,379
Taxes calculated at the tax rate of the parent company (20%)	3,268	9,476
Tax-free income	-297	-7,377
Non-deductible expenses	591	13
The use of taxable losses not previously booked	-1	-41
Unbooked deferred tax receivables from taxable losses	-98	-70
Share of the profits of associated and joint venture companies with taxes deducted	34	1,025
Taxes from previous financial periods	51	-72
Other items	21	22
Taxes on the income statement	**3,568**	**2,976**

The effective tax rate in 2016 was 22 % (2015: 6 %). In 2015 the group had tax-free income, the most significant of which was the entry of negative goodwill of EUR 28.6 million, due to which the effective tax rate was exceptionally low.

18 OTHER COMPREHENSIVE INCOME ITEMS

Taxes concerning other comprehensive income		1/1-31/12/2016				1/1-31/12/2015
EUR 1,000	**Pre-tax**	**Tax effect**	**After taxes**	**Pre-tax**	**Tax effect**	**After taxes**
Financial assets available for sale	3,887	-777	3,109	-5,497	1,099	-4,398
Translation differences	-110	-	-110	-158	-	-158
Total	**3,776**	**-777**	**2,999**	**-5,655**	**1,099**	**-4,555**

19 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the company's shareholders by the weighted average of the number of shares outstanding - with the exception of repurchased own shares (Note 38 Equity).

EUR 1,000	**1/1-31/12/2016**	**1/1-31/12/2015**
Profit from continuing operations attributable to the owners of the parent company	12,661	42,771
Profit from discontinued operations attributable to the owners of the parent company	-	-316
Total	**12,661**	**42,455**
Weighted average number of ordinary shares outstanding (1,000 pcs)	28,306	27,685
Basic earnings per share, continuing operations, EUR	**0.45**	**1.54**
Basic earnings per share, discontinued operations, EUR	**0.00**	**-0.01**

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding so that all dilutive potential ordinary shares are assumed to be converted into ordinary shares. The Group's dilutive potential ordinary shares consist of share-based incentive arrangements (options) payable as shares. They are taken into account like options, from the date of their granting when calculating the diluted earnings per share.

EUR 1,000	**1/1-31/12/2016**	**1/1-31/12/2015**
Profit from continuing operations attributable to the owners of the parent company	12,661	42,771
Profit from discontinued operations attributable to the owners of the parent company	-	-316
Total	**12,661**	**42,455**
Weighted average number of ordinary shares outstanding (1,000 pcs)	28,306	27,685
The dilutive effect of share options (1,000 pcs)	127	191
The weighted average of the number of shares when calculating the diluted earnings per share (1,000 pcs)	**28,433**	**27,876**
Diluted earnings per share, continuing operations, EUR	**0.45**	**1.53**
Diluted earnings per share, discontinued operations, EUR	**0.00**	**-0.01**

NOTES TO THE BALANCE SHEET

20 RECEIVABLES FROM CREDIT INSTITUTIONS

EUR 1,000	31/12/2016	31/12/2015
Repayable on demand	54,566	27,243
From domestic credit institutions	54,566	27,231
From foreign credit institutions	-	12
Other than repayable on demanded	582	739
From domestic credit institutions	14	14
From foreign credit institutions	568	725
Total	**55,148**	**27,983**

Receivables from credit institutions correspond fully to the Group's cash balances. All cash balances are available for use by the group.

21 RECEIVABLES FROM THE PUBLIC AND GENERAL GOVERNMENT

EUR 1,000	31/12/2016	31/12/2015
Other than repayable on demanded		
Companies and housing associations	6,900	9,365
Households	2	2
Foreign	17	49
Total	**6,919**	**9,416**

The group has no subordinated receivables. Information about impairment losses is presented in Note 16 to the income statement. The maturity dates of receivables are presented in Note 40.

22 DEBT SECURITIES

EUR 1,000	31/12/2016	31/12/2015
Other than those issued by general government		
Available for sale		
Other debt securities (not publicly quoted)	100	1,541
Total	**100**	**1,541**

23 SHARES AND UNITS

Shares and units, EUR 1,000	31/12/2016	31/12/2015
Held for trading	3,233	42,576
Available-for-sale	4,120	2,579
Total	**7,353**	**45,154**
- of which publicly quoted	3,233	3,123
- of which in credit institutions	-	-

Participating interests, EUR 1,000	31/12/2016	31/12/2015
Acquisition cost	3,940	2,700
Share of the associates' profits	245	258
Total	**4,185**	**2,958**
Total	**11,538**	**48,112**

24 DERIVATIVE INSTRUMENTS

EUR 1,000	**31/12/2016**	**31/12/2015**
Held for trading		
Equity derivatives	28	-
Yhteensä	**28**	**-**

The nominal value of the equity derivatives recognized on the balance sheet on 31 December 2016 is EUR 89 thousand. Taaleri additionally has option rights in its associated company. These option rights have not been considered to have a fair value as they can only be excerised if the groups investment in the associated company would otherwise be diluted.

25 INSURANCE ASSETS AND LIABILITIES

Insurance assets, EUR 1,000	**31/12/2016**	**31/12/2015**
Investments		
Loans and other receivables	93,607	89,505
Shares and units	29,855	24,582
Total	**123,463**	**114,087**
Receivables		
Arising out of direct insurance operations	635	403
Arising out of reinsurance operations	847	973
Other receivables	1,258	1,252
Total	**2,740**	**2,628**
Total	**126,202**	**116,715**

Insurance liabilities, EUR 1,000	**31/12/2016**	**31/12/2015**
Provision for unearned premiums	13,249	11,394
Claims outstanding	1,297	1,196
Liabilities arising out of direct insurance operations	75	125
Liabilities arising out of reinsurance operations	377	355
Total	**14,998**	**13,071**

26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 31 December 2016, EUR 1,000

Financial assets	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total	Fair value
Receivables from credit institutions [1)]	55,148	-	-	55,148	55,148
Receivables from the public and general government [1)]	6,919	-	-	6,919	6,919
Debt securities	-	-	100	100	100
Shares and units	-	3,233	4,120	7,353	7,353
Derivative instruments	-	28	-	28	28
Insurance assets [2)]	-	-	123,463	123,463	123,463
Other financial assets	7,297	-	-	7,297	-
Financial assets total	**69,364**	**3,261**	**127,682**	**200,307**	
Participating interests	**-**	**-**	**-**	4,185	**-**
Other than financial instruments	-	-	-	8,770	-
Assets in total 31 December 2016	**-**	**-**	**-**	**213,262**	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions [1)]	-	8,967	8,967	8,967
Debt securities issued to the public [3)]	-	64,691	64,691	67,084
Other financial liabilities	-	9,006	9,006	-
Financial liabilities total	**-**	**82,664**	**82,664**	
Other than financial liabilities	-	-	36,748	-
Liabilities in total 31 December 2016	**-**	**-**	**119,412**	

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.

2) Insurance assets and liabilities are itemised in Note 25.

3) Bonds included in Debt securities issued to the public are carried at amortised cost.

Financial assets and liabilities 31 December 2015, EUR 1,000

Financial assets	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total	Fair value
Receivables from credit institutions [1)]	27,983	-	-	27,983	27,983
Receivables from the public and general government [1)]	9,416	-	-	9,416	9,416
Debt securities	-	-	1,541	1,541	1,541
Shares and units	-	42,576	2,579	45,154	45,154
Insurance assets [2)]	-	-	114,087	114,087	114,087
Other financial assets	7,096	-	-	7,096	-
Financial assets total	**44,495**	**42,576**	**118,207**	**205,278**	
Participating interests	**-**	**-**	**-**	2,958	**-**
Other than financial instruments	-	-	-	8,528	-
Assets in total 31 December 2015	**-**	**-**	**-**	**216,764**	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions [1)]	-	14,939	14,939	14,939
Liabilities to the public and general government [1)]	-	30,250	30,250	30,250
Debt securities issued to the public [3)]	-	29,946	29,946	31,714
Other financial liabilities	-	8,512	8,512	-
Financial liabilities total	**-**	**83,647**	**83,647**	
Other than financial liabilities	-	-	36,056	-
Liabilities in total 31 December 2015	**-**	**-**	**119,704**	

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.
2) Insurance assets and liabilities are itemised in Note 25.
3) Bonds included in Debt securities issued to the public are carried at amortised cost.

27 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 31 December 2016, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions [1)]	-	55,148	-	55,148
Receivables from the public and general government [1)]	-	6,919	-	6,919
Debt securities	-	-	100	100
Shares and units	3,233	-	4,120	7,353
Derivative contracts	28	-	-	28
Insurance assets	120,041	-	3,421	123,463
Total	**123,302**	**6,919**	**7,641**	**193,010**

Fair value of liabilities 31 December 2016, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions [1)]	-	8,967	-	8,967
Debt securities issued to the public [1)]	-	67,084	-	67,084
Total	**-**	**76,051**	**-**	**76,051**

Fair value of assets 31 December 2015, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions [1)]	-	27,983	-	27,983
Receivables from the public and general government [1)]	-	9,416	-	9,416
Debt securities	-	-	1,541	1,541
Shares and units	3,123	-	42,032	45,154
Insurance assets	111,127	-	2,960	114,087
Total	**114,250**	**37,399**	**46,533**	**198,182**

Fair value of liabilities 31 December 2015, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions [1)]	-	14,939	-	14,939
Liabilities to the public and general government [1)]	-	30,250	-	30,250
Debt securities issued to the public [1)]	-	31,714	-	31,714
Total	**-**	**76,903**	**-**	**76,903**

Fair value hierarchy

Level 1: Fair values are based on the prices quoted on the active market on identical assets or liabilities.

Level 2: Fair values are based on information other than quoted prices included within level 1 that are observable for the asset or liability, either directly (from prices) or indirectly (derived from prices). When measuring the fair value of these instruments, Taaleri Group uses generally accepted valuation models whose information is based to a significant degree on verifiable market information.

Level 3: Fair values are based on information concerning an asset or liability, which is not based on verifiable market information. Level 3 assets are mainly valued at a price received from an external party or, if no reliable fair value is available/determinable, at purchase price.

1) Financial receivables and liabilities have been moved from level 1 to level 2 to give a fair presentation of the operations.

Assets classified at level 3

Assets categorised within level 3 consist of unquoted shares in private equity funds, stocks and debt securities. Shares in private equity funds are mainly measuered at the latest fair value received from the management company. Unquoted shares are measured at fair value using discounted cash flow analysis or, if it is determined that fair value cannot be measured reliably, at acquisition cost. On December 31, 2015 Finsilva shares were measured based on the latest completed market transaction, which took place in June 2015. On December 31, 2015 the group had one unquoted debt security (Sotkamo Silver convertible bond), which was valued at amortised cost. This was considered to be the best estimate of the fair value, as the convertible bond was acquired in the final quarter of 2015 and we had not seen any signs that its value would have changed significantly. Fair value measurement based on a valuation model would have included significant uncertainty. The Finsilva shares and the Sotkamo Silver convertible bond have been disposed of in 2016.

Reconciliation of assets categorised within level 3, EUR 1,000	**31/12/2016**	**31/12/2015**
Fair value January 1	46,533	80,059
Business combinations	-	2,248
Purchases	2,009	3,544
Sales and deductions	-41,654	-39,615
Change in fair value - income statement	-190	54
Change in fair value - comprehensive income statement	943	243
Fair value at end of period	**7,641**	**46,533**

Unrealised gains or losses attributable to fair value measurements of assets or liabilities categorised within level 3 held at the end of the reporting period recognised in profit or loss, EUR 1,000	**1.1.- 31.12.2016**	**1.1.- 31.12.2015**
Net income from insurance	-	3
Net gains or net losses on trading in securities and foreign currencies	-50	26
Total	**-50**	**29**

28 INTANGIBLE ASSETS

EUR 1,000	**31/12/2016**	**31/12/2015**
Goodwill	627	627
Other intangible assets	1,886	1,741
IT systems and software	1,848	1,694
Other long-term expenses	38	48
Total	**2,514**	**2,369**

2016	**Goodwill**	**Other intangible assets**	**Total**
Acquisition cost 1 January 2016	627	2,994	3,621
Increases	-	1,356	1,356
Decreases	-	40	40
Acquisition cost 31 December 2016	627	4,310	4,937
Accumulated depreciation, amortisation and impairment 1 January 2016	-	1,252	1,252
Depreciation during the financial period	-	1,171	1,171
Accumulated depreciation, amortisation and impairment 31 December 2016	-	2,424	2,424
Book value 1 January 2016	627	1,741	2,369
Book value 31 December 2016	**627**	**1,886**	**2,514**

2015	Goodwill	Other intangible assets	Total
Acquisition cost 1 January 2015	727	2,298	3,025
Increases	56	770	826
Decreases	155	486	641
Business combinations	-	411	411
Acquisition cost 31 December 2015	627	2,994	3,621
Accumulated depreciation, amortisation and impairment 1 January 2015	-	648	648
Depreciations during the financial period	-	604	604
Accumulated depreciation, amortisation and impairment 31 December 2015	-	1,252	1,252
Book value 1 January 2015	727	1,650	2,377
Book value 31 December 2015	**627**	**1,741**	**2,369**

Goodwill allocation and impairment testing
Goodwill is allocated entirely to the wealth management segment.

In impairment testing, the recoverable amount of the unit is determined based on its value in use. Cash flow forecasts are based on predictions for a three-year period. Cash flows after the forecast period are extrapolated using an even 0.5% growth factor, which is assessed as being suitable for a growing business. Future cash flows are discounted using the weighted average cost of capital. Parameters used in determining the discount rate (risk-free interest, risk coefficient, risk premium and capital structure) are based on factors observed in companies engaged in similar or competing business and on the prevailing market conditions at the end of 2016. The impairment testing of goodwill did not lead to recognition of impairment losses.

In conjunction with impairment testing, sensitivity analyses were carried out with regard to key assumptions, the discount rate and residual value growth factor. The variables used in the calculations are an increase of two percentage points in the discount rate and a decrease of one percentage points in growth following the forecast period. Separately examined, the sensitivity analyses did not show any risk of impairment.

29 TANGIBLE ASSETS

EUR 1,000	31/12/2016	31/12/2015
Other tangible assets	503	546
Total	**503**	**546**

	31/12/2016	31/12/2015
Acquisition cost 1 January	1,715	1,457
Increases	174	182
Decreases	-	40
Business combinations	-	115
Acquisition cost 31 December	1,888	1,715
Accumulated depreciation, amortisation and impairment 1 January	1,168	902
Depreciations during the financial period	217	267
Accrued depreciation, amortisation and impairment 31 December	1,385	1,168
Book value on 1 January	546	556
Book value on 31 December	**503**	**546**

30 OTHER ASSETS

EUR 1,000	31/12/2016	31/12/2015
Accounts receivable from securities	-	-
Performance fee receivables	3,811	4,255
Other	1,035	622
Total	**4,846**	**4,877**

31 ACCRUED INCOME AND PREPAYMENTS

EUR 1,000	31/12/2016	31/12/2015
Pension and employer insurance premiums	270	58
Cash settled share options	451	681
Interest receivables	1,646	2,089
Tax receivables	34	131
Other accrued income	2,497	1,996
Total	**4,898**	**4,956**

32 LIABILITIES TO CREDIT INSTITUTIONS

EUR 1,000	31/12/2016	31/12/2015
Other liabilities to credit institutions	8,967	14,939
Total	**8,967**	**14,939**

33 LIABILITIES TO THE PUBLIC AND GENERAL GOVERNMENT

EUR 1,000	31/12/2016	31/12/2015
Other liabilities to the public and general government	-	30,250
Total	**-**	**30,250**

34 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1,000	31/12/2016	31/12/2015
Publicly issued bonds	64,691	29,946
Total	**64,691**	**29,946**

Taaleri Plc has issued one bond in 2016 and two in 2014. The bond issued in 2016 is listed on the Nasdaq HEL Corporate Bond market and the bonds issued in 2014 are listed on the Nasdaq First North Bond Market Finland.

Key conditions of the bonds:

Taaleri Plc bond 01/2016

Bond organiser(s):	Danske Bank Oyj
Bond capital and currency:	EUR 35,000,000.00
Number of bond shares:	35,000
Priority position of bond:	Same as issuer’s other unsecured commitments
Settlement of bond:	Euroclear Finland Ltd:s value-share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 100,000.00
Date of issue:	20/12/2016
Date of maturity:	20/12/2021
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	20/12/2021 The bond will be repaid in one instalment
Interest:	Fixed interest, 4.25% p.a. Interest payment dates: Each year on 20 December, beginning 20 December 2017 and ending 20.12.2021
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Danske Bank Oyj
Bond ISIN code:	FI4000232970

Taaleri Plc bond 01/2014

Bond organiser(s):	Nordea Bank Finland Plc and Taaleri Wealth Management Ltd
Bond capital and currency:	EUR 10,000,000.00
Number of bond shares:	10,000
Priority position of bond:	Same as issuer’s other unsecured commitments
Settlement of bond:	EFI’s OM value share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 10,000.00
Date of issue:	03/04/2014
Date of maturity:	03/04/2017
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	03/04/2017 The bond will be repaid in one instalment
Interest:	Fixed interest, 4.5% p.a. Interest payment dates: Each year on 3 April, beginning 3 April 2015 and ending 3 April 2017
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Nordea Bank Finland Plc
Bond ISIN code:	FI4000088026

Taaleri Plc bond 02/2014

Bond organiser(s):	Taaleri Wealth Management Ltd
Bond capital and currency:	EUR 20,000,000.00
Number of bond shares:	20,000
Priority position of bond:	Same as issuer's other unsecured commitments
Settlement of bond:	EFI's OM value share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 10,000.00
Date of issue:	19/09/2014
Date of maturity:	19/09/2019
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	19/09/2019 The bond will be repaid in one instalment
Interest:	Fixed interest, 5.5% p.a. Interest payment dates: Each year on 19 September, beginning 19 September 2015 and ending 19 September 2019
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Svenska Handelsbanken
Bond ISIN code:	FI4000108543

The covenants for the bonds are described in Note 39 'Group's risk management principles and capital adequacy'.

Further information about the bond programme can be found on the company's website (only in Finnish): www.taaleri.com/fi/investor-relations/jvk

35 OTHER LIABILITIES

EUR 1,000	31/12/2016	31/12/2015
Accounts payable	458	1,153
Fee and commission liabilities	708	774
Tax account liabilities	111	1,410
Other liabilities	134	246
Total	**1,411**	**3,583**

36 ACCRUED EXPENSES AND DEFERRED INCOME

EUR 1,000	31/12/2016	31/12/2015
Accrued personnel costs	2,082	1,767
Cash settled share options	2,139	1,495
Accrued interest	735	1,005
Accrued tax	2,648	2,351
Other accrued expenses	4,890	3,567
Total	**12,494**	**10,186**

37 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets, EUR 1,000	31/12/2016	31/12/2015
From employment benefits	436	224
From unused tax losses	100	-
From other IFRS adjustments	30	25
Total	**566**	**249**

Deferred tax liabilities, EUR 1,000	31/12/2016	31/12/2015
From financial assets recorded at fair value in profit or loss	-	1,423
From financial assets available-for-sale	811	1,348
From insurance equalisation provision	16,041	14,958
Total	**16,852**	**17,729**

38 EQUITY

Share capital

The company’s share capital on 31 December 2016 was EUR 125,000 and the amount of shares 28,350,620. The company’s shares do not have a nominal value.

Taaleri Plc’s two share series have been combined according to the resolution made by the Extraordinary General Meeting held on 8 January 2016. The combination of 13,637,049 Series A shares and 14,713,571 Series B shares, which have already been traded, into a single share series and identical in rights has been entered in the Trade Register on 28 January 2016. After the combination, Taaleri Plc has 28,350,620 shares, so the number of shares has not changed in connection with the combination of the share series. The new share series was traded on the First North Finland marketplace, maintained by Nasdaq Helsinki, with the trading code TAALA, beginning Friday, 29 January 2016. Trading in Taaleri Plc’s shares was moved to the Nasdaq Helsinki main market on 1 April 2016. The shares' trading code is “TAALA” and ISIN code FI4000062195.

The parent company possesses 45,000 of its own shares. All shares issued have been paid for in full. The group uses share-based incentive schemes. The company has not issued convertible bonds or other than the above-mentioned special rights.

Share rights and restrictions

Shareholders’ priority for new shares when increasing share capital	Shareholders have priority for new shares in relation to the shares they already own.
Voting right	Each share entitles to one vote
Dividend right	Equal for all

Other authorisations

At the General Meeting on 8 January 2016, the Board of Directors was authorised to acquire in one or more instalments a total of 2,000,000 shares. The purchase price per share is the price on the Helsinki stock exchange on the date of purchase of the shares, or another market-based price. Shares can be acquired to improve the company's capital structure, to finance business acquisitions and investments or to finance or complete arrangements of other companies. Shares can also be acquired to to be used as part of the company's employee incentive scheme or to be canceled if its in the best interest of the company and the shareholders. The authorisation issued to the Board includes the right to decide whether the shares will be acquired in a targeted way or in relation to the shares owned by shareholders. The purchase may only be targeted if there is an important financial reason for it from the company’s perspective. This authorisation is valid for 18 months from the date of the decision made at the meeting. The authorisation supersedes the authorisation for the company to purchase its own shares issued at the Annual General Meeting on 20 March 2015.

At the Annual General Meeting on 7 April 2016, the Board of Directors was authorised to decide on the issuance of new shares and on the conveyance of own shares held by the company (treasury shares). The Board of Directors may issue new shares and convey treasury shares up to a maximum 3,000,000 shares. New shares may be issued and treasury shares conveyed to the company’s shareholders in proportion to their current shareholdings or in derogation of the pre-emptive subscription right of the shareholders by means of a directed share issue if there is a weighty financial reason for the company to do so, such as the shares are to be used as consideration in possible company acquisitions or in other arrangements that are part of the company’s business or to finance investments or as part of the company’s incentive scheme. The Board of Directors may also decide on the issuance of shares without payment to the company itself. The new shares may be issued and treasury shares may be conveyed either against payment or without payment. A directed share issue may be executed without payment only if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account. The Board of Directors will decide on all other factors relating to the issuance and conveyance of shares. The authorisation will be valid for until 7th April 2017.

Changes in number of shares 2016	Series A share	Series B share	Total
Number of shares 1 January 2016	13,637,049	14,713,571	28,350,620
Combination of shares 28 January 2016	-	-	28,350,620
Number of shares 31 December 2016	-	-	28,350,620
Number of votes 31 December 2016			28,350,620

Changes in number of shares 2015	Series A share	Series B share	Total
Number of shares 1 January 2015	4,096,704	2,196,301	6,293,005
Bonus issue (1:3) 16 February 2015	12,290,112	6,588,903	18,879,015
Cancellation of shares in the company's possession 20 February 2015	-21,400	0	-21,400
Issue of share for cash 13 March 2015	0	3,200,000	3,200,000
Conversion of shares 23 April 2015	-2,297,400	2,297,400	-
Conversion of shares 30 October 2015	-430,967	430,967	-
Number of shares 31 December 2015	13,637,049	14,713,571	28,350,620
Number of votes 31 December 2015	272,740,980	14,713,571	287,454,551

Issuer's reserves within equity

The following are descriptions of the reserves within equity.

Reserve for invested non-restricted equity

Cash received in the share issues in 2013 and 2015 were recognized in the reserve for invested non-restricted equity.

Translation differences

Translation differences caused by the conversion of the financial statements of foreign units.

Fair value reserve

The change in fair value of financial assets available-for-sale is recognised in the fair value reserve, except for impairment losses which are recognised in profit or loss. When financial assets are derecognised, the cumulative gain or loss previously recognised in the fair value reserve is reclassified to profit or loss.

Changes in the Fair value reserve 2016	Financial assets available for sale		
EUR 1,000	Loans and receivables certificates	Stocks, shares and funds	Total
Fair value reserve 1 January 2016	-819	-3,578	-4,398
Changes in fair value	1,251	2,636	3,887
Deferred taxes	-250	-527	-777
Fair value reserve 31 December 2016	181	-1,469	-1,288

Changes in the Fair value reserve 2015	Financial assets available for sale		
EUR 1,000	Loans and receivables certificates	Stocks, shares and funds	Total
Fair value reserve 1 January 2015	-	-	-
Changes in fair value	-1,024	-4,473	-5,497
Deferred taxes	205	895	1,099
Fair value reserve 31 December 2015	-819	-3,578	-4,398

NOTES CONCERNING RISK POSITION

39. GROUP'S RISK MANAGEMENT PRINCIPLES AND CAPITAL ADEQUACY

1. The Group's risk management

General

Based on the values, strategy and business plan of the Group, targets are set for Taaleri Group that take into account the future prospects and risks of business and the sector. The Group's values and both strategic and operational objectives create a foundation for the management of the Group's risks and capital adequacy. Taaleri Group's risk appetite and risk-bearing capacity are defined in its strategy, business plans and budgeting process. In addition to the strategy, business plan and annual budget, the Board of Directors of Taaleri Plc approves the Group structure and business organisation by which efforts are made to achieve the objectives.

The aim of internal control and risk management is to support and promote business by systematically taking care of risk analysis and monitoring, and by reducing the likelihood of their realisation in an appropriate manner. Internal control is part of the operational management of Taaleri Group, and risk management is part of the Group's internal control.

The task of risk management is to identify, assess, measure, mitigate and monitor risks caused by business operations that influence the implementation of the Group's strategy. Risk management aims to mitigate the likelihood of unforeseeable risks being realised, their influence on and the threat they present to the reputation of the Taaleri Group, as well as to support the achievement of the objectives set in the strategy by ensuring that the principles for internal control and risk management approved by Taaleri Plc's Board of Directors are complied with in the company's operations. Risk management and capital adequacy management aim to safeguard Taaleri Group's risk-bearing capacity and solvency and to ensure the continuity of operations.

According to the procedure of Taaleri Plc's Board of Directors, the Board confirms the Group's common objectives and targets, and it approves the principles of internal control and risk management.

Risk management is based on a systematic risk management process. Risks are regularly assessed in a risk analysis carried out at least once a year that aims to identify, assess, measure and mitigate risks, the realisation of which would jeopardise the achievement of the Group's objectives and would negatively affect the amount of capital. The Balance Sheet and Risk Management Working Group is responsible for organising risk analyses in the Group's different companies and operations. Risks are continuously monitored and risk events reported to the Board of Directors and the Executive Management Team on a quarterly basis.

Laws and regulations concerning the entire Group

Taaleri Group is subject to the conditions not only of legislation on investment service companies, alternative fund management companies, credit institutions and insurance companies but also of the Act on the Supervision of Financial and Insurance Conglomerates (RaVa) (2004/699), according to which the parent company of a conglomerate must have reliable corporate governance enabling the effective risk management of the conglomerate, internal control adequate from the point of view of the conglomerate's operations, adequate risk management systems and adequate arrangements and plans for reorganising the conglomerate's operations or winding up the conglomerate.

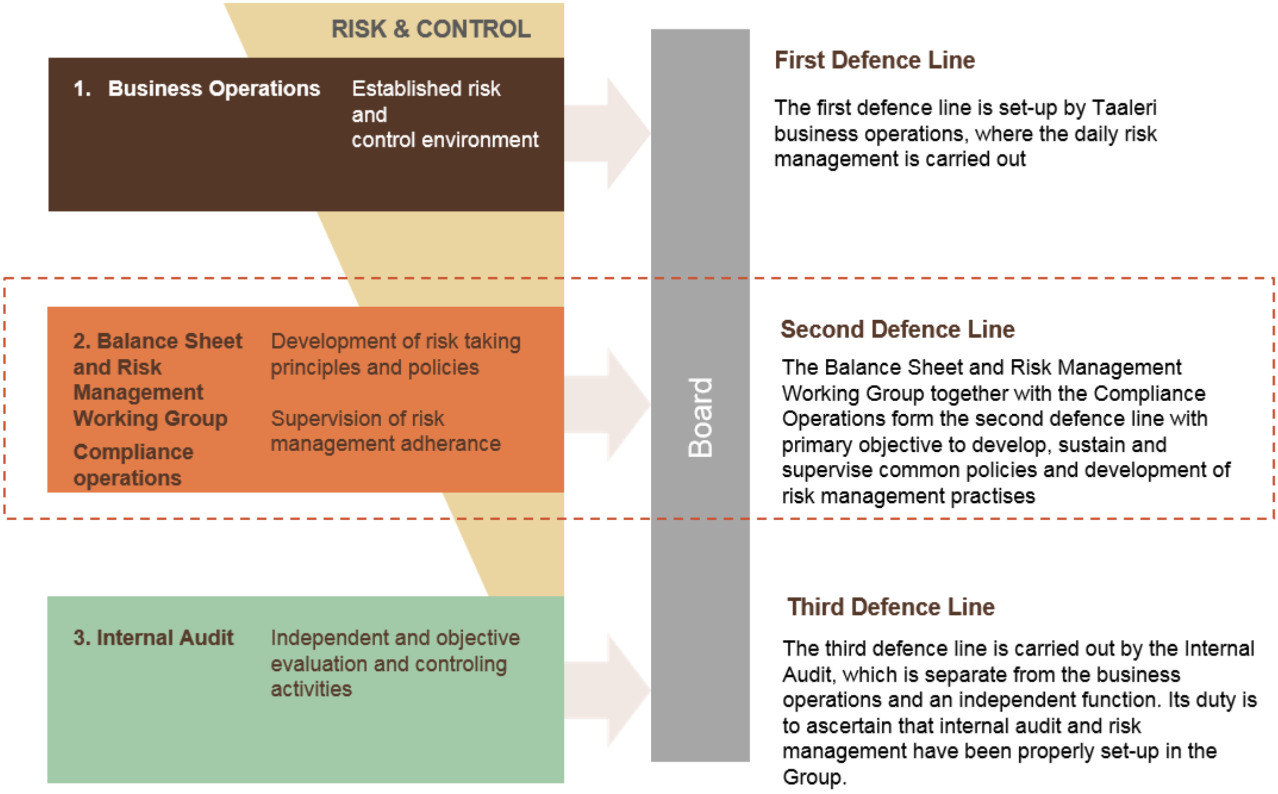
All other Group companies belong to the RaVa Conglomerate, apart from Taaleri Energia Oy, Taaleri Tax Services Ltd and Kultataaleri Oy, but the latter two are, however, included in the conglomerate as part of the Wealth Management consolidation group. Taaleri's Wealth Management consolidation group includes Taaleri Wealth Management Ltd and its subsidiaries Taaleri Fund Management Ltd and Taaleri Portföy Yönetimi A.S. Taaleri Tax Services Ltd and Kultataaleri Oy are also taken into account in the Taaleri Wealth Management consolidation group. The Financing sector comprises the Taaleri Wealth Management consolidation group, Taaleri Private Equity Funds Group and Taaleri Investments Group. The conglomerate's insurance sector comprises Garantia Insurance Company Ltd. The structure of the RaVa conglomerate and different consolidation groups are illustrated in the figure below in section Capital adequacy management.

2. The organisation of risk management

The Board of Directors of Taaleri Plc take care of the Group's corporate governance and the appropriate organisation of its operations, which includes the organisation and maintenance of adequate and effective internal control.

In matters concerning internal control and risk management, the highest decision-making body is the Board of Directors of Taaleri Plc, which is responsible for ensuring that the Group's internal control and risk management are appropriately organised. The Board of Directors approves the Group's business strategy, operating plans and authorisation- and decision-making system, and confirms the business objectives, guidelines and budget in conjunction with the Group's strategy. The Board of Directors decides on the Group's risk appetite, level of risk-taking and the principles of capital adequacy management, and approves the principles concerning the Group's internal control and risk management (including the organisation of risk management) and principles and policies concerning the Group's procedures. The Board of Directors also controls and monitors the implementation of risk management and capital adequacy management in the

Group. The Board of Directors approves the operating guidelines for internal auditing, the Group's continuity plan, the Group's recovery plan and, if necessary, their updating, and regularly monitors the development of business, risk-bearing capacity and the risk situation, and the observance of instructions as part of the company's financial status monitoring and through risk reports.

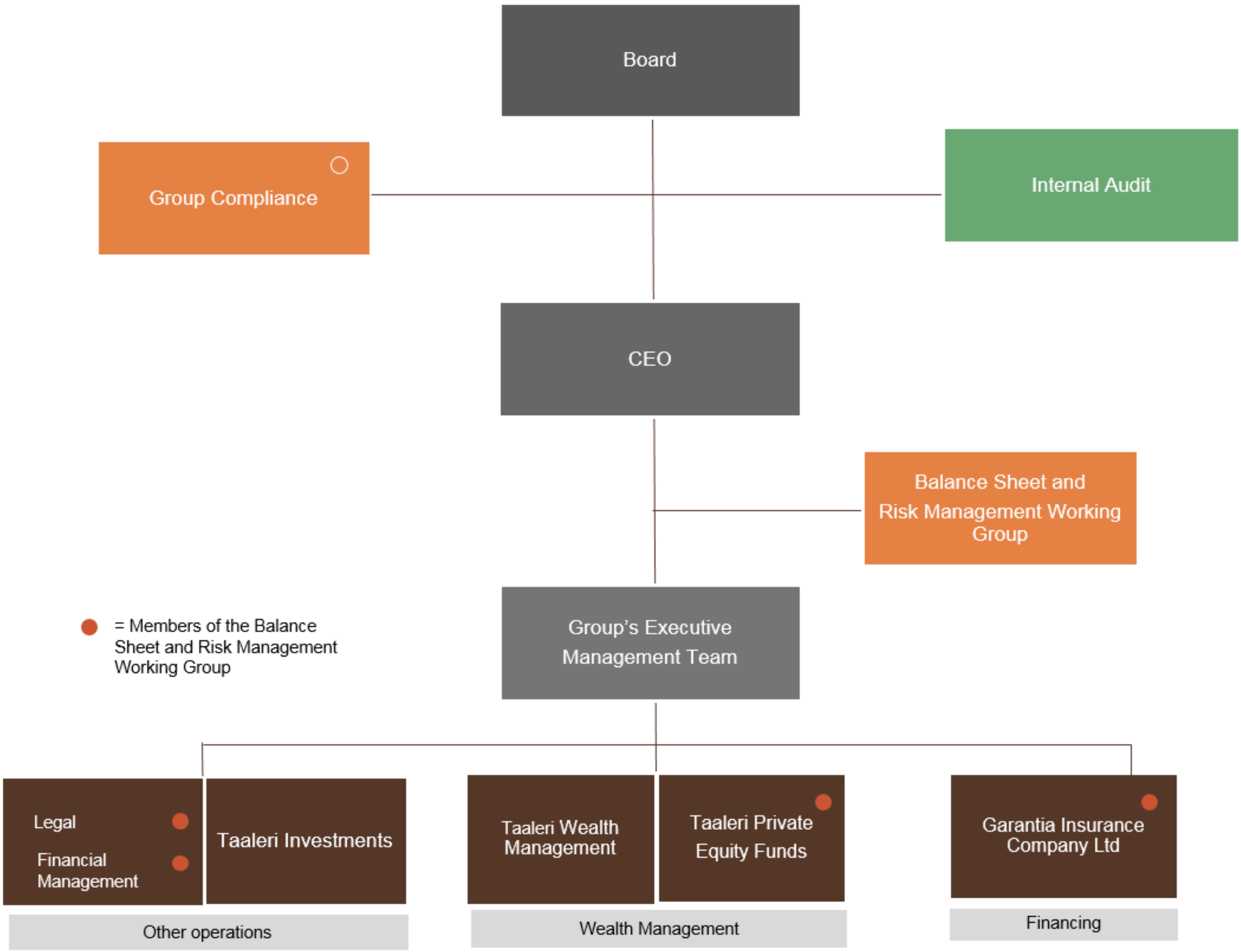


The Executive Management Team of Taaleri Group is responsible for the operational management of risk management in accordance with instructions and regulations issued by the Board of Directors. In matters concerning internal control and risk management, the Group's Executive Management Team promotes the formation of a risk management culture within the Group, in which the professional skills of the Group's personnel play a key role.

The Balance Sheet and Risk Management Working Group appointed by the Group CEO is responsible for the risk management of the Group. This work group is responsible for the functionality and efficiency of the Group's risk management, and regularly reports to the Executive Management Team, to the Audit Committee of the Board of Directors and to the Board of Directors. The task of the Balance Sheet and Risk Management Working Group is, among other things, to maintain, develop and refine the Group's risk management principles for confirmation by the Board of Directors, to support the Group's subsidiaries in preparing subsidiary-specific risk management principles, and to ensure that the material risks of the Group are identified, assessed and controlled within the Group. The task of the work group is also to see that the Group's risks remain within confirmed limits, and to ensure that the methods of risk measurement and methods to control risks are appropriate and reliable.

The task of the Compliance function is to monitor the organisation of Taaleri's operations, so that the operations of Taaleri Group are in accordance with the requirements of the law and other regulation (such as official guidelines). The Group Compliance Officer is responsible for the Compliance function. The task of the Compliance function is, among other things, to assist Taaleri Group companies, the Executive Management Team and other required parties in complying with regulations and in the management of related compliance risks, and to monitor and regularly assess compliance with regulations.

Internal auditing is a verification function independent of the operational activities of Taaleri Group companies, which operates under the control and monitoring of the Board of Directors and falls under the administrative authority of the Group's CEO. Internal auditing is an independent and objective assessment and verification function, whose task is to audit the sufficiency, functionality and effectiveness of internal control. Internal auditing supports the Group's senior and executive management (Board of Directors, CEO, managers) in the control and monitoring of operations. Taaleri Group has outsourced the practical implementation of internal auditing for the Group to an external service provider. The work of internal auditing is guided by international professional guidelines of the sector, which include ethical rules, professional standards and practical instructions.



Taaleri Group's risk and capital adequacy management is a fixed part of the Group's management, decision-making and operational planning. Capital adequacy management is based on a proactive approach, which includes the effects of the operating environment, taking into account Group strategy, and the yearly plans, capital plans and risk strategies based on it.

The Group's strategic planning process (strategy process) covers the setting of strategic objectives, the defining of development projects and preliminary financial forecasts for the following years. In connection with the strategy process, risk and capital adequacy management related guidelines are created about the risk appetite in proportion to the Group's risk-bearing capacity and expected returns, and about objectives concerning capital adequacy and risk limits (including capital targets) and the focuses of risk management development.

The annual plan created from the Group's strategy process contains financial analyses, including the impact of planned measures on capital adequacy, risk-based capital need and the capital plan.

In addition to the Group's CEO, the Executive Management Team also participates in strategic planning. The Group's Board of Directors approves the Group's strategy and yearly plan proposed by the CEO, including the capital plan.

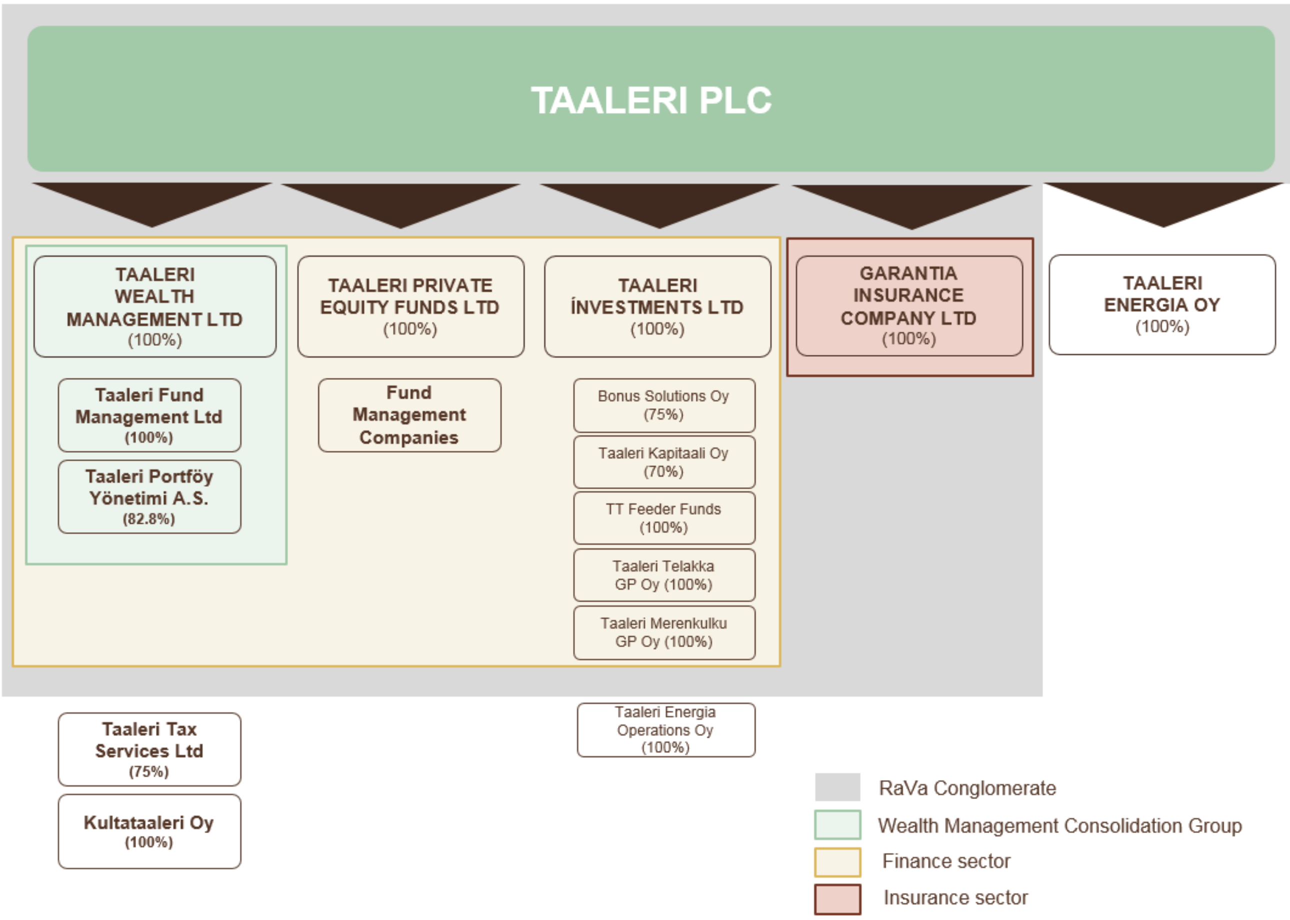
Continuity plan

Business continuity planning is a comprehensive process that identifies factors threatening the Group and their consequences, and creates a foundation for recovery and effective countermeasures in order to safeguard the Group's stakeholders, reputation, brand and operations producing added value. The aim of Taaleri Group's continuity plan is to prepare in advance for any disturbances and ensure the continuity and reliability of the Group. The continuity plan prepares for interruptions in business, so that operations can be continued and losses limited under different circumstances of business disturbances.

Taaleri Group's Balance Sheet and Risk Management Working Group is responsible for preparing, organising and updating the continuity plan. The Group's Board of Directors approves the continuity plan. Based on threat and vulnerability analyses, the continuity plan deals with operating models for various situations with regard to different business processes, and it analyses processes and disturbances. The continuity plan guides operations in different disturbances and also takes into account disturbances suffered by external partners. The Board of Directors annually receives a report on continuity planning and the state of the continuity plan.

3. Capital adequacy management

Taaleri Group's capital adequacy calculation groups



Risk-bearing capacity and risk appetite

Taaleri Group's risk-bearing capacity comprises an optimised capital structure, profitability of business operations and qualitative factors, which include reliable management, internal control and proactive risk and capital adequacy management. Through effective risk management, Taaleri Group aims to ensure the operational continuity of the Group and its companies and the maintenance of the risk-bearing capacity required to reach targets in the long term.

Taaleri Group's attitude towards risk-taking is based on calculated risk/return thinking. In its activities, the Group may not take a risk that jeopardises the target level set for the capital adequacy ratio of the Group's own funds (150 percent of the calculated statutory minimum level of equity versus 110 percent of the set internal minimum level). Taaleri Plc's Board of Directors has separately specified for the conglomerate internal limits for risks concerning property, shares, country, exchange rate, interest and sector.

Capital management

The aim of Taaleri Group's capital management is to maintain an effective capital structure, which enables taking care of normal financial obligations and ensures the prerequisites for engaging in business, even under exceptional circumstances. Through the balance sheet structure, the Group's capital structure is regularly monitored, i.e. how the Group's financing is organised and how it is divided between liabilities and equity. The Group's strategic objective is an equity ratio of at least 30%, in addition to which the development of the Group's gearing and return on equity is monitored.

Taaleri Plc has boosted the Group's equity by organising two share issues in 2013 and 2015, which collected a total of EUR 37.5 million of additional equity for the Group to strengthen the balance sheet structure. In 2014, a EUR 30 million bond programme was organised, under which in 2014 a total of EUR 30 million in bonds was issued and, in 2016, a EUR 70 million bond programme under which a EUR 35 million bond was issued at the end of 2016. Of these bonds, EUR 10 million will mature in 2017, EUR 20 million in 2019 and EUR 35 million in 2021. The key covenant conditions of the bond are a 30 percent modified equity ratio and a 15 percent negative pledge and limitations on guarantees on the parent company and its legal subsidiaries.

Capital plan

The capital plan includes objectives for the Group's level of capital. In the capital plan and risk-based capital calculation, the Group's capital adequacy and solvency are assessed in relation to the business plan and operating risk profile. The Group's Board of Directors decides on the necessary measures to improve capital adequacy. Capital adequacy management and considerations of capital need are part of the strategy process, and they are taken into account when deciding on the implementation of measures.

In Taaleri Group, capital adequacy is regularly monitored through capital adequacy calculation performed in connection with result monitoring. Taaleri Group's Board of Directors sets a target and action level for the capital adequacy ratio, which indicates the ratio of the Group's equity to the total amount of risk-weighted receivables. If equity drops below the action level, measures are immediately initiated. Taaleri Group's Board of Directors has set the target level for the capital adequacy ratio of the Group's own funds at 150 percent of the calculated statutory minimum level of the company's own funds and, as an internal minimum level, 110 percent of the calculated internal level of the company's own funds. Monitoring of the capital adequacy ratio covers actual capital adequacy and the different stages of the capital adequacy management process, including different scenarios and a stress test. The results given by the stress test are taken into account in proactive capital planning.

Taaleri Group's capital plan describes the target level, action level and minimum requirement level for capital adequacy with limit values, as well as Group- and company-level measures for each level. The table also specifies those responsible for implementation and monitoring at each level of capital adequacy.

Taaleri Group's capital plan is updated at least once a year in connection with yearly planning. The capital plan is also updated if the development prospects for the risk situation, risk-bearing capacity or profitability fundamentally change from what was planned.

In October 2015, the Financial Supervisory Authority confirmed that Taaleri had formed a financing and insurance conglomerate. The consolidated capital adequacy requirement for the whole Group is prepared in accordance with the Act on the Supervision of Financial and Insurance Conglomerates (the so-called RaVa Act) and, on the same assumptions, scenarios from the RaVa level are created for both the financing sector and insurance sector. As a result of special permission granted by the FSA until 31 December 2016, Taaleri Group formed the new Taaleri Wealth Management consolidation group, which does not include the parent company Taaleri Plc. In accordance with the conditions of the special permission, Taaleri Group must deliver to the FSA the FINREP and COREP reports without the quarterly application accordant with the special permission.

On 29 November 2016, the Financial Supervisory Authority granted Taaleri Plc permission not to deduct its holding in Garantia from the Common Equity Tier consolidated in the investment service company as of 1 January 2017. Instead of deducting them, investments in insurance companies must be risk-weighted in accordance with CRR Article 49 Paragraph 4. Special permission is valid from 1 January 2017 until 31 December 2018, assuming that the Company continuously meets the conditions for special permission. Garantia’s acquisition cost of EUR 60 million can be left undeducted. Neither is the impact of the result accumulated by the insurance company included in the consolidated Common Equity Tier of the investment service company. When using a method allowed by special permission in the processing of an insurance company investment, the insurance company investment is processed as a risk-weighted item in the consolidated capital adequacy calculation of the investment service company. The consolidated Common Equity Tier of the investment service company would be negative on 1 January 2017 if the special permission was not applied but the insurance company investment was deducted from the Common Equity Tier. The company meets the requirements for special permission in the situation of 1 January 2017, and considers that it does not need new special permission after this special permission.

Adaptive measures and sources of capital

Taaleri Group uses adaptive measures and sources of capital in situations in which the Group's capital adequacy ratio falls below the action level, either in connection with regular capital adequacy monitoring or as a result of a stress scenario performed. Taaleri has at its disposal reserve sources of financing, the possibility to reduce costs and limit the distribution of profits.

Recovery plan

The Balance Sheet and Risk Management Working Group is responsible for preparing and updating the Group's recovery plan, which covers the entire Group level and all companies belonging to the Group. The recovery plan presents the necessary measures targeted at Taaleri Plc and individual companies belonging to the Group, in order to safeguard the continuity of operations in situations in which the financial position of the Group or a company belonging to the Group has been significantly impaired. The recovery plan also specifies clear limit values and qualitative evaluation criteria by which it is possible to identify situations in which the plan must be executed in order to safeguard the continuity of operations of the whole Group or a company belonging to it. The recovery plan takes into account a situation in which the Financial Supervisory Authority would not grant special permission currently valid not to keep Taaleri Plc as the parent company of the consolidation group. The Group's Board of Directors approves the recovery plan.

4. Key risks and Risk Management of the Wealth Management segment (Financing sector)

Strategic risk

Strategic risk is a risk that the company's long-term strategic operating guidelines may prove to be unfavourable, and thus endanger the achievement of the company's long-term objectives, its profitability or the continuity of its operations.

The management of strategic risks aims to reduce the likelihood, impact and threat of unforeseen losses on the reputation of the Group. The management of strategic risks is based on shared operating practices and guidelines confirmed by the Group and on sufficient resourcing for operations. Efforts are also made to reduce losses caused by strategic risks by actively monitoring changes in legislation and regulation, and by maintaining adequate readiness to react to changes in the economy, economic conditions and the operating environment. By actively reacting to risks that may be in the process of being realised, efforts are made to reduce the likelihood and impact of the realisation of risks, and the vulnerability of the company to a risk that is realised.

Key strategic risks in the Group are wrong weightings in the business plan and the risks of internationalisation. Strategic risk is also assessed by analysing the development of the result, balance sheet and capital adequacy in different scenarios, which are a scenario of expected growth based on the strategy and operating plan, a worst-case scenario and a particularly strong growth scenario.

Credit risk

Credit risk generally means the risk that a borrower or another contractual counterparty of a company in the financial sector is unable to meet its obligation toward that company, or that the value of its security is insufficient to cover the liability. In Taaleri Group, credit risks can be divided into creditworthiness risk and security risk.

Creditworthiness risk means that the counterparty is unable or unwilling to meet its contractual obligations. Security risk means that security that may have been lodged is inadequate to cover the receivables. Credit risk also arises from other receivables such as customer fee receivables, liquid asset deposits and investments, and off-balance sheet receivables such as guaranties granted.

The contractual counterparties of companies in Taaleri Group are the Group's debtors, customers that have purchased the services of Group companies, partners and credit institutions where the assets of Taaleri Group companies are deposited.

Credit risk in the financing sector mainly arises from investments made and loans granted by Taaleri Plc and Taaleri Investments Ltd as well as bank receivables. The Taaleri Wealth Management segment does not issue credit, so the credit risk of the business mainly comprises counterparty risk. The companies in the Taaleri Wealth Management segment can invest their own funds only in a financial institution with a high credit rating. The operations and situation of parties through which the Taaleri Wealth Management business bears credit risk or counterparty risk are constantly monitored and changes are reported to the Executive Management Team and to the Board of Directors. Efforts are always made to spread both the credit risk and the counterparty risk amongst several counterparties, depending on the market and the situation in question.

For credit risks, Taaleri Group calculates its minimum capital adequacy requirements using the standard method. In the calculation of capital adequacy, the risk-weighted items of loan receivables, other receivables, stocks and shares calculated using the standard credit risk model totalled EUR 53.2 million. The risk-based need for capital for credit risk related to these receivables is assumed to be of the same scale as the capital adequacy requirement, EUR 4.3 million.

Liquidity risk

Liquidity risk is a risk associated with the availability of refinancing, and it arises when the maturity dates of receivables and liabilities differ from each other. Liquidity risk also arises if receivables and liabilities are excessively concentrated on individual counterparties. The Group's solvency is monitored daily and the Group uses bank account limits. Good solvency is maintained by investing Taaleri Group's extra liquidity buffer in low-risk investments (better credit rating than A+), which can quickly be converted into cash assets.

Taaleri Group's cash flow comprises clearly forecastable fund and private equity fund receivables, management fee income, high-yield loans and relatively predictable performance fees. Management fees paid by private equity funds are based on long-term contracts and management fee income from existing private equity funds can be quite reliably forecast for the coming 12-month period. Management fees of mutual funds administered by Wealth Management and the amount of funds in mutual funds are subject to changes in market value and to subscription and redemption by customers.

The Group's customer base of operations entailing liquidity risk is highly spread and concentration is regularly monitored. The Group's income flow is also balanced by the long-term and steady income flow of the private equity fund business from ongoing projects. Efforts are made to reduce the concentration of operations by expanding the customer base.

Taaleri Plc's CFO is responsible for monitoring liquidity and Taaleri Group's CFO for the constant monitoring of the financial situation and the balance sheet. The Wealth Management Controller monitors the financial status in the Wealth Management segment on a monthly basis and reports on the status to the Wealth Management Executive Management Team and the Wealth Management managing directors. Taaleri Group's financial administration also monitors the items on the income statement and balance sheet through analytical inspection.

Market risk

Market risk means the impact caused by fluctuations in market prices on the market value of financial assets and liabilities. The different types of market risk are interest, currency, share, property and commodity risk.

Interest risk means the impact of changes in interest rates on the market value or interest margin of items on the consolidated financial balance sheet or off-financial balance sheet, and thereby on capital adequacy. Currency risk means the impact of changes in currency exchange rates. Share risk means the impact of changes in share prices.

Market risks in the financing sector mainly comprise investments made by Taaleri Investments Ltd for which market-risk capital under Pilari II is reserved. Market risk in the Wealth Management segment mainly comprises currency and share risks from the operations of its Turkish subsidiary. In the operations of Taaleri Wealth Management Ltd, market risk chiefly arises as a clearing risk in customer trading. For the purposes of trading, Taaleri Wealth Management Ltd does not take positions in financial instruments or commodities on its own behalf, neither does it have a trading reserve or other external liability, with the exception of a credit account for trading clearing.

The Wealth Management liquidity buffer is subject to market risks, as it is invested in short-term interest instruments and bank accounts. In customer trading, the company is subject to clearing risk, which can be further subdivided into liquidity risk and counterparty risk. The clearing risk status of securities transactions is constantly monitored. In order to control clearing risk, Taaleri Wealth Management Ltd uses both the cash assets of Taaleri Group and clearing limits granted by credit institutions for clearing situations.

Operational risk

Operational risk means the danger of losses caused by inadequate or unsuccessful internal processes, personnel, systems or external factors. Risks to reputation, legal risks, compliance risks and data security risks are also included in operational risks. It is typical of operational risks that loss caused by the risk is not measurable in all cases. Operational risk may also occur after a delay and may be indirectly manifested, for example in impairment to reputation or valuation. In Taaleri Group, operational risks are primarily controlled by developing internal processes and by ensuring clear guidelines and the adequate training of personnel. In the annual self-assessment of operational risks, the personnel of Taaleri Group identify and assess key operational risks. Based on self-assessment, the key sources of operational risk in Taaleri Group are legal and compliance, personnel and processes.

Efforts are made to manage risks caused by malpractice by means of internal operating guidelines and by organising personal job descriptions so that so-called dangerous job combinations cannot be created. Control points specified for different processes also play a key role in the prevention of malpractice and errors. The legal risks may concern contracts with different cooperative and contractual partners. Efforts are made to clarify these risks through detailed analysis of contracts, if necessary using an external expert. The units are responsible for the management of operational risks in their own area.

Efforts are made to reduce losses caused by operational risks in the Group by reducing the likelihood and impact of the realisation of risks, and by reducing the company's vulnerability to the realisation of a risk. Taaleri Group companies immediately report to the Group's Balance Sheet and Risk Management Working Group, if significant disturbances or errors occur in services or data systems offered to the company's customers. A report is also made immediately, if disturbances or errors are noticed that damage or endanger the ability of Group companies to continue operations or to meet their obligations. The Balance Sheet and Risk Management Working Group immediately reports the observation to the Financial Supervisory Authority and to the Group's CEO.

Taaleri Group calculates its operational risk in accordance with the basic method of its capital adequacy requirement. In 2016, the share of operational risk calculated according to the basic method was EUR 58.1 million, of which the capital requirement was EUR 4.6 million. In practice, this sum is considerably greater than the losses actually realised from operational risk.

The principles of operational risk management approved by Taaleri Group's Board of Directors describe on a more detailed level the organisation of operational risk management and methods concerning the assessment, monitoring and reporting of operational risk for the Group's Board of Directors and for the Financial Supervisory Authority.

Capital adequacy of the Wealth Management consolidation group

The Taaleri Wealth Management consolidation group includes Taaleri Plc's subsidiary Taaleri Wealth Management Ltd and its subsidiaries, but not Taaleri Plc. This consolidation group does not therefore fully reflect the capital adequacy of the financing sector. On 31 December 2016, the capital adequacy of the Taaleri Wealth Management consolidation group was EUR 3.6 million (2.1) and the capital adequacy ratio was 14.9 (12.7) percent. The consolidation group's own funds, including profit for the financial period, amounted to EUR 7.6 million (5.7), with the minimum requirement being EUR 4.1 million (3.6). In total, the risk-weighted items were EUR 51.7 million (44.6), divided between credit risk of EUR 8.4 million (6.2) and operational risk of EUR 43.3 million (38.3).

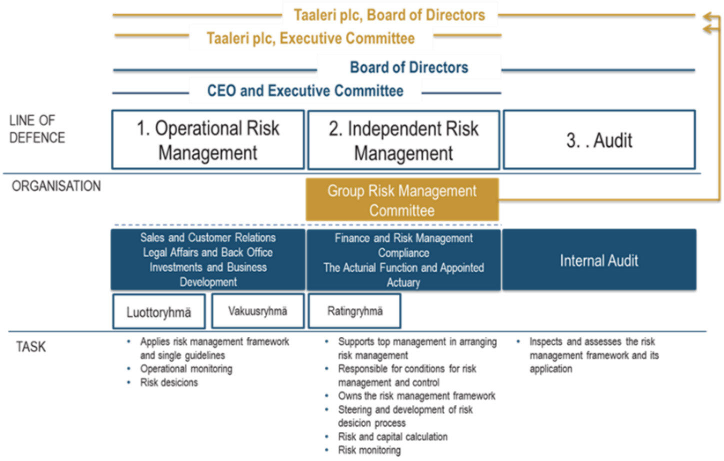
5. Key risks and Risk Management of the Financing segment (Insurance sector)

The company's risk management and solvency management are based on Garantia's values, Code of Conduct, strategy and business objectives. The purpose of risk management is to support the achievement of the company's objectives by identifying the company's threats and opportunities and ensuring that they remain within the limits of risk appetite and risk capacity. Internal control that has been reliably organised ensures the observance of the company's business strategy, the set targets and the principles and procedures related to risk and solvency management.

At Garantia, the principal goal of internal control and risk management is to secure the company's risk-bearing capacity and thus ensure the continuity of operations. Risk management includes the identification, measurement, monitoring, management and reporting of the individual risks and combined effect of risks that the company is exposed to. Risk and solvency management is also integrated as a fixed part of Garantia's business processes, and planning and monitoring of operations.

Organisation, responsibilities and control of risk management

Internal control and risk management in Garantia are organised in accordance with a model in which internal control has three lines of defence. In accordance with this model, the tasks have been assigned to (1) units that take business risks in their operations by processing insurance policies, by making decisions binding on the company and by operating at the client interface (Operational risk management); (2) units that are responsible for risk control, carry out independent risk assessments and ensure that company guidelines and acts and other legal provisions are complied with (Independent risk management); and (3) independent internal audit (Internal audit). External control is the responsibility of the auditors and supervisory authorities.



Picture 1: The organisation of Garantia's risk management, Picture 2: Decision-making bodies and reporting relations

The Group Risk Management Committee of the Taaleri Group is responsible for the functioning and effectiveness of the group's risk management process. The independent Group Risk Management Committee supports and steers internal control and risk and solvency management at Garantia in order to ensure that group-level principles and guidelines are also applied in the company. The committee reports to the Taaleri Group's Management Team and Taaleri Plc's Board of Directors.

Garantia's Board of Directors is the supreme decision-making body in matters concerning Garantia's internal control, risk management and solvency management. The Board approves the principles and policies (incl. the risk-taking limits) concerning internal control and risk management and their organisation and monitors and controls their effectiveness and the development of the risk and solvency position. Garantia's Board of Directors, supported by the Management Team, is responsible for the arrangement of internal control and risk management practices in accordance with internal control and risk management principles.

The Board has appointed a Credit Committee, Collateral Committee and a Rating Committee, which, in accordance with the decision-making system approved by the Board, decide on matters within their purview. The Credit Committee is responsible for decisions relating to guaranty, claims and investments. The Collateral Committee is responsible for collateral assessment and for ensuring the quality and effectiveness of the collateral assessment process. The independent Rating Committee is responsible for approving credit ratings and for ensuring the quality and effectiveness of the ratings process. The Collateral Committee and Rating Committee report to the Managing Director and the Credit Committee reports to the Board of Directors.

The units in Garantia's organisation that are responsible for risk control carry out independent risk assessments and ensure that company guidelines and acts and other legal provisions are complied with, and thus form a so-called independent risk management function. The task of the independent risk management function is to assist the Board of Directors and other functions to ensure efficient risk management, to monitor the functioning of the risk management system and the company's general risk profile as a whole, to report on exposure to risks and to advise the Board in risk management matters, to identify and assess developing risks and to ensure the appropriateness of the risk models used to measure risks. The independent risk management function reports its activities to the Taaleri Group Risk Management Committee, and Garantia's Board of Directors and Managing Director.

Internal audit is an assessment, verification and consulting function that is independent of the company's operational activities. The task of internal audit is to support the company's management in the achievement of targets by providing a systematic approach to the assessment and development of the adequacy and efficiency of the organisation's risk management, control, management and administration processes. Internal audit's activities are based on an action plan that is compiled annually. Internal audit reports on its observations, conclusions and recommendations to the Board of Directors of Taaleri Plc and Garantia.

Risk management process

Garantia's risk management process is made up of the following areas:

- Operational planning;
- Capital management;
- Risk appetite;
- Identification and assessment of risks;
- Measurement of risks; and
- Control and reporting of risks.

Garantia's operational planning is made up of long-term (about 3 years) strategic planning and short-term (1 year) annual planning. Operational planning is based on an analysis of the operating environment, the competitive environment and own operations and also on the Taaleri Group strategy. Profit and solvency scenarios, and stress tests, risk survey results, and a risk and solvency assessment are used to define the company's goals, projects supporting achievement of these goals and risk appetite. Every year the actuary presents the statements required by the Insurance Companies Act to the Board of Directors to support operational planning. The strategy and annual plan, including the risk and solvency assessment, are confirmed by the company's Board of Directors, and the entire personnel are involved in its preparation.

Garantia's goal is to be a reliable partner and the company maintains strong solvency to ensure the continuity and stability of its operations. The Board has set Garantia's target level for capitalisation above the statutory Solvency Capital Requirement and the minimum capital requirement required by credit rating agency Standard & Poor's for an AAA credit rating, and at the economic capital model defined at a confidence level of 99.9%. Garantia only distributes dividends or returns capital to the owner when this does not put the A- credit rating at risk. The purpose of capital management is to ensure in an anticipatory way that the company has adequate capital reserves for exceptional situations. The principal means to maintain balance between risks and actual capitalisation is to ensure profitable business operations and active risk management. If an imbalance is detected, balance is restored with management of profit and risk position or by acquiring new capital.

Risk appetite means the amount and type of risks that the company is prepared to take in order to achieve the targets set for operations. Garantia has moderate risk appetite and this is defined with so-called "risk-taking limits / risk indicators". The Board of Directors approves the risk-taking limits / risk indicators annually as part of the capital plan (solvency limits), credit risk policy, reinsurance policy and in-vestment plan.

Constant identification and assessment of risks in the business and operating environment are part of Garantia's risk and solvency management process. The principal risks associated with Garantia's business operations are credit risks arising from guaranty operations, investment risks regarding assets covering technical provisions, strategic risks and operational and compliance risks. The identification and assessment of risks are described separately for each risk later in this note.

Garantia defines and assesses its capital requirement / measures the risk of its business operations with three different Value-at-Risk-based risk indicators. The primary indicator used in the steering of operations, measurement of risk and assessment of capital adequacy is economic capital ("Internal risk capital") at a confidence level of 99.9 or 99.5%. When estimating its capital requirement, the company also uses the solvency capital requirement (SCR) based on the Solvency II standard formula at a confidence level of 99.5% and the minimum capital requirement corresponding to AAA credit rating that is in accordance with the S&P's Insurance Capital Model. In addition to VaR-based risk indicators, Garantia measures, monitors and assesses the risks of its business operations and their development with other quantitative and qualitative risk indicators. The measurement of risks is described separately for each risk later in this note.

Garantia's monitoring and reporting of risk and solvency position is divided into internal and external monitoring and reporting. External reporting means the information published for all stakeholders and reporting to the authorities. Garantia also reports on its operations to external credit rating agency Standard & Poor's. Internal reporting of risk and solvency position means reporting to Garantia's Management Team and Board of Directors at least once a month and quarterly reporting to the Taaleri Group Risk Management Committee and further to the Board of Directors of the Taaleri Group. The target of internal monitoring and reporting is to ensure that the company's risk and solvency position are within the limits of risk appetite.

Insurance risk

Insurance risk means a risk of loss arising from inadequate assumptions concerning pricing and technical provisions or an unfavourable change in the value of insurance liabilities. In guaranties, the insurance risk mostly consists of credit risk (the inability of the guaranteed counterparty to manage its financial and/or operational obligations under the contract in relation to the insured party). This may be the result of the insolvency of the guaranteed counterparty (risk of insolvency) or the guaranteed counterparty may fail to fulfil a contractual obligation on time (delivery risk). In loan guaranties, the credit risk is also considered to include the counterparty risk of the reinsurers or the party providing other counter guaranties, which results from the insolvency of the reinsurer or the party providing other counter guaranties, and the value change risk, which is caused by changes in the fair value of the collateral.

The aim in the management of credit risk is to ensure that the negative profit impacts arising from client and counterparty risks remain at acceptable levels and that the returns are adequate in relation to the risks taken. In loan guaranties, credit risks are reduced by means of client selection, active management of client relationships, monitoring of changes in the clients' operations, diversification and also typically with reinsurance and with collateral and covenant arrangements. Central to the management of loan guaranty credit risks is the process of underwriting insurance policies, which is controlled by the credit risk policy and reinsurance policy laid out by the Board of Directors, the Board's decision-making powers, and the complementary process descriptions and guidelines on credit risk assessment, pricing, collateral and covenants approved by the Management Team. The risk management function monitors the functioning and quality of the insurance process. In addition to the daily insurance process, credit risks are identified and assessed at least once a year with a risk survey compiled in conjunction with the annual planning.

The amount of insurance risk is measured by means of the economic capital model, the Solvency Capital Requirement (SCR) and S&P's insurance risk-based capital model. The insurance risk's economic capital is defined separately for each contract with internal ratings-based method according to Basel II which considers the exposure at default, the instrument's credit rating, duration, and the loss given default, which depends on counter-collateral and reinsurance. The economic capital model also includes concentration risk. Credit risk specific to clients and client groups are also assessed with the following indicators: client's rating and background variables, gross insurance exposure, the proportion reinsured and amount and type of other collateral, open position, covenants and risk client status. The credit risk of insurance exposure is assessed with the following indicators including: gross insurance exposure, proportion reinsured and other collateral, and open position and economic capital figures by product group, rating class, industry, average maturity of exposure, claims incurred in relation to earned premiums and insurance exposure. The insurance risk position is monitored and reported to the Management Team and the Board of Directors every month.

Quantitative information on insurance risks and technical provisions are presented in note 42.

Actuarial assumptions

Under the Insurance Companies Act, insurance companies must adopt prudent calculation criteria for determining the technical provisions. The value of the technical provisions must always be adequate so that the company can be reasonably assumed to be able to manage its commitments. The criteria for calculating the technical provisions must be submitted to the Financial Supervisory Authority before the end of the financial year.

The provision for unearned premiums is determined as 'pro rata parte temporis'. The proportion of the premiums written of the valid insurance policies assigned to future financial years is determined on a product basis. The outstanding claims provision consists of known and unknown claims. The individual claims due after the closing date are allocated on a claims basis by claims experts as part of the known outstanding claims. A proportion of the premiums written accrued by the company during a financial year is allocated to outstanding claims unknown to the company on the closing date as part of unknown outstanding claims, using a specific coefficient. Actual technical provisions are not discounted.

The purpose of the equalization provision is to balance the impact of years with exceptional technical results. The equalization provision acts as a buffer, especially against growth in claims incurred. In Garantia's calculation bases for the equalization provision an amount corresponding to the claims incurred for the period in question of the provision is recognized annually into profit and loss until the equalization provision reaches the targeted amount. In the long term the equalization provision will gravitate to its target amount. The calculation of the target amount has been defined in the Insurance Companies Act.

Investment risks

The company's investments are used for covering the technical provisions and the equity capital, and their primary purpose is to secure the liquidity of insurance also in years with an exceptionally high number of claims. Garantia's investment activities are long-term and the objective is primarily to secure capital and achieve stable and steadily increasing asset growth. Market, counterparty (credit risk) and liquidity risk are the risks affecting the investment activities.

Market risk means the possibility of losses or an unfavourable change in the economic situation due directly or indirectly to the fluctuation in the market prices and volatility of assets, liabilities and financial instruments. Changes in prices affect the value of investment assets and annual returns. The principal market risks are equity risk, interest rate risk, currency risk and property risk. The credit risk of investments is made up of counterparty risk and credit spread risk. Counterparty risk means the risk of insolvency pertaining to the contractual counterparty. Credit spread risk describes the difference in price of risky interest rate instruments and risk-free interest rate instruments, in other words, the risk arising from a change in the credit margin.

The main aim in the management of investment risks is to keep the negative profit impacts arising from investments and the changes in the values of investments at acceptable levels in the long term, to ensure that investment returns are adequate in relation to the risks taken and to safeguard the company's liquidity. Investment risks are managed through effective diversification of the investments by asset class, sector, geographical area, credit category and counterparty, and by ensuring adequate liquidity of the investments. Central to the management of investment risks is the daily implementation of investment activity, which is controlled by the investment plan and decision-making powers. In addition to the daily investment activities and monthly reporting, investment risks are assessed at least once a year with a risk survey compiled in conjunction with the annual planning.

Capital requirements for investment risks are measured by means of the economic capital model, the Solvency Capital Requirement (SCR) and S&P's investment risk-based capital model. In the economic capital model, investment risks are measured on an instrument-specific basis with Value-at-Risk calculation models for equity risk, currency risk, interest rate risk and credit risk. The credit risk with fixed income and private equity investments is defined with internal ratings-based method according to Basel II which considers the amount of investment, the instrument's credit rating, the loss given default and duration. In addition to economic capital investment, risks are measured based on asset class, by country, credit category, counterparty, modified duration, interest rate sensitivity and the amount of foreign currency denominated investments. The investment risk position is monitored and reported to the Management Team and the Board of Directors every month.

Operational risks

Operational risks mean the risk of loss resulting from deficient or faulty processes, human error, systems or external events.

Successful management of operational risks helps to ensure that the company's operations are properly organised and that the risks do not cause any unexpected direct or indirect economic losses. Garantia is determined to maintain and strengthen a corporate culture that is positively disposed towards management of operational risks and internal control by continuously providing personnel with training and guidelines.

In order to manage the operational risks, it is central to identify and evaluate risks as well as to ensure the adequacy of the control and management methods. The principal tools in the management of operational risks are risk surveys at least once a year on each unit, continuous registration of operational risks, identification of corrective measures and the monitoring and reporting of these, continuity planning, principles for outsourcing, the planning and implementation of new products, knowledge of the client, prevention of money laundering and terrorist financing, and process descriptions and other working instructions and operating guidelines.

The extent of the operational risks is measured by the amount of economic capital employed by operational risks, which is determined on the basis of the annual survey of risks. Actual risk events and near misses are monitored and registered, the corrective measures concerning these are specified and the implementation of the measures is followed. Operational risks are reported to the Management Team and the Board of Directors on a quarterly basis.

Other risks

Strategic risks are the risks that result from changes in the operating and competitive environment, slow reaction to changes, selection of the wrong strategy or business model or the unsuccessful implementation of a strategy. Reputational and regulatory risks are part of strategic risks. The principal method in the management of strategic risks is systematic and continuous operational planning and monitoring process which makes it possible to identify and assess potential risks in the operating, competitive and regulatory environment and to update the strategy and manage the measures launched to manage risks. Strategic risks are monitored and assessed at least once a year with a risk survey compiled in conjunction with the annual planning.

Compliance risks are the risks pertaining to legal or administrative consequences, economic losses or loss of reputation that result from the failure of the company to comply with laws, decrees or other regulations applicable to its operations. Legislative changes are actively monitored and ongoing projects are regularly reported to the Board of Directors. The survey of risks conducted at Garantia in conjunction with annual planning also includes the identification and assessment of regulatory risks and the definition and monitoring of development measures to reduce the risks. Providing the personnel with guidelines and training is also central to managing compliance risks.

Concentration risk means all types of risks that if there were to materialise, the associated losses could be so large that they would endanger the solvency of insurance or reinsurance companies or financial position. The principal concentration risk in Garantia's business operations arises from the concentration risk of direct and indirect credit and counterparty risk in guaranty and/or investment operations. Garantia's total exposures contain large, individual client groups and sector-specific credit risk concentrations. In addition, Garantia's guaranties and investments are concentrated in Finland. The selection of clients and investment targets and the continuous monitoring of changes in the situation of clients is emphasised above all in the management of the credit risk concentration risk. Concentration risk is measured and assessed in the economic capital model with a separate concentration risk model, according to large exposures, as laid down in the Capital Requirements Regulation of the EU and with risk limits specific to client groups.

Liquidity risk means the risk that insurance and reinsurance companies are unable to convert their investments or other assets into cash in order to meet their financial obligations that fall due for payment. Liquidity risk is limited at Garantia as premiums written is collected before claims are paid and the largest individual payments are insurance compensation payments to beneficiaries or distribution of profit / repayment of capital to shareholders and the payment dates for these payments are usually known well in advance. Garantia has no financial liabilities. Garantia's principle measures in liquidity risk management are sufficient amount of cash for managing daily payments and the liquidity of the investment portfolio.

40 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Financial assets 31.12.2016, EUR 1,000	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Receivables from credit institutions	54,566	568	14	-	-	55,148
Receivables from the public and general gove	36	61	4,204	2,786	-	7,086
Debt securities	-	100	-	-	-	100
Other financial assets	7,297	-	-	-	-	7,297
Interest	87	138	882	195	-	1,303
Financial assets total	**61,986**	**867**	**5,100**	**2,981**	**-**	**70,934**

Financial liabilities 31.12.2016, EUR 1,000	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Liabilities to credit institutions	-	1,000	8,000	-	-	9,000
Liabilities to the public and general governme	-	-	-	-	-	-
Debt securities issued to the public	-	10,000	55,000	-	-	65,000
Other financial liabilities	9,006	-	-	-	-	9,006
Interest	-	3,302	8,338	-	-	11,639
Financial liabilities total	**9,006**	**14,302**	**71,338**	**-**	**-**	**94,645**

Financial assets 31.12.2015, EUR 1,000	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Receivables from credit institutions	27,243	725	14	-	-	27,983
Receivables from the public and general gove	57	4,561	304	4,723	-	9,644
Debt securities	-	-	1,541	-	-	1,541
Other financial assets	7,096	-	-	-	-	7,096
Interest	154	349	1,621	293	-	2,417
Financial assets total	**34,551**	**5,635**	**3,480**	**5,015**	**-**	**48,681**

Financial liabilities 31.12.2015, EUR 1,000	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years	Total
Liabilities to credit institutions	-	1,000	14,000	-	-	15,000
Liabilities to the public and general governme	-	-	30,250	-	-	30,250
Debt securities issued to the public	-	-	30,000	-	-	30,000
Other financial liabilities	8,512	-	-	-	-	8,512
Interest	76	2,377	6,014	-	-	8,467
Financial liabilities total	**8,588**	**3,377**	**80,264**	**-**	**-**	**92,229**

The maturity spread for insurance assets and liabilities is presented in Notes 42 and 43.

41 MARKET RISK SENSITIVITY ANALYSIS

A market risk sensitivity analysis has been prepared for the Group’s significant market risks, which are interest rate risk and price risk. Sensitivity analyses are prepared by evaluating how each possible change in interest rate or prices might influence balance sheet items that are sensitive to them. The effect is calculated before taxes. Separate sensitivity analyses have been prepared for insurance assets and liabilities and are presented in Notes 42 and 43.

			31/12/2016		31/12/2015	
EUR 1,000	**Risk variable**	**Change**	**Effect on earnings**	**Effect on equity**	**Effect on earnings**	**Effect on equity**
Interest rate risk [1]	Interest	One pp	464	464	132	132
Price risk [2]						
Debt securities	Fair value	10%	-	10	-	154
Shares and units	Fair value	10%	323	735	4,258	4,515
Derivative instruments	Fair value	10%	3	3	-	-

1) In the interest rate risk sensitivity analysis financial assets and liabilities on the balance sheet with a variable interest rate have been taken into account.

2) In the price risk sensitivity analysis financial instruments that are measured at fair value have been taken into account. The price change is not assumed to be significant or prolonged, so the fair value change of financial instruments classified as availabe-for-sale only affects equity.

42 QUANTITATIVE INFORMATION ABOUT INSURANCE RISK AND TECHNICAL PROVISIONS

Taaleri's insurance operations consist only of the business of Garantia Insurance Company Ltd. Below is a presentation of quantitative information from Garantia from 2016 and the comparison periods. Garantia Insurance Co Ltd was merged with the Group on 1 April 2015.

Trend in claims incurred, EUR 1,000	Claims paid*	Change in provision for outstandin g claims*	Claims incurred	%, of insurance exposure	Claims ratio, %
2016	-1,038	-100	-1,174	0.09%	12.4 %
2015	-1,421	-71	-1,492	0.13%	15.1 %
2014	-569	157	-412	0.03%	3.7 %
2013	-2,526	121	-2,405	0.18%	22.2 %
2012	-1,772	504	-1,268	0.09%	11.7 %
2011	-4,827	-753	-5,580	0.44%	50.8 %
2010	-2,098	26	-2,072	0.15%	18.7 %

* incl. reinsurers' share

Insurance exposure by product, EUR million	31/12/2016	31/12/2015
Loan guaranties	407	431
Commercial bonds	353	258
Residential mortgage guaranties	467	383
Other guaranties	93	92
Total	**1,320**	**1,164**

Collateral position of insurance exposure, EUR million	31/12/2016	31/12/2015
Reinsured	219	234
Collateral classes 1 and 2	93	83
Collateral classes 3 and 4	60	52
Uncovered position	948	795
Total	**1,320**	**1,164**

Insurance exposure by credit rating*, EUR million	31/12/2016	31/12/2015
AAA - BBB-	165	204
BB+ - BB-	374	327
B+ - B-	208	143
C+ or weaker	22	17
Total	**769**	**690**

* Insurance exposure not including residetial mortgage guaranties, assumed reinsurance and residual value insurance

Insurance exposure by industry*, EUR million	31/12/2016	31/12/2015
Construction	287	225
Manufacturing	196	224
Machinery and equipment industry (incl. repair)	49	60
Metal	46	30
Forest and paper	39	54
Food	36	46
Other	26	34
Services	57	59
Wholesale and retail trade	47	34
Energy	39	46
Finance and insurance	36	14
Other industries	106	87
Total	**769**	**690**

* Insurance exposure not including residential mortgage-guaranties, assumed reinsurance and residual value insurance.

Technical provisions (FAS), EUR 1,000	31/12/2016	31/12/2015
Provision for unearned premiums	12,925	10,985
Provision for claims outstanding	910	669
Known provision for claims outstanding	340	220
Unknown provision for claims outstanding	570	450
Equalisation provision	73,615	74,789
Total	**87,450**	**86,443**

Provision for unearned premiums and claims outstanding by estimated maturity 31 December 2016

EUR 1,000	< 1 year	1–2 years	2–3 years	> 3 years	Total
Provision for unearned premiums	5,272	2,257	1,721	3,675	12,925
Provision for claims outstanding	910	-	-	-	910
Total	**6,182**	**2,257**	**1,721**	**3,675**	**13,835**

Provision for unearned premiums and claims outstanding by estimated maturity 31 December 2015

EUR 1,000	< 1 year	1–2 years	2–3 years	> 3 years	Total
Insurance premium liability	4,856	2,006	1,472	2,649	10,985
Compensation liability	669	-	-	-	669
Total	**5,526**	**2,006**	**1,472**	**2,649**	**11,654**

The modified duration of the cash flow distribution of technical provisions (not including the equalisation provision) is 2.1 years (2.2).

Sensitivity analysis of insurance operations 31 December 2016*

Risk parameter	Total amount	Change in risk parameter	Effect on equity	Effect on combined ratio, percentage point
Premium revenue	9,467	increases by 10%	757	+5.9 pp
Claims incurred	1,174	increase by 10%	-	-1,24 pp
Large claim, EUR 10 million	-	EUR 10 million	-	-105,63 pp
Operating expenses	4,966	increase by 10%	-397	-5,25 pp

* Sensitivity analysis is based on Garantia Insurance Company Ltd's FAS financial statements.

Guaranty insurance sensitivity analysis, 31 December 2015*

Risk parameter	Total amount	Change in risk variable	Effect on equity	Effect on combined cost relationship, percentage point
Premium revenue	9,849	increases by 10%	473	+5,79 pp
Claims incurred	1,492	increase by 10%	-	-1,51 pp
Large claim, EUR 10 million	-	EUR 10 million	-	-101,53 pp
Operating expenses	4,778	increase by 10%	-382	-4,85 pp

* Sensitivity analysis is based on Garantia Insurance Company Ltd's FAS financial statements.

43 QUANTITATIVE INFORMATION ABOUT INSURANCE INVESTMENT RISKS

Taaleri's insurance operations consist only of the business of Garantia Insurance Company Ltd. Below is a presentation of quantitative information from Garantia from 2016 and the comparison periods, based on the figures in Garantia's FAS financial statements. Garantia Insurance Co Ltd was merged with the Group on 1 April 2015.

Investment distribution at fair value, EUR million	31/12/2016	31/12/2015
Fixed income investments*	101	98
Equity investments	26	21
Land and buildings	1	1
Other investments	-	-
Total	**127**	**120**

* includes cash and bank balances. Fixed income investments include mainly bonds issued by Finnish corporates and Nordic banks.

Investment sensitivity analysis, 31 December 2016*

Investment class	Invest-ments at fair value, EUR million	Risk parameter	Change	Effect on equity, EUR million
Bonds	98.3		1%	2.43
Shares	23.2		10%	1.86
Capital investments	3.4		10%	0.27

* The sensitivity analysis is based on Garantia's FAS financial statements. When calculating the effects of changes, the market valuationhas, however, been assumed before and after the change.

Investment sensitivity analysis, 31 December 2015*

Investment class	Invest-ments at fair value, EUR million	Risk parameter	Change	Effect on equity, EUR million
Bonds	91.7		1%	1.77
Shares	18.6		10%	1.49
Capital investments	5.7		10%	0.45

* The sensitivity analysis is based on Garantia's FAS financial statements. When calculating the effects of changes, the market valuationhas, however, been assumed before and after the change.

Fixed-income portfolio (excl. Bond funds) by maturity* and credit rating 31 December 2016**

EUR million	< 1 year	1–3 years	3–5 years	> 5 years	Total	%
AAA - AA-	2	5	-	10	17	18%
A+ - A-	0	13	-	-	13	14%
BBB+ - BBB-	3	15	11	10	38	39%
BB+ or weaker	2	11	12	5	29	29%
No rated	0	-	-	-	0	0%
Total	**7**	**44**	**23**	**24**	**98**	**100%**

Fixed-income portfolio (excl. Bond funds) by maturity* and credit rating 31 December 2015**

EUR million	< 1 year	1–3 years	3–5 years	> 5 years	Total	%
AAA - AA-	3	23	0	-	27	28%
A+ - A-	3	16	3	-	22	23%
BBB+ - BBB-	-	6	17	2	25	26%
BB+ or weaker	-	10	12	-	21	22%
No rated	0	-	-	-	-	0%
Total	**7**	**55**	**32**	**2**	**95**	**100%**

* The maturity is presented until the end of the term to maturity. If the paper includes call option, the maturity is presented until the first possible call date.

** Rating is based on 1. Garantia's internal credit rating, 2. External rating affirmed by external rating agency or 3. 'Shadow rating' provided by Banks to bond investors.

44 CAPITAL ADEQUACY UNDER THE ACT ON THE SUPERVISION OF FINANCIAL AND INSURANCE CONGLOMERATES

Taaleri is a Financial Group that Garantia Insurance Company Ltd is a part of as of 31 March 2015. On 23 October 2015, the Finnish Financial Supervisory Authority confirmed that Taaleri Group comprises a financial and insurance conglomerate (RaVa), and is therefore subject to the Act on the Supervision of Financial and Insurance Conglomerates.

As a RaVa conglomerate, Taaleri Group publishes its own funds and capital adequacy in accordance with the capital adequacy regulations for financial and insurance conglomerates. On 31 December 2015, Taaleri RaVa conglomerate's own funds amounted to EUR 84.7 (86.9) million, with the minimum requirement being EUR 31.5 (33.5) million. The conglomerate's capital adequacy is EUR 53.2 (53.4) million and the capital adequacy ratio is 268.9 (259.2) percent, with the minimum requirement being 100 percent. The capital adequacy for the RaVa conglomerate based on Solvency I regulation that was in effect on 31 December 2015, is also presented in the table below.

	Solvency II	Solvency II	Solvency I (in effect 31 Dec 2015)
Capital adequacy of RaVa conglomerate, EUR 1,000	**31/12/2016**	**31/12/2015**	**31/12/2015**
Taaleri Group's equity capital	**93,850**	**97,060**	**97,060**
Goodwill and other intangible assets	-2,513	-2,368	-2,368
Equalisation provision			-18,716
Minority share	-354	-2,119	-2,119
Planned distribution of assets	-6,237	-5,670	-5,670
Conglomerate's total capital base	**84,746**	**86,903**	**68,187**
Regulatory capital requirement for financial operations	7,163	10,844	10,844
Regulatory capital requirement for insurance operations	24,357	22,678	3,700
Minimum amount of conglomerate's capital resources	**31,520**	**33,522**	**14,544**
Conglomerate's capital adequacy	**53,226**	**53,381**	**53,643**
Conglomerate's capital adequacy ratio	**268.9 %**	**259.2 %**	**468.8 %**

OTHER NOTES

45 NOTES CONCERNING PERSONNEL AND MANAGEMENT

	2016		2015	
Number of personnel	**Average no.**	**Change**	**Average no.**	**Change**
Permanent full-time personnel	167	4	163	23
Temporary part-time personnel	12	-1	13	0
Total	179	3	176	23

Remuneration, EUR 1,000

2016	**Wealth**	**Financing**	**Energy**	**Other**
Variable fees paid in cash				
Salaries	3,118	457	37	232
Fringe benefits	187	21	2	14
Pension costs	530	71	6	39
Deferred fees	156	647		
Payable as synthetic options	868	23		168
Number of beneficiaries	122	22	8	12

2015	**Wealth**	**Financing**	**Other**
Variable fees paid in cash			
Salaries	2,172	228	210
Fringe benefits	196	21	19
Pension costs	326	34	31
Deferred fees	27		-
Payable as synthetic options	735		152
Number of beneficiaries	114	24	13

Salaries and bonuses paid to board members, executive management and risk takers, EUR 1,000	**2016**	**2015**
Payable in cash		
Members of the Board of Directors	359	269
Executive Management	1,905	1,405
Risk takers	4,908	1,990
- whereof fixed fees	49	-
Deferred fees		
Risk takers	666	573
Total	**7,838**	**4,236**

Number of beneficiaries		
Executive managment	8	7
Risk takers	35	19

The group had not granted credit or guarantees to members of the Board, managing directors or deputy managing directors either on 31 December 2016 or on 31 December 2015. In addition to statutory pension insurance, voluntary additional pension insurance (defined contribution plans) was taken out for which EUR 86,950 was paid in 2016 (EUR 257,200 in 2015). The voluntary pension insurance payments are included in the table above. On 31 December 2016, the Group did not have other pension commitments concerning members of the Board, managing directors or deputy managing directors.

Share option plans for key employees

Share option plan 2013

On 4 December 2013, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key employees. Under the incentive scheme, key employees are issued synthetic option rights, and a potential bonus will be paid in 2017–2018 partly in the company's Series B shares and partly in cash. The payment in cash aims to cover tax and tax-like payments incurred by key persons from bonuses. If the employment of a key person ends before 2017, in principle no bonus will be paid. Shares paid as a bonus may not be surrendered to shareholders during the one-year waiting period. At the moment of granting, the bonuses paid based on the incentive scheme will correspond to the value increase of a total of no more than about 200,000 Taaleri Plc shares, including the part paid in cash. The dilution caused by the incentive scheme on a company share will be no more than 3.08%. The given value of a share was set at EUR 13.00, which will be reduced by dividends distributed and by capital repayments. The final value of a share will be the average price on the First North Finland market weighted by transaction amounts concluded in the 20 trading days prior to the synthetic option excercise date.

On 19 February 2015, the Board decided that in terms of the number of shares in the synthetic option programme the effect of the share issue decided upon by the extraordinary general meeting on 12 February 2015 would be taken into account, so that it would have no impact on the value of the synthetic option rights. The technical changes due to the share transfer to the main list on Helsinki Excanges were taken into account in 2016. Therefore a maximum of the value increase of 800,000 Taaleri shares can be granted, including the part paid in cash. The final value of a share will be the average price on the Helsinki Main list.

On the date of granting of 4 December 2013, the fair value of an option was set at EUR 1.17 (before split: EUR 4.69), on 22 October 2014 at EUR 2.69 (before split: EUR 10.74) and on 12 January 2015 EUR 3.35 (before split: EUR 13.39). Because the recipient of an option is not entitled to receive dividends or capital repayments during the earnings period, the dividends expected have been deducted from the share price on the date of granting when setting the fair value.

The fair value of payment shares to be settled in cash will be reassessed on each reporting day up to the end of the earnings period, and the fair value of the liability will thus change based on the price of Taaleri shares.

Options outstanding (number of options)	**1/1-31/12/2016**	**1/1-31/12/2015**
Outstanding at the beginning of the period	584,000	141,000
Effect of share issue	-	468,000
Granted during the period	-	15,000
Returned during the period	-	-40,000
Excercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	**584,000**	**584,000**
Excercisable at the end of the period	**-**	**-**

Share option plan 2015

On 28 October 2015, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key employees. Under the incentive scheme, key persons are issued synthetic option rights, and a potential bonus will be paid in 2019–2020 in cash. The company's Board of Directors may oblige a key employee to acquire company shares comprising up to 50% of the bonus. The payment in cash aims to cover tax and tax-like payments incurred by key employees from bonuses. If the employment of a key employee ends before 2018, in principle no bonus will be paid. The Board of Directors may oblige that person to purchase Taaleri shares, and to set a possible one-year limitation period for the shares. At the moment of granting, the bonuses paid based on the incentive scheme will correspond to the value increase of a total of no more than about 800,000 Taaleri Plc shares, including the part paid in cash. The given value of a share was set at EUR 9.00, which will be reduced by dividends distributed and by capital repayments before the usage date. The final value of a share will be the average price weighted by transaction amounts concluded in the 20 trading days prior to the synthetic option excercise date.

On the date of granting of 25 February 2016, the fair value of an option was set at EUR 1.77, on 12 May 2016 at EUR 2.07, on 22 June 2016 at EUR 1.80 and on 16 December 2016 at EUR 1.36. Because the recipient of an option is not entitled to receive dividends or capital repayments during the earnings period, the dividends expected have been deducted from the share price on the date of granting when setting the fair value.

The fair value of payment shares to be settled in cash will be reassessed on each reporting day up to the end of the earnings period, and the fair value of the liability will thus change based on the price of Taaleri shares.

Options outstanding (number of options)	**1/1-31/12/2016**	**1/1-31/12/2015**
Outstanding at the beginning of the period	0	-
Granted during the period	600,000	-
Returned during the period	-	.
Excercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	**600,000**	**0**
Excercisable at the end of the period	**-**	**-**

Determining fair value

In order to determine fair value, the Group uses the Black-Scholes model in option arrangements in which there are no special conditions for creating rights. The expected volatility is determined based on the actual price development of the parent company's shares, taking into account the validity period of the options still remaining. The fair value of shares in these option arrangements, based on which the shares are granted, is based on the quoted share price. From the share options, a total of EUR 1.1 million was recognised in personnel expenses for the period 1 January–31 December 2016, and a total of EUR 0.9 million for the period 1 January–31 December 2015.

Share Options 2013, assumptions used [1]	granted 1/2015	granted 10/2014	granted 12/2013
Weighted price of Series B shares on the date of granting, EUR	6.30	5.72	4.13
Share price on 31 December 2016	8.24	8.24	8.24
Series B share price 31 December 2015	8.38	8.38	8.38
Original issue price, EUR	3.25	3.25	3.25
Dividend-adjusted issue price, EUR (after share issue)	3.05	3.05	3.05
Expected volatility, %	27.42	27.42	27.42
Validity period on date of granting, years	4.0	4.2	5.1
Risk-free interest, %	-0.229	-0.229	-0.229
Fair value of option at the time of granting, EUR	3.35	2.69	1.17
Fair value of option on 31 December 2016, EUR	5.39	5.39	5.39
Fair value of option on 31 December 2015, EUR	5.32	5.32	5.32

[1] All share and option specific assumptions have been adjusted in relation to the bonus issue in March 2015 (1:3).

Share Options 2015, assumptions used	granted 2/2016	granted 5/2015	granted 6/2016	granted 12/2016
Weighted price of shares on the date of granting, EUR	8.76	9.18	8.78	8.31
Share price on 31 December 2016	8.24	8.24	8.24	8.24
Original issue price, EUR	9.00	9.00	9.00	9.00
Dividend-adjusted issue price, EUR	8.80	8.80	8.80	8.80
Expected volatility, %	24.38	24.38	24.38	24.38
Validity period on date of granting, years	4.85	4.6	4.5	4.0
Risk-free interest, %	-0.52	-0.52	-0.52	-0.52
Fair value of option at the time of granting, EUR	1.77	2.07	1.80	1.36
Fair value of option on 31 December 2016, EUR	1.31	1.31	1.31	1.31

46 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 2016

The group has on 30 March 2016 acquired the 25% minority interest of its subsidiary Taaleri Private Equity Funds Ltd at a purchase price of EUR 12 million. The purchase price is based on an external valuation. Following the transaction, Taaleri Plc owns 100% of Taaleri Private Equity Funds Ltd. The effect on the group's equity capital was EUR 11.2 million negative.

In July 2016, Turkish subsidiary Taaleri Portföy Yönetimi A.Ş. was capitalised to the amount of 373 thousand Turkish lira (EUR 116 thousand). The Group’s shareholding changed from 84% to 83%.

During the financial period, there were no other changes in subsidiary shareholdings that would have led to a change in ownership interest without a loss of control. The effect of all minority shareholder transactions on the equity of parent company is presented in the table below.

The group has on 29 April 2016 sold all of its holdings in Metsärahasto II Ky. Earnings of EUR 8.5 million were recognised in the income statement item 'Net gains or net losses on trading in securities and foreign currencies'. Taaleri has an optional right to an additional consideration, which is determined based on Finsilva Plc:s operating profit in the years 2021-2022, other operating expenses deducted. The option has no value on 31 December 2016.

The subsidiary Bonus Solutions Oy was capitalised at two different occations during the year, to a total amount of EUR 300 thousand. The groups ownership interest did not change.

Two new subsidiaries were established in July of 2016, Taaleri Energia Oy and Taaleri Kapitaali Oy.

Also during the financial period, the group discontinued, established and purchased shares in a range of small companies, mainly in relation to its private equity fund operations. All group companies are listed on page 107.

Changes in subsidiary shareholdings 2015

During the financial period, the Group purchased the entire share capital of Garantia Insurance Company Ltd. There is further information about this transaction in Note 3 'Acquired and sold businesses'.

In April 2015, Turkish subsidiary Taaleri Portföy Yönetimi A.Ş. was capitalised to the amount of 2,275,000 Turkish lira (EUR 817,000). As a result of this, the Group’s shareholding was 84%. During the financial period, there were no other changes in subsidiary shareholdings that would have led to a change in control. The effect of all minority shareholder transactions on the equity of parent company is presented in the table below.

In May 2015, the Group sold the share capital of its subsidiary Lainaamo Oy. EUR 527,000 of sales losses was recorded from the sale, which is included in the income statement item ‘Profit or loss from discontinued operations’. There is further information about this in Note 3 'Acquired and sold businesses'.

In November 2015, the Group sold 50.1% of shares in Vakuutusvahti Oy, as a result of which its shareholding is now 19.9%. EUR 217,000 of sales gain was recorded from the sale, which is included in the income statement item ‘Income from equity investments’.

Also during the financial period, the Group discontinued, established and purchased shares in a range of small companies, mainly in relation to its private equity fund operations.

Effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control, EUR 1,000	**2016**	**2015**
From an addition to the share owned in subsidiaries	-11,226	-61
From a reduction in the share owned in subsidiaries without loss of control	-7	-
Net effect on equity	**-11,232**	**-61**

Significant judgments and assumptions

The Group has sold all of its holdings in Metsärahasto II Ky in a deal closed on 29 April 2016. In relation to the sale a profit of EUR 8.5 million was recognized in the income statement item 'Net gains or net losses on trading in securities and foreign currencies'. Until 29 April 2016 Taaleri Plc had a controlling interest in Metsärahasto II Ky in accordance with IFRS 10. This was based on the fact that Taaleri Plc was fully exposed to the variable returns from Metsärahasto II Ky, and could influence the investee to affect the amount of the investor's returns. Because of this, in accordance with IFRS 10, Metsärahasto II Ky was a subsidiary of Taaleri Plc and was consolidated in the group.

Interest that material non-controlling interests have in the group, EUR 1,000

Company	Registered office	Proportion of non-controlling ownership interest		Profit or loss allocated to non-controlling interests		Equity capital allocated to non-controlling interests	
		2016	2015	2016	2015	2016	2015
Taaleri Private Equity Funds Ltd	Helsinki	0%	25%	-	928	-	1,144
Other subsidiaries with non-controlling interests, which are not material on their own				110	704	354	975
Total				**110**	**1,632**	**354**	**2,119**

Summary of financial information of subsidiaries with a material non-controlling interest

EUR 1,000	Taaleri Private Equity Funds Ltd 2016	Taaleri Private Equity Funds Ltd 2015
Assets	5,774	7,190
Liabilities	1,949	2,616
Equity capital	3,826	4,574
Total income	12,191	11,592
Profit/Loss	3,713	3,713
Parent company shareholders' share of profit/loss	3,713	2,785
Non-controlling interests' share of profit/loss	-	928
Dividends paid to non-controlling interests	1,112	950

The summary of financial information presents figures for the legal entity without deducting group internal items.

47 INVESTMENTS IN ASSOCIATED COMPANIES

The group has on 31 May 2016 acquired 40 percent of Inderes Oy, which has since been consolidated as an associated company. On 29 June 2016 the group has sold all of its holdings in Havuz Holding Oy, which was previously consolidated as an associated company. Hence, on 30 June 2016 the group has two associated companies, Fellow Finance Plc and Inderes Oy. Neither of these is considered material to the group. Both associated companies are consolidated using the equity method. A total of EUR 169 thousand of profit from continuing operations of the associated companies has been recognised in the group in the income statement item 'Share of associates' profit or loss'. Associated companies have neither discontinued operations nor comprehensive income items.

Up until 26 May 2015, also Finsilva Oyj was an associated company and was treated as a financial investment in accordance with IAS 39. It was classified as a financial asset at fair value through profit or loss. Finsilva was purchased in June 2014. The group has no holdings in Finsilva Oyj as of 29 April 2016, when Metsärahasto II Oy, whose only asset was a 19.77 percent share in Finsilva Oyj, was sold.

48 CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1,000	**31/12/2016**	**31/12/2015**
Total gross exposures of guaranty insurance	1,319,746	1,164,466
Guarantees	219	219
Investment commitments	1,649	3,920
Pledged securities	15,000	64,653
Credit limits (unused)	10,000	10,000
Total	**1,346,614**	**1,243,258**

Garantia received a notification of a possible claim of EUR 5 million on 30 Decemer 2011. Garantia considers this claim unfounded and has therefore not recorded it in the provision of known claims. There has been no material change in the status of the matter during 2016 and the process continues.

49 PENSION LIABILITIES

Statutory pension cover for the company’s employees and management is arranged through a TyEL insurance policy. Additional voluntary pension insurance has been taken out for the company’s management. The company has no unrecognised pension liabilities. All the company’s pension arrangements are defined contribution plans.

50 OPERATING LEASES

The group has leased the office premises it uses. The lengths of lease agreements vary from one to three years, and they normally include the possibility to extend the agreement after the original date of expiry. Some companies in the group have also leased cars and office machinery through leasing agreements. Of the above-mentioned items, EUR 2.0 million in leasing expenses was recorded in other operating costs in 2016 (EUR 1.8 million in 2015).

The total of future minimum lease payments under non-cancellable operating leases

EUR 1,000	**31/12/2016**	**31/12/2015**
In one year	1,400	1,517
In over one year and within five years maximum	505	1,576
Total	**1,905**	**3,870**

51 RELATED PARTY DISCLOSURES

The parent company and its subsidiaries and associated companies belong to the group's related parties. Related parties also include the members of the Board of Directors and the executive board as well as their related parties.

The following belong to the company's related parties:

1) Someone who, by virtue of shareholding, options or convertible bonds has or may have at least 20 percent of the company's stocks or shares, or the voting rights attached to them, or a corresponding shareholding or voting right in an organisation belonging to the group, or in an organisation exercising control in the company, unless the significance of the company that is the subject of ownership is minor in terms of the whole group.

2) A member and deputy member of the Board of Directors, CEO and Deputy CEO, and somebody in a similar position in a company as referred to in point 1.

3) The children and spouse of someone as referred to in point 2, or someone in a marital relationship with that person.

4) An organisation and foundation in which an above-mentioned person, either alone or with another person, has control as specified in Chapter 1, Paragraph 5 of the Accounting Act.

Business transactions made with the company and companies belonging to the group have been carried out on terms equivalent to those that prevail in arm's length transactions. Companies belonging to the Group are listed on page 107. Taaleri Plc acquired the minority of Taaleri Private Equity Funds Ltd and owns 100% of Taaleri Private Equity Funds Ltd following the transaction. Among the subsidiary's minority shareholders were Taaleri Plc's CEO Juhani Elomaa and Deputy CEO Karri Haaparinne and the related party transactions are reported in the table below. More information about the transaction can be found in note 46. In 2015, the company divested its subsidiary Lainaamo Oy and invested in Fellow Finance Plc, of which Lainaamo became a subsidiary. This transaction is described in greater detail in Note 3.

Board members Peter Fagernäs and Pertti Laine are among the 10 largest shareholders of the company through companies that they own. The company's CEO Juhani Elomaa, Deputy CEO Karri Haaparinne and member of the Executive Board Petri Lampinen are also amongst the company's 10 largest shareholders.

Related party transactions with associated companies and related parties, EUR 1,000

2016	Sales	Purchases	Receivables	Liabilities
Associated companies	667	32	4,065	-
Other related parties	885	10,135	4,528	-

2015	Sales	Purchases	Receivables	Liabilities
Associated companies	367	-	8,650	-
Other related parties	535	73	-	-

Garantia has, in the course of its normal business, granted guarentees amounting to EUR 10 million to related parties.

The group has specified its related parties and amended the comparative figures as the Market Abuse Regulation entered into force on 3 July 2016.

Management shareholdings

At the end of 2016, members of the company's Board of Directors and Senior Management Team owned a total of 9 820 720 of the company's shares, which corresponds to about 34.6% of the shares and the voting rights attached to all shares, after the combining of the two series of shares on 28 January 2016. The shareholdings of the members of the company's Board of Directors and Senior Management Team in the company, including insider holdings:

Name	Position	Number of shares
Peter Fagernäs [1)]	Chairman of the Board of Directors	2,503,128
Pertti Laine [2)]	Member of the Board of Directors	2,430,694
Juhani Elomaa [3)]	CEO	2,087,006
Karri Haaparinne [4)]	Deputy CEO	1,848,314
Petri Lampinen	Taaleri Wealth Management Ltd, Managing Director	525,858
Vesa Puttonen [5)]	Member of the Board of Directors	182,224
Esa Kiiskinen [6)]	Member of the Board of Directors	232,496
Jorma Alanne [7)]	Head of Wealth Management	1,000
Janne Koikkalainen	Legal and Compliance	10,000
Total		**9,820,720**
Total of share capital, %		34.6 %

[1)] Peter Fagernäs' shareholding consists of 2,503,128 shares owned by Oy Hermitage Ab, in which he has a controlling interest.

[2)] Pertti Laine's shareholding consists of 2,430,694 shares owned by Veikko Laine Oy, in which he has a controlling interest.

[3)] Juhani Elomaa's shareholding consists of 2,087,006 shares, 266,656 of which are owned by E-Capital Oy, in which he has a controlling interest, and 16,175 are owned by other related parties.

[4)] Karri Haaparinne's shareholding consists of 1,848,314 shares, 167,683 of which are owned by Xabis Oy, in which he has a controlling interest, and 178,539 are owned by other related parties.

[5)] Vesa Puttonen's shareholding consists of 182,224 shares owned by Enabla Oy, in which he has a controlling interest.

[6)] Esa Kiiskinen's shareholding consists of 232,496 shares, 78,891 of which are owned by Saija ja Esa Kiiskinen Oy, and 74,714 are owned by Saija Kiiskinen Oy, in both of which he has a controlling interest,

[7)] Jorma Alanne's shareholding consists of 1,000 shares owned by Alanne Capital Oy, in which he has a controlling interest.

Fringe benefits of senior management

Senior management consists of the Board of Directors and Senior Management Team[1)]. Compensation paid or payable to them for their work consists of the following items:

EUR 1,000	2016	2015
Salaries, bonuses and other fringe benefits	1,959	1,427
Benefits to be paid at the end of employment	596	498
Total	**2,555**	**1,925**

1) The composition of Taaleri's Senior Management Team changed during the 2015 and 2016 financial periods. The benefits of those who left the Senior Management Team are included in the table from the time when they belonged to the team.

PARENT COMPANY INCOME STATEMENT

EUR	Note	1/1-31/12/2016	1/1-31/12/2015
Net gains or net losses on trading in securities and foreign currencies		6,540.75	-398.74
Net gains or let losses on trading in securities	2	6,540.75	-398.74
Net gains or net losses on trading in foreign currencies			
Income from equity investments	3	6,335,625.00	2,185,922.01
Interest income	4	382,558.94	1,004,475.12
Other operating income	5	4,219,022.40	3,276,713.00
INCOME FROM INVESTMENT SERVICES		**10,943,747.09**	**6,466,711.39**
Fee and commission expense	6	-46,411.20	-35,283.85
Interest expense	7	-2,069,947.66	-1,900,735.73
Administrative expenses			
Personnel costs	8		
Wages, salaries and fees		-2,335,101.47	-2,168,921.70
Other benefits		-485,284.87	-460,366.84
Pension expenses		-368,679.03	-388,707.67
Social security contributions		-116,605.84	-71,659.17
Personnel costs, total		-2,820,386.34	-2,629,288.54
Other administrative expenses	9	-1,456,818.47	-1,738,746.96
Depreciation, amortisation and impairment of tangible and intangible assets	10	-14,309.46	-2,384.91
Other operating expenses	11	-1,163,242.37	-998,940.85
OPERATING PROFIT (LOSS)		**3,372,631.59**	**-838,669.45**
Appropriations	12	3,000,000.00	3,150,000.00
Income taxes	13	-7,805.41	-2,186.31
PROFIT (LOSS) FOR THE PERIOD		**6,364,826.18**	**2,309,144.24**

PARENT COMPANY BALANCE SHEET

Assets	Note	31/12/2016	31/12/2015
Receivables from credit institutions	14, 24, 25, 26	33,013,392.42	11,193,153.08
Receivables from the public and general government	15, 24, 25, 26	4,000,000.00	8,500,000.00
Shares and units	16, 24, 25	19,696.24	16,362.94
Participating interests	16, 24, 25	2,380,012.00	2,380,012.00
Shares and units in group entities	16, 24, 25	77,883,946.42	64,977,599.99
Intangible assets	17, 24	40,543.46	54,852.92
Other assets	18, 24	106,483.75	396,087.10
Accrued income and prepayments	19, 24	832,351.53	1,822,227.09
		118,276,425.82	**89,340,295.12**

Liabilities	Note	31/12/2016	31/12/2015
LIABILITIES		75,375,511.24	47,143,082.72
Liabilities to credit institutions	20, 24, 25, 26	9,000,000.00	15,000,000.00
Debt securities issued to the public	21, 24, 25, 26	65,000,000.00	30,000,000.00
Other liabilities	22, 24	153,592.17	905,801.74
Accrued expenses and deferred income	23, 24	1,221,919.07	1,237,280.98
EQUITY	27	42,900,914.58	42,197,212.40
Share capital		125,000.00	125,000.00
Non-restricted reserves		36,139,665.20	37,838,002.40
Reserve for invested non-restricted equity		36,139,665.20	37,838,002.40
Retained earnings or loss		271,423.20	1,925,065.76
Profit (loss) for the period		6,364,826.18	2,309,144.24
		118,276,425.82	**89,340,295.12**

PARENT COMPANY CASH FLOW STATEMENT

	1/1-31/12/2016	1/1-31/12/2015
Cash flow from operating activities:		
Operating profit (loss)	3,372,631.59	-838,669.45
Depreciation	14,309.46	2,384.91
Appropriations	3,000,000.00	3,150,000.00
Other adjustments		
Change in fair value of investments held for trading	-3,333.30	398.74
Cash flow before change in working capital	6,383,607.75	2,314,114.20
Change in working capital		
Increase (-)/decrease (+) in loan receivables	4,500,000.00	11,872,807.81
Increase (-)/decrease (+) in current interest-free receivables	1,296,581.46	-623,386.12
Increase (+)/decrease (-) in current interest-free liabilities	-766,638.87	-16,420.43
Cash flow from operating activities before financial items and taxes	11,413,550.34	13,547,115.46
Direct taxes paid (-)	-25,840.57	-
Cash flow from operating activities (A)	**11,387,709.77**	**13,547,115.46**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-	-57,237.83
Investments in subsidiaries and associated companies	-12,906,346.43	-62,769,032.06
Other investments	-	-4,234.71
Cash flow from investing activities (B)	**-12,906,346.43**	**-62,830,504.60**
Cash flow from financing activities:		
Chargeable changes in equity	-	23,200,000.00
Purchase of own shares	-	-195,433.68
Debt securities issued to the public	35,000,000.00	-
Increase (+)/decrease (-) in non-current liabilities	-6,000,000.00	15,000,000.00
Dividends paid and other distribution of profit	-5,661,124.00	-2,263,555.80
Cash flow from financing activities (C)	**23,338,876.00**	**35,741,010.52**
Increase/decrease in cash and cash equivalents (A+B+C)	21,820,239.34	-13,542,378.62
Cash assets at the beginning of the financial period	11,193,153.08	24,735,531.70
Cash assets at the end of the financial period	33,013,392.42	11,193,153.08
Difference in cash assets	21,820,239.34	-13,542,378.62

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Taaleri Plc's financial statements have been prepared in accordance with the principles of Finnish bookkeeping legislation, the Act on Investment Services, the Ministry of Finance decree on the financial statements of an investment service company, the Accounting Act and regulations and guidelines of the Finnish Financial Supervisory Authority concerning accountancy, financial statements and annual reports in the financial sector. The financial statements have been prepared for the 12-month period 1 January –31 December 2016.

Revenue recognition principles

Capital gains and losses and changes in value of shares and units have been recorded as net gains from securities trading.

"Income from equity investments" mainly consists of dividend yield from equity investments and capital gains/losses from associates and Group companies and available-for-sale financial assets. Dividends are primarily recognised as income when the annual general meeting of the company distributing the dividends has made a decision on the distribution of dividends.

Interest income and expenses are recorded on a payment basis from interest-bearing assets and liabilities.

Foreign currency items

Foreign currency transactions are recorded based on the exchange rate on the day of the transaction. Foreign currency receivables and liabilities outstanding at the end of the financial period are measured based on the exchange rate on the date of closing the books. Exchange rate gains and losses related to actual business are recorded in the income statement under net gains on trading in foreign currencies.

Taxes

Tax expense consists of taxes based on taxable income in the period and tax from previous financial periods.

Financial instruments

Financial assets are classified as held-until-maturity, held-for-trading, available-for-sale and loans and other receivables. Changes in fair value are recorded through profit or loss from financial assets and liabilities held-for-trading and in the fair value reserve when a financial instrument is classified as available-for-sale. Loans and other receivables are measured at acquisition cost minus any impairment loss. Financial instruments held-for-trading and available-for-sale are measured at their fair values.

When recording financial instrument purchase and sales contracts, the date of the transaction is used as the basis for recognition.

The necessity of financial asset impairment losses for other than assets measured at fair value are assessed at least on each day of the closing of the books. If there is objective proof that the value of an item or a group of items belonging to loans and other receivables has decreased, the book value of the asset or liability is reduced. The amount of loss is recognized in profit or loss.

Receivables from credit institutions includes receivables from credit institutions referred to in the Act on Credit Institutions and from similar foreign credit institutions, deposits made in them and sums paid to creditors based on guarantees and other off-balance sheet commitments.

Receivables from the public and general government includes credit issued to parties other than credit institutions and central banks, other such receivables and sums paid to creditors based on guarantees and other off-balance sheet commitments.

Shares, investment units and other such units, excluding shares in subsidiaries and associates, which give the right to the equity of an organisation are recognised in the balance sheet item "Shares and units".

Liabilities to credit institutions includes liabilities to credit institutions and to central banks. A liability is considered payable on demand, if it can be terminated immediately or within no more than one banking day.

Liabilities to the public and general government includes liabilities to parties other than credit institutions and central banks.

Debt securities issued to the public includes bonds issued by Taaleri Plc in 2014–2016. Loan interest and transaction expenses are amortised over the maturity period of the loans.

Transaction expenses from liabilities to credit institutions and from debt securities issued to the public are presented in the income statement item "Interest expense".

Fixed assets

Intangible assets are carried on the balance sheet at cost less any accumulated depreciation. IT project and system costs, among other things, realised during the financial period are activated as other long-term expenditure. Tangible assets are carried on the balance sheet at cost less any accumulated depreciation. If, at the end of the financial period, the estimated recoverable amount from intangible or tangible assets is found to be fundamentally and permanently lower than their carrying amount, the difference is recorded in profit or loss as an impairment loss.

The depreciation plan is as follows:

Computer software – straight-line depreciation, 4 years
Other intangible rights – straight-line depreciation, 3 years
Other long-term expenditure – straight-line depreciation, 3 years
Machinery and equipment – straight-line depreciation, 4 years

NOTES TO THE INCOME STATEMENT

2 NET GAINS OR NET LOSSES ON TRADING IN SECURITIES AND FOREIGN CURRENCIES

	1/1-31/12/2016	1/1-31/12/2015
From shares and units	3,207.45	-
Change in fair value	3,333.30	-398.74
Net earnings from trading securities, total	6,540.75	-398.74

3 INCOME FROM EQUITY INVESTMENTS

	1/1-31/12/2016	1/1-31/12/2015
From group companies		
Dividend income	6,335,625.00	2,850,000.00
Divestment losses from shares in subsidiaries	-	-664,077.99
Total	6,335,625.00	2,185,922.01

4 INTEREST INCOME

	1/1-31/12/2016	1/1-31/12/2015
From receivables from credit institutions	-	1,925.57
From receivables from the public and general government	353,490.44	462,561.63
Other interest income	224.66	12.42
From group companies	28,843.84	539,975.50
Total	382,558.94	1,004,475.12

5 OTHER OPERATING INCOME

	1/1-31/12/2016	1/1-31/12/2015
From group companies	4,219,022.40	3,276,713.00
Total	4,219,022.40	3,276,713.00

6 FEE AND COMMISSION EXPENSE

	1/1-31/12/2016	1/1-31/12/2015
From other operations	46,411.20	35,283.85
Total	46,411.20	35,283.85

7 INTEREST EXPENSES

	1/1-31/12/2016	1/1-31/12/2015
From liabilities to credit institutions	423,173.17	319,930.12
From debentures issued	1,633,622.89	1,580,533.76
Other interest expenses	132.42	271.85
To group companies	13,019.18	0.00
Total	2,069,947.66	1,900,735.73

8 PERSONNEL COSTS

	1/1-31/12/2016	1/1-31/12/2015
Wages, salaries and fees	2,335,101.47	2,168,921.70
Pension expenses	368,679.03	388,707.67
Social security contributions	116,605.84	71,659.17
Total	2,820,386.34	2,629,288.54

During the 2016 financial period, a total of EUR 835.8 thousand in salaries and fees were paid to the Board of Directors, the CEO and Deputy CEO (911.6 thousand) including the voluntary pension insurance. During the financial period, the average number of personnel employed by the parent company was 19 (24).

The salaries and bonuses paid to the company's CEO in 2016 including fringe benefits and pension insurance amounted to EUR 408 thousand. If his employment is terminated by the company, the CEO is entitled to severance pay corresponding to 6 months salary. The CEO is entitled to a statutory pension and his retirement age is determined within the framework of the statutory pension system. The company's CEO is entitled to a voluntary pension insurance paid for by the company, which cost EUR 50 thousand in 2016.

9 OTHER ADMINISTRATIVE EXPENSES

	1/1-31/12/2016	1/1-31/12/2015
Voluntary personnel expenses	148,524.97	420,807.73
Marketing and communication expenses	336,086.98	497,325.40
Group internal administrative services	782,052.00	558,582.00
Other expenses	190,154.52	262,031.83
Total	1,456,818.47	1,738,746.96

10 DEPRECIATION, AMORTISATION AND IMPAIRMENT ON TANGIBLE AND INTANGIBLE ASSETS

	1/1-31/12/2016	1/1-31/12/2015
Intangible assets		
Planned depreciation	14,309.46	2,384.91
Total	14,309.46	2,384.91

11 OTHER OPERATING EXPENSES

	1/1-31/12/2016	1/1-31/12/2015
Premises and other leasing expenses	12,422.50	22,896.32
Equipment rental and leasing	95,730.13	87,549.46
Fees paid to the company's auditors	207,242.84	150,438.20
Auditing fees	102,709.20	64,471.60
Other	104,533.64	85,966.60
Other expenses	847,846.90	738,056.87
Total	1,163,242.37	998,940.85

12 APPROPRIATIONS

	1/1-31/12/2016	1/1-31/12/2015
Group contributions received	3,000,000.00	3,150,000.00
Total	3,000,000.00	3,150,000.00

13 TAXES

	1/1-31/12/2016	1/1-31/12/2015
From profit for the financial period	8,738.02	2,186.31
Taxes from previous periods	-932.61	-
Total	7,805.41	2,186.31

NOTES TO THE BALANCE SHEET

14 RECEIVABLES FROM CREDIT INSTITUTIONS

	31/12/2016	31/12/2015
Repayable on demand		
From domestic credit institutions	33,013,392.42	11,193,153.08
Receivables from credit institutions, total	33,013,392.42	11,193,153.08

15 RECEIVABLES FROM THE PUBLIC AND GENERAL GOVERNMENT

	31/12/2016	31/12/2015
Other than repayable on demanded		
Group **)	-	-
Other companies	4,000,000.00	8,500,000.00
Total	4,000,000.00	8,500,000.00
Total amount of subordinated receivables:		
*) Companies and housing associations	-	-
**) Group internal	-	-

16 SHARES AND UNITS

	31/12/2016	31/12/2015
Shares and units	**19,696.24**	**16,362.94**
Held for trading	15,461.53	12,128.23
- of which publicly quoted	15,461.53	12,128.23
- of which in credit institutions	-	-
Available for sale	4,234.71	4,234.71
- of which publicly quoted	-	-
- of which in credit institutions	-	-
Shares and units in associated companies	**2,380,012.00**	**2,380,012.00**
Shares and units in group companies	**77,883,946.42**	**64,977,599.99**
Carrying amount total	**80,283,654.66**	**67,373,974.93**
- of which at acquisition cost	80,268,193.13	67,361,846.70

17 INTANGIBLE ASSETS

2016	**IT systems**	**Total**
Acquisition cost 1 January	57,237.83	57,237.83
Increases	-	-
Acquisition cost 31 December	**57,237.83**	**57,237.83**
Accumulated depreciation, amortisation and impairment 1 January	2,384.91	2,384.91
Depreciation during the financial period	14,309.46	14,309.46
Accrued depreciation 31 December	**16,694.37**	**16,694.37**
Carrying amount 1 January	54,852.92	54,852.92
Carrying amount 31 December	**40,543.46**	**40,543.46**

2015	**IT systems**	**Total**
Acquisition cost 1 January	-	-
Increases	57,237.83	57,237.83
Acquisition cost 31 December	**57,237.83**	**57,237.83**
Accumulated depreciation, amortisation and impairment 1 January	-	-
Depreciation during the financial period	2,384.91	2,384.91
Accrued depreciation 31 December	**2,384.91**	**2,384.91**
Carrying amount 1 January	-	-
Carrying amount 31 December	**54,852.92**	**54,852.92**

18 OTHER ASSETS

	31/12/2016	**31/12/2015**
Group internal receivables	21,694.39	385,590.59
VAT receivables	79,888.70	0.00
Other	4,900.66	10,496.51
Total	106,483.75	396,087.10

19 ACCRUED INCOME AND PREPAYMENTS

	31/12/2016	**31/12/2015**
Group internal	249,383.83	1,418,680.40
Accrued interest	379,693.65	292,541.51
Tax accruals	17,102.55	0.00
Other accrued income	186,171.50	111,005.18
Total	832,351.53	1,822,227.09

20 LIABILITIES TO CREDIT INSTITUTIONS

	31/12/2016	31/12/2015
Other than repayable on demanded	9,000,000.00	15,000,000.00
Total	9,000,000.00	15,000,000.00

21 DEBT SECURITIES ISSUED TO THE PUBLIC

	31/12/2016	31/12/2015
Publicly issued bonds	65,000,000.00	30,000,000.00
Total	65,000,000.00	30,000,000.00

Taaleri Plc has issued one bond in 2016 and two in 2014. The bond issued in 2016 is listed on the Nasdaq HEL Corporate Bond market and the bonds issued in 2014 are listed on the Nasdaq First North Bond Market Finland. See note '34 Debt securities issued to the public' to the consolidated financial statements.

22 OTHER LIABILITIES

	31/12/2016	31/12/2015
Accounts payable	57,176.25	129,235.39
Tax account liabilities	0.00	637,720.80
Other liabilities	26,015.33	127,914.69
Other group internal liabilities	70,400.59	10,930.86
Total	153,592.17	905,801.74

23 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2016	31/12/2015
Group internal accrued expenses	19,905.80	47,204.75
Holiday pay liability	251,690.68	247,885.65
Accrued interest	701,855.65	650,107.60
Accrued tax	-	2,186.31
Other accrued expenses	248,466.94	289,896.67
Total	1,221,919.07	1,237,280.98

24 ITEMS DENOMINATED IN DOMESTIC AND FOREIGN CURRENCY AND CONSOLIDATED ITEMS

2016	EUR	Other than EUR	Total	Group internal
Receivables from credit institutions	33,013,392.42	-	33,013,392.42	-
Receivables from the public and general government	4,000,000.00	-	4,000,000.00	-
Shares and units	80,283,654.66	-	80,283,654.66	77,883,946.42
Other assets	979,378.74	-	979,378.74	271,078.22
Total	118,276,425.82	-	118,276,425.82	78,155,024.64
Liabilities to credit institutions	9,000,000.00	-	9,000,000.00	-
Debt instruments issued to the public	65,000,000.00	-	65,000,000.00	-
Other liabilities	1,375,511.24	-	1,375,511.24	318,867.53
Total	75,375,511.24	-	75,375,511.24	318,867.53

2015	EUR	Other than EUR	Total	Group internal
Receivables from credit institutions	11,193,153.08	-	11,193,153.08	-
Receivables from the public and general government	8,500,000.00	-	8,500,000.00	-
Shares and units	67,373,974.93	-	67,373,974.93	64,977,599.99
Other assets	2,273,167.11	-	2,273,167.11	1,804,270.99
Total	89,340,295.12	-	89,340,295.12	66,781,870.98
Liabilities to credit institutions	15,000,000.00	-	15,000,000.00	-
Debt instruments issued to the public	30,000,000.00	-	30,000,000.00	-
Other liabilities	2,143,082.72	-	2,143,082.72	58,135.61
Total	47,143,082.72	-	47,143,082.72	58,135.61

25 FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES, AND FAIR VALUE HIERARCHY

2016	Carrying amount	Fair value
Financial assets		
Receivables from credit institutions	33,013,392.42	33,013,392.42
Receivables from the public and general government	4,000,000.00	4,000,000.00
Shares and units	2,399,708.24	2,399,708.24
Shares and units in group companies	77,883,946.42	77,883,946.42
Total	117,297,047.08	117,297,047.08
Financial liabilities		
Liabilities to credit institutions	9,000,000.00	9,000,000.00
Debt securities issued to the public	65,000,000.00	67,084,332.20
Total	74,000,000.00	76,084,332.20

2015	Carrying amount	Fair value
Financial assets		
Receivables from credit institutions	11,193,153.08	11,193,153.08
Receivables from the public and general government	8,500,000.00	8,500,000.00
Shares and units	2,396,374.94	2,396,374.94
Shares and units in group companies	64,977,599.99	64,977,599.99
Total	87,067,128.01	87,067,128.01
Financial liabilities		
Liabilities to credit institutions	15,000,000.00	15,000,000.00
Debt securities issued to the public	30,000,000.00	31,713,989.07
Total	30,000,000.00	31,713,989.07

Financial instruments measured at fair value

2016	Level 1	Level 2	Level 3	Total
Shares and units				
Held for trading	15,461.53	-	-	15,461.53
Available for sale	-	-	4,234.71	4,234.71
Total	15,461.53	-	4,234.71	19,696.24

2015	Level 1	Level 2	Level 3	Total
Shares and units				
Held for trading	12,128.23	-	-	12,128.23
Available for sale	-	-	4,234.71	4,234.71
Total	12,128.23	-	4,234.71	16,362.94

Levels of hierarchy

Level 1: Fair values are based on the prices quoted on the active market on identical assets or liabilities.

Level 2: Fair values are based on information other than quoted prices included within level 1 that are observable for the asset or liability, either directly (from prices) or indirectly (derived from prices). When measuring the fair value of these instruments, Taaleri Group uses generally accepted valuation models whose information is based to a significant degree on verifiable market information.

Level 3: Fair values are based on information concerning an asset or liability, which is not based on verifiable market information. Level 3 assets are mainly valued at a price received from an external party or, if no reliable fair value is available/determinable, at purchase price.

26 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

31/12/2016	Receivables from credit institutions	Receivables from the public and general government	Liabilities to credit institutions	Debt securities issued to the public
less than 3 months	33,013,392.42	-	-	-
3–12 months	-	-	1,000,000.00	10,000,000.00
1–5 years	-	4,000,000.00	8,000,000.00	55,000,000.00
5–10 years	-	-	-	-
more than 10 years	-	-	-	-
Total	33,013,392.42	4,000,000.00	9,000,000.00	65,000,000.00

31/12/2015	Receivables from credit institutions	Receivables from the public and general government	Liabilities to credit institutions	Debt securities issued to the public
less than 3 months	11,193,153.08	-	-	-
3–12 months	-	4,500,000.00	1,000,000.00	-
1–5 years	-	-	14,000,000.00	30,000,000.00
5–10 years	-	4,000,000.00	-	-
more than 10 years	-	-	-	-
Total	11,193,153.08	8,500,000.00	15,000,000.00	30,000,000.00

27 INCRESES AND DECREASES OF EQUITY DURING THE FINANCIAL PERIOD

	01/01/2016	**Increase**	**Decrease**	**31/12/2016**
Share capital	125,000.00	0.00	0.00	125,000.00
Reserve for invested non-restricted equity	37,838,002.40	0.00	1,698,337.20	36,139,665.20
Retained earnings or loss	4,234,210.00	0.00	3,962,786.80	271,423.20
Profit (loss) for the period	0.00	6,364,826.18	0.00	6,364,826.18
Total	42,197,212.40	6,364,826.18	5,661,124.00	42,900,914.58

Parent company distributable assets 31 December 2016 42,775,914.58

	01/01/2015	**Increase**	**Decrease**	**31/12/2015**
Share capital	125,000.00	0.00	0.00	125,000.00
Reserve for invested non-restricted equity	14,638,002.40	23,200,000.00	0.00	37,838,002.40
Retained earnings or loss	4,384,055.24	0.00	2,458,989.48	1,925,065.76
Profit (loss) for the period	0.00	2,309,144.24	0.00	2,309,144.24
Total	19,147,057.64	25,509,144.24	2,458,989.48	42,197,212.40

Parent company distributable assets 31 December 2015 42,072,212.40

NOTES CONCERNING GUARANTEES AND CONTINGENT LIABILITIES

28 GUARANTEES AND CONTINGENT LIABILITIES

Off balance sheet items	31/12/2016	31/12/2015
Pledged securities	15,000,000.00	25,200,000.00
Credit limits (unused)	5,000,000.00	5,000,000.00
Total	20,000,000.00	30,200,000.00

29 PENSION LIABILITIES

Statutory pension cover for the company's employees and management is arranged through a TyEL insurance policy. Additional voluntary pension insurance has been taken out for the company's management. The company has no unrecognised pension liabilities.

30 LEASING AND OTHER RENTAL LIABILITIES

31/12/2016	< 1 year	1–5 years
Leasing payments	117,873.25	137,837.09
Total	117,873.25	137,837.09

31/12/2015	< 1 year	1–5 years
Leasing payments	86,514.43	92,022.48
Total	86,514.43	92,022.48

LIST OF ACCOUNTING JOURNALS

Income Statement	in paper form
Balance sheet	in paper form
Journal	in paper form
General ledger	in paper form
Purchases ledger	in electronic form
Salary bookkeeping	outsourced

DOCUMENT TYPES AND MEANS OF STORAGE

TITO	Bank statements	in paper form
NRD	Nordea bank statements	in paper form
DANSKE	Danske Bank statements	in paper form
OTHER	Other bank statements	in paper form
EL	Electronic purchase invoices	in electronic form
M2	Travel expense entries	in electronic form
PT	General ledger entries	in paper form
MT	Memo vouchers	in paper form

All bookkeeping material is kept at the company’s own premises as required by law.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Parent company	Registered office	Business ID	Group ownership	
Taaleri Plc	Helsinki	2234823-5		

Parent company's direct shareholdings	Registered office	Business ID	Group ownership	
Taaleri Energia Oy [1)]	Helsinki	2772984-6	100.00%	new
Taaleri Private Equity Funds Ltd	Helsinki	2264327-7	100.00%	
Taaleri Investments Ltd	Helsinki	2432616-0	100.00%	
Taaleri Wealth Management Ltd	Helsinki	2080113-9	100.00%	
Garantia Insurance Company Ltd	Helsinki	0944524-1	100.00%	

Other group companies	Registered office	Business ID	Group ownership	
Kultataaleri Oy	Helsinki	2436455-4	100.00%	
Taaleri Aurinkotuuli GP Oy [1)]	Helsinki	2787459-2	100.00%	new
Taaleri Energia Operations Oy [1)]	Helsinki	2710646-2	100.00%	
Taaleri Kapitaali Oy [1)]	Helsinki	2772994-2	70.00%	new
Taaleri Portföy Yönetim A.S.	Helsinki	844753	82.84%	
Taaleri Tax Services Ltd	Helsinki	2504066-6	75.00%	
Taaleri Fund Management Ltd	Helsinki	2062840-1	100.00%	
Bonus Solutions Oy [1)]	Helsinki	2714418-6	75.00%	
Taaleri Afrikka Rahaston hallinnointiyhtiö Oy	Helsinki	2606112-7	100.00%	
Taaleri Afrikka Rahasto II GP Oy	Helsinki	2772992-6	100.00%	new
Taaleritehtaan Asuntorahaston hallinnointiyhtiö Oy	Helsinki	2300464-5	100.00%	
Taaleri Porin Asuntorahaston hallinnointiyhtiö Oy	Helsinki	2364138-8	100.00%	
Taaleritehtaan Asuntorahasto III hallinnointiyhtiö Oy	Helsinki	2298024-9	100.00%	
Taaleritehtaan Rauman Asuntorahaston hallinnointiyhtiö Oy	Helsinki	2373394-4	100.00%	
Taaleri Asuntorahasto VI hallinnointiyhtiö Oy	Helsinki	2481017-1	100.00%	
Taaleri Kiertotalous GP Oy [1)]	Helsinki	2745010-8	100.00%	new
Taaleri Kiinteistökehitysrahaston hallinnointiyhtiö Oy [1)]	Helsinki	2689264-1	100.00%	
Taaleri Linnainmaankulman hallinnointiyhtiö Oy	Helsinki	2413559-1	100.00%	
Taaleri Biotehtaan hallinnointiyhtiö Oy	Helsinki	2459599-3	100.00%	
Taaleri Merenkulku GP Oy [1)]	Helsinki	2766357-6	100.00%	new
Taaleri Metsärahaston hallinnointiyhtiö Oy	Helsinki	2512332-2	100.00%	
Metsärahasto II hallinnointiyhtiö Oy	Helsinki	2723035-9	100.00%	
Taaleri Metsärahasto III hallinnointiyhtiö Oy	Helsinki	2652535-8	100.00%	
Taaleri Oaktree Syöttörahaston hallinnointiyhtiö Oy	Helsinki	2442491-6	100.00%	
Taaleri Ovitehtaan hallinnointiyhtiö Oy	Helsinki	2577306-9	100.00%	
Taaleri Telakka GP Oy [1)]	Helsinki	2743458-9	100.00%	
Taaleri Tonttirahaston hallinnointiyhtiö Oy [1)]	Helsinki	2669135-6	100.00%	
Taaleri Tonttirahasto II GP Oy [1)]	Helsinki	2781839-8	100.00%	new
Taaleri Tuulitehtaan hallinnointiyhtiö Oy	Helsinki	2382657-7	80.00%	
Taaleri Tuulitehdas II hallinnointiyhtiö Oy	Helsinki	2623494-8	100.00%	
Taaleri Tuulitehdas III GP Oy	Helsinki	2748305-7	100.00%	new
Taaleri Vuokrakoti GP Oy [1)]	Helsinki	2787453-3	100.00%	new
TT Syöttörahasto GP Oy	Helsinki	2504070-3	100.00%	
TT Syöttörahasto II GP Oy	Helsinki	2677052-1	100.00%	
TT Syöttörahasto III GP Oy	Helsinki	2637390-5	100.00%	

Associated companies	Registered office	Business ID	Group ownership	
Fellow Finance Plc	Helsinki	2568782-2	38.43%	
Inderes Oy	Helsinki	2277600-2	40.00%	new

1) Exceptional financial period, first financial period shortened/lengthened

SIGNATURES FOR THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki 27 February 2017

Peter Fagernäs
Chairman of the Board of Directors

Juha Laaksonen
Vice Chairman of the Board of Directors

Esa Kiiskinen
Member of the Board of Directors

Pertti Laine
Member of the Board of Directors

Vesa Puttonen
Member of the Board of Directors

Hanna Maria Sievinen
Member of the Board of Directors

Juhani Elomaa
CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 27 February 2017

Ernst & Young Oy
Authorized audit firm

Ulla Nykky
Authorised Public Accountant

Building a better
working world

Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki
FINLAND

Tel. +358 207 280 190
www.ey.com/fi
Business ID 2204039-6,
domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Taaleri Plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Taaleri Plc (business identity code 0545139-6) (former Taaleritehdas Plc) for the year ended 31 December, 2016. The financial statements comprise the consolidated statement of financial position comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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 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.

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

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.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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.

Revenue recognition of fee and commission income

We refer to the Summary of key accounting policies for the financial statements and the note 4.

Fee and commission income in the consolidated group accounts amounted to 33.235 t€. Fee and commission income is based, for example, on fund units, asset management, securities brokerage and the issuance of securities. Revenue recognition of fee and commission income has been assessed as a risk in terms of its timely recognition and at proper amount.

Our audit procedures included, among other things, assessing the compliance of the Group's accounting policies over revenue recognition of the fees and commissions with applicable accounting standards. We also identified and tested the key controls relating to revenue recognition.

We tested the sales cutoff with analytical procedures. We supplemented our procedures with test of details on a transaction level in order to assure that the fees and commissions have been recognized in a right accounting period and they are in compliance with the corresponding agreements. In addition, we also assessed the adequacy of disclosures relating to the fee and commission income of the group.

Valuation of unearned premiums and claims outstanding

We refer to the Summary of key accounting policies for the financial statements and the note 25.

At the balance sheet date, the value of insurance liabilities amounted to 14.998 t€. The amount comprises mostly provisions from unearned premiums and claims outstanding. The assessment of liabilities includes management assumptions and estimates relating to future amounts to be paid and still unknown claims.

Our audit procedures included, among other things, the assessment of the process relating to the identification and evaluation the provisions as well as identification of the key controls. In connection with the audit, we also assessed the methodologies and assumptions used. We involved our own internal actuarial specialist to assist us in assessing the assumptions used. We also assessed the adequacy of disclosures relating to insurance liabilities.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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 of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director'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 company 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

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

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 identified above 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 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 in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki, February 27, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Ulla Nykky
Authorized Public Accountant