TAALERI PLC

BOARD OF DIRECTORS' REPORT & FINANCIAL STATEMENTS

2017

TAALERI

TABLE OF CONTENTS

TAALERI GROUP 1 JANUARY–31 DECEMBER 2017

- The Group's income grew by 33.7 per cent to EUR 81.0 million (1–12/2016: EUR 60.6 million)
- The Group's assets under management grew by 16.3 percent to EUR 5.6 (4.8) billion.
- The Group's operating profit increased by 69.0 per cent to EUR 27.6 (16.3) million.
- Earnings per share were EUR 0.76 (0.45).
- The Board of Directors proposes a dividend of EUR 0.26 (0.22) per share to be distributed.

The Group's Realised Financial Objectives	2017	2016	Objective
Operating profit, EUR million	27.6	16.3	-
Operating profit, %	34.1	27.0	> 20.0
Profit for the financial period, EUR million	21.8	12.8	-
Return on equity, %	21.8	13.4	> 15.0*
Equity ratio, %	46.3	44.0	> 30.0
Conglomerate's capital adequacy ratio, %	251.2	268.9	> 150.0
Financial targets of segments			
Growth in assets under management, %	16.5	23.1	> 15.0
Growth in gross premiums written, %	24.7	21.9	> 15.0

* long term objective

The income of the **Wealth Management segment** grew by 47.3 per cent to EUR 54.6 (37.1) million. The operating profit of Wealth Management grew by over ten million euros to EUR 16.6 (6.2) million, representing 30 (17) per cent of income. Wealth Management continued to invest in business growth and succeeded in raising more capital through various private equity fund projects and thanks to the success of investment operations. The number of customers increased during 2017 to a total of 4,400 (3,900), and assets under management by 17 (23) percent to EUR 5.5 (4.7) billion.

The insurance premium income of the **Financing segment** grew by 24.7 percent to EUR 15.2 (12.2) million. The income grew significantly to EUR 21.8 (12.3) million, consisting of net income from guaranty insurance operations of EUR 9.8 (8.7) million and realised net income from investment operations of EUR 11.9 (3.6) million. The return on investment at fair value was 6.6 (5.8) per cent. Garantia's insurance portfolio grew by 13 percent and was EUR 1.5 (1.3) billion at the end of 2017. Claims incurred remained low.

The Energy segment was established in summer 2016. Energy operates in international energy infrastructure markets seeking new investment opportunities. Over the year, Energy successfully launched the international Aurinkotuuli Fund. The Aurinkotuuli Fund raised over EUR 87 million capital and, at the end of the year, was able to make the first international investments in renewable energy. The Energy segment's result was a loss of EUR 1.5 million due to the start-up of business.

Other operations consist of Taaleri Plc, Taaleri Investments Ltd Group and associated companies Fellow Finance Plc, Inderes Oy and Ficolo Oy. During the first half of 2017, Taaleri Investments Ltd made an exit from its co-investment in Mattiovi Oy and decided on co-investments in geothermal energy and a data centre.

TAALERI IN BRIEF

Taaleri is a 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 Ltd Group, Taaleri Investments Ltd Group, Taaleri Energia Oy Group and Garantia Insurance Company Ltd. In addition, Taaleri has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, Inderes Oy, which produces analyses and marketing information for investors, and Ficolo Oy, which develops data centres.

At the end of December 2017, Taaleri had assets under management totalling EUR 5.6 billion and 4,400 asset management customers. Taaleri Plc has some 3,900 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

More information about our company and services: www.taaleri.com

REVIEW BY THE CEO: PROFIT FOR THE FINANCIAL PERIOD GREW BY 70.6% AND EARNINGS PER SHARE WERE EUR 0.76

Taaleri's 2017 result was excellent. We succeeded in increasing our income by 33.7 per cent to EUR 81 million and increasing our operating profit by 69 per cent to EUR 27.6 million. Taaleri Group's profit for the period rose to EUR 21.8 million, an improvement of 70.6 per cent from last year. Earnings per share were EUR 0.76.

In 2017, the investment environment was favourable for our business. The low interest level, non-existent inflation and rising stock prices are a rare and optimal situation for an investor, which supported Taaleri's business throughout the year.

All business segments developed well, income of the Wealth Management segment grew by 47 per cent

The Wealth Management segment enjoyed excellent development in 2017, and the company has succeeded in raising more capital through various private equity fund projects as well as through the success of mutual funds. In Wealth Management, performance fees nearly tripled. The assets under management in Wealth Management grew by 17 per cent to EUR 5.5 (4.7) billion. The income of Wealth Management in the review period increased by 47 per cent to EUR 54.6 (37.1) million.

The Financing segment is comprised of Garantia Insurance Company Ltd. The development has been positive, both in relation to premiums written, low claims incurred and successful investment operations. The premiums written increased by 25 per cent to EUR 15.2 (12.2) million. The claims ratio representing claims incurred remained low at 10 (12) per cent, and the return on investment at fair value was excellent at 6.6 (5.8) per cent.

The Energy segment started operations on 1 July 2016 and is in a heavy investment phase, which is why the segment's result is still negative (EUR -1.5 million). The aim is to expand to international energy projects. The financial period gone by was a breakthrough year for the Energy segment, and we invested into several important projects for the future through our fund. Last year, we started significant cooperation activities with Masdar, an Abu Dhabi-based energy investor. In Finland, we are investing in the operative activities of ongoing wind power projects.

Taaleri invests into Finland

Taaleri's activities are guided by the intention and objective of creating a culture of ownership in Finland. This intention is supported by our large customer base. Working together with our customers, we have the opportunity to influence the Finnish economy through concrete measures. Taaleri has invested over EUR 1.3 billion in Finland, for example through our real estate, forest and wind funds.

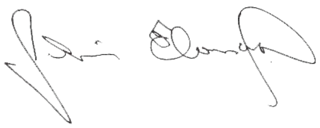
Financial targets and dividend proposal

Taaleri's long-term operating profit target is at least 20 per cent of income, for return on equity in the long term at least 15 per cent, and the equity ratio target is at least 30 per cent. In addition to these, the company strives 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 as well as the expiration of the special permission by the Finnish Financial Supervisory Authority regarding the capital adequacy requirement.

The Board of Directors proposes that a dividend of 0.26 euros per share be paid for the 2017 financial year.

The most significant factors affecting the Group's operating profits are changes in the external operating environment and changes in the financial situation in Finland.

The success in 2017 creates an excellent starting point for building 2018 and the entire new decade of the company's journey. I want to thank our customers, owners and personnel for our shared journey so far. The journey continues.



Juhani Elomaa
CEO
Taaleri Plc

REVIEW BY THE BOARD OF DIRECTORS' 1 JANUARY–31 DECEMBER 2017

OPERATING ENVIRONMENT

2017 was an excellent investment year because the global economic growth was comprehensive and exceeded expectations. In the United States, stock indices broke records, and the rise in share prices brought valuation levels to historic heights. The strong growth of returns, in particular, and low return expectations in other asset categories contributed to the good profits from shares. Interest in alternative investments has also remained high. Early in the year, the investment market and operating environment were characterised by the increase in political risk in Europe and the Unites States, in particular. However, the tensions eased towards the end of the year and, in the Unites States, the Trump administration managed to get the long-awaited corporate tax reform through the Congress.

Growth of the Finnish economy continued in 2017. Domestic demand remained strong and private investments, in particular, increased. The growth of exports was supported by the continued positive development of key export markets and improvement of Finland's cost competitiveness. In services and construction, the improvement of the economic situation has been visible for longer, but now industrial companies' capacity utilisation rates also rose, profitability improved and investments took a clear upturn, supported by the low interest level. Domestic consumption increased due to the employment situation, and the low interest level improved consumers' purchasing power.

In addition to the favourable investment environment, the operational environment is influenced by the key change trends affecting the financial sector, of which the effects of some are clearer and some are harder to analyse. Such change trends that directly or indirectly affect our business are changes in customer behaviour, regulation, digitalisation, risks being redefined, and climate change. According to its original mission Taaleri is a wealth manager. As the world changes, the wealth management methods have changed. Companies can't be independent of their operating environments, but by creating flexible solutions and structures a company is far better equipped to handle big changes in the sector and can at best even benefit from them.

TAALERI'S BUSINESS DURING THE FINANCIAL PERIOD

Taaleri's profit development continued strong throughout the financial period. The development of continuous earnings can be considered an especially fine achievement resulting from successful private equity funds and strong development of mutual funds. The positive profit development of the Financing segment continued, thanks to the increase in premiums written, low claims incurred and successful investment operations. The successful funds also generated good performance fees. During the year, there was a successful exit from the Mattiovi co-investment, the sale of Forest Fund I, and the additional earn-out for the Ratiperä wind farm, which was sold in 2016, was received.

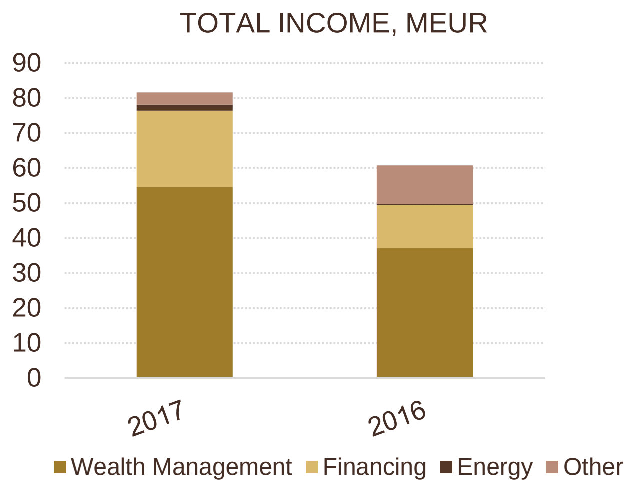
In the first half of the year, Taaleri raised EUR 87 million for the international renewable energy fund, Taaleri Aurinkotuuli. Taaleri's Aurinkotuuli Fund made its first international investments into renewable energy during the second half of the year and managed to form significant international partnerships. In accordance with its strategy, Taaleri invested in co-investments in 2017 and made several co-investments with its customers. During the year, a decision was made to finance a geothermal electricity production project in Germany and to develop a significant data centre in the Helsinki Metropolitan Area.

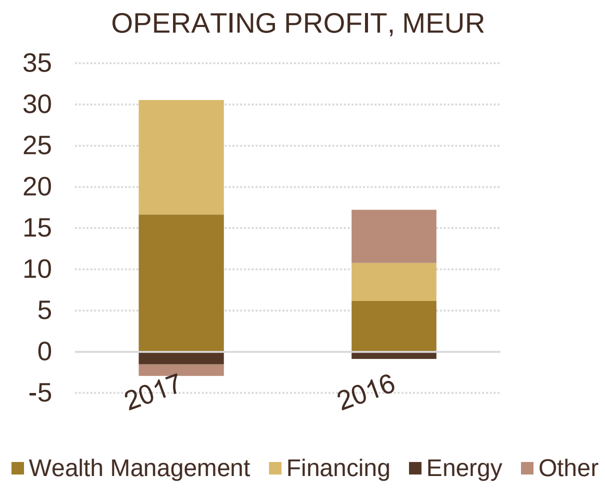
The company has invested strongly in profitability development, managing to keep administrative expenses under control, especially in the Wealth Management segment. The good income development raised though variable salaries. In December, Taaleri announced a management system reform aimed at enhancing the efficiency of operations and achieving an operating model that supports the core processes more strongly.

Taaleri Group

The Group's income grew by 33.7 per cent to EUR 81.0 (60.6) million. The Group's fee and commission income increased by 56.4 percent to EUR 52.0 million (33.2), of which performance fees amounted to EUR 15.8 million (5.8). Net income from insurance operations grew by 76.4 per cent to EUR 21.7 (12.3) million, of which guaranty insurance operations grew by 12.7 per cent to EUR 9.8 (8.7) million and realised net income from investment operations tripled to EUR 11.9 (3.6) million. Taaleri Group's investment operations without Garantia's investment operations yielded EUR 2.9 (11.2) million, where the comparison period 2016 included the Finsilva exit, which yielded a sales profit of EUR 8.5 million and dividend yields of EUR 1.3 million for the Group. In private equity fund projects, sales profits of EUR 3.8 (3.1) million were recorded. The return on investment in insurance operations at fair value was 6.6 (5.8) per cent.

The Group's operating profit increased by 69.0 per cent to EUR 27.6 (16.3) million and represented 34.1 (27.0) per cent of the Group's income. The Group's administrative and operating costs, with the exception of personnel costs, decreased by 2.0 per cent. Personnel costs increased by 30.9 per cent to EUR 29.3 (22.4) million due to the increase in variable salaries to EUR 11.2 (5.7) million, and the establishment of the Energy segment in August 2016.





Profit for the financial period increased by 70.6 per cent to EUR 21.8 (12.8) million. Comprehensive income for the financial period was EUR 19.0 (15.8) million.

Taaleri manages its business 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 in parent company Taaleri Plc and the Group's own investments, as well as the Group's shares of Fellow Finance Plc, Inderes Oy and Ficolo Oy.

RESULT AND RISK POSITION OF THE WEALTH MANAGEMENT SEGMENT

Taaleri's Wealth Management segment comprises wealth management for private individuals and corporate customers as well as diversified investment products. Taaleri's own key investment products cover equity and fixed income funds as well as private equity funds, which invest in, among other things, forest, property, renewable energy and various industries.

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiaries, Taaleri Private Equity Funds Ltd Group and Taaleri Kapitaali Oy. During the financial period a decision was made to divest the Turkish operations and 66 percent of the holding in former subsidiary Taaleri Portföy Yönetimi A.S. was sold to its executive management. During the financial period, the segment's average number of full-time personnel was 119 (123).

Customers' investment yields were excellent in 2017, and the new product innovations were interesting, bringing growth to the level sought by Wealth Management. The combination of cost-efficiency and the factors listed above resulted in the best ever result of the Wealth Management segment.

The mutual funds managed by Taaleri did very well in the review period, and the assets under management in the funds increased by 26 per cent. Measured by returns in 2017, seven funds achieved first place in competitor comparisons, and over half of the funds were in the top three. Thanks to the success of the funds, performance fees also increased significantly. In June, the non-UCITS fund Micro Rhein achieved its target size and was subjected to a pre-planned size restriction, or soft closing. The offering of fixed income funds was supplemented with the new Taaleri Short Bond Fund.

In private equity funds, the most significant events of the review period included the sale of Taaleri's co-investment Mattiovi Oy and the Taaleri Forrest Fund I private equity fund. During the year private equity funds Africa II, Property Fund II and Aurinkotuuli achieved their target sizes and were closed. Co-investment item Taaleri Geothermal energy, implemented through Taaleri Investments Ltd, raised capital in the spring in record time and, during the latter part of the year, co-investment item Taaleri Varustamo started raising capital.

The development of business processes continued. The new MiFID II regulation introduced many new obligations for asset managers, and the company invested in their digital implementation. The objective of development is the best customer experience and enhancing the efficiency of operations.

The income of Wealth Management in the review period increased by 47 per cent to EUR 54.6 (37.1) million. The continuing fees of Wealth Management grew by 26 per cent to EUR 35.7 (28.3) million. The primary driver of the growth is the increase in the assets under management in private equity and mutual funds. The performance fees grew significantly to EUR 15.8 (5.8) million. Performance fees were recorded from mutual funds as well as from the sales of the Mattiovi Oy co-investment and Taaleri Forest Fund I private equity fund. Performance fees include a performance fee adjustment of EUR -0.9 million from the Biofactory exit.

The profit from investment operations remained at last year's level at approximately three million euros. The profits from investment operations mainly consist of exits from projects developed by the private equity funds and also includes a loss of EUR 0.7 million recorded from the sale of subsidiary Taaleri Portföy Yönetimi A.S. The administrative expenses increased from last year, mainly due to increased variable personnel costs. Wealth Management's operating profit grew by 170 per cent to EUR 16.6 (6.2) million.

Wealth Management	1–12/2017	1–12/2016	Change, %
EUR million			
Wealth Management fees	35.7	28.3	26.1
Performance fees	15.8	5.8	173.4
Investment operations	3.1	3.0	3.4
Total	**54.6**	**37.1**	**47.3**
Operating profit	**16.6**	**6.2**	**169.8**
Average full-time personnel	119	123	-3.6

The assets under management by Wealth Management grew by 17 percent to EUR 5.5 billion (4.7). Assets under management grew strongly in discretionary wealth management and in funds. The assets under management in our own mutual funds grew by 26.4 per cent to EUR 1.1 (0.9) billion. The assets under management in our own private equity funds and co-investments grew by 19.6 per cent to EUR 1.1 (0.9) billion. Assets under management in discretionary wealth management grew by 23.8 per cent to EUR 1.8 (1.4) billion, while assets in consultative wealth management remained at last year's level at EUR 1.5 billion.

Assets under Management	31 December 2017	31 December 2016	Change, %
EUR million			
Assets under Management	**5,451**	**4,678**	**16.5**
Mutual funds	1,083	857	26.4
Private equity funds	1,052	880	19.6
Discretionary wealth management	1,772	1,431	23.8
Consultative wealth management	1,544	1,511	2.2

The result of the Wealth Management segment is influenced by the development of assets under management, which depends on the progress of the private equity funds' projects and the development of private equity markets. The profit development is also influenced by the realisation of performance fee and commission income tied to the success of investment operations. On the other hand, private equity fund management fees are based on long-term contracts that bring in a steady cash flow.

RESULT AND RISK POSITION OF THE FINANCING SEGMENT

The Financing segment includes Garantia Insurance Company Ltd, an insurance company specialising in guaranty insurance. Through its solutions, Garantia helps its customers promote their sales, secure their financing and improve their capital efficiency. The company's main products are loan guaranties and commercial bonds offered to Finnish companies and residential mortgage guaranties offered through partners. Garantia is actively involved in various financing arrangements and develops new solutions for its customers' needs. The company's business is divided into insurance operations and investment operations.

Financing, EUR million	1-12/2017	1-12/2016	Change, %
Net income from guaranty insurance operations	9.8	8.7	12.7
Net income from investment operations	11.9	3.6	230.1
Income	**21.8**	**12.3**	**76.4**
Operating expenses	-7.8	-7.7	1.9
Operating profit before valuations	**13.9**	**4.6**	**200.5**
Change in fair value of investments	**-3.6**	**3.1**	**-217.6**
Result at fair value before tax	**10.3**	**7.7**	**33.9**
Claims ratio, %	10.1	12.4	-2.3 % pts.
Expense ratio, %	50.1	51.7	-1.6 % pts.
Combined ratio, %	60.3	64.1	-3.8 % pts.
Return on investment at fair value, %	6.6	5.8	0.8 % pts.
Average full-time personnel	25	21	

	31 December 2017	31 December 2016	Change, %
Investment assets, fair value	134	127	7.2
Guaranty insurance portfolio	1,491	1,320	13.0
Credit rating	A-	A-	

The income of the Financing segment grew significantly to EUR 21.8 (12.3) million. The net income from insurance operations grew by 12.7 per cent to EUR 9.8 (8.7) million due to the strong growth of premiums written and continued low claims incurred. Net income from investment operations grew to EUR 11.9 (3.6) million as a result of sales profits recorded in the income statement, which were much greater than in the comparison period.

Operating expenses remained at the level of the comparison period at EUR 7.8 (7.7) million. The operating profit of the Financing segment before valuations tripled from the level of 2016 to EUR 13.9 (4.6) million. The result at fair value before tax was EUR 10.3 (7.7) million.

Insurance operations

Premiums written (gross, or before reinsurers' share) grew by 25 per cent to EUR 15.2 (12.2) million and premiums earned (net, or after reinsurers' share) by 12 per cent to EUR 10.6 (9.5) million. Strong growth in the construction sector and the brisk housing market increased guaranty fees, especially in commercial bonds and residential mortgage guaranties. New business in corporate loan guaranties continued to grow, but despite low interest rates, demand for corporate loan guaranties remained low.

The gross exposure of the guaranty insurance portfolio increased by 13 percent and was EUR 1,491 (1,320) million at the end of the year. Residential mortgage guaranties accounted for 39 (35) per cent of the gross exposure, commercial bonds 31 (27) per cent, loan guaranties 24 (31) per cent and other guaranties 6 (7) per cent.

Insurance claims paid remained exceptionally low. The claims ratio was 10.1 (12.4) per cent and insurance claims paid (less reinsurers' share and including the share of actual operating expenses allocated to claims handling) in respect to the guaranty insurance portfolio 0.07 (0.09) per cent. In 2017, EUR 0.6 (1.2) was paid in claims, of which approximately 85 per cent was due to residential mortgage guaranties, 10 per cent to loan guaranties and the rest to commercial bonds. Of that sum, EUR 0.0 (0.2) million was recorded in claims of recourse. Of claims paid during and before the financial period, EUR 0.9 (0.6) was recovered. Of that sum, EUR 0.3 (0.2) million was allocated to claims of recourse. The net provision for claims outstanding (or less reinsurers' share) grew to EUR 1.6 (0.9) million, which increased claims paid by EUR 0.7 million.

Garantia has received information that a matter concerning a potential insurance event and a EUR 5 million claim with penalty consequences and legal fees has become pending in the Helsinki District Court. The insurance claim concerns a pension fund which was a loan guaranty customer of Garantia in 2011 and which was placed in liquidation in December 2011 under the Pension fund act (1164/1992, as amended), related to which Garantia originally received a claim on 30 December 2011. Garantia considers that the claim is still unfounded which is why it has not been entered in the profit and loss account as a provision for outstanding claims. In Taaleri Group's financial report, the insurance claim is presented as a contingent liability.

The expense ratio of insurance operations strengthened to 50.1 (51.7) per cent and the combined ratio to 60.3 (64.1) per cent due to the strong growth of premiums earned (net).

Investment activity

Net income from investment operations was EUR 11.9 (3.6) million and consisted of interest income and investment sales profits, which were considerably greater than in the comparison period. As a result of the sales, the change in the fair value of investment assets before taxes was EUR -3.6 (+3.1) million. Return on investment at fair value thus totalled EUR 8.3 (6.7) million, or 6.6 (5.8) per cent. The investment portfolio (including cash and bank balances) was worth EUR 134 (127) million.

Risk position

The principal risks associated with the Financing segment's business operations are credit risks arising from guaranty operations, and the market risk regarding investment assets covering technical provisions.

The risk position of guaranty insurance operations remained stable in 2017. The growth of insurance exposures took place in the well diversified residential mortgage guaranties and in short term commercial bonds covered by comprehensive reinsurance. The share of the insurance exposure classified as investment grade, i.e. with a rating between AAA- and BBB-, excluding residential mortgage guaranties, residual value guaranties and assumed reinsurance was 21 (21) per cent. The share of those with lower credit ratings of C+ or lower remained low and was 2.7 (2.8) per cent. The principal sectors in the insurance exposure were construction at 44 (37) per cent and manufacturing at 25 (26) per cent. 55 (52) per cent of construction guaranties are reinsured.

As a part of Taaleri Group, Garantia falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of the year, Garantia's largest single customer risk amounted to 20.8 (38.9) per cent of Taaleri Group's own funds.

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 was increased to secure the return level. Fixed income investments (incl. cash and bank balances) made up 76 (79) per cent, and equity investments (incl. private equity investments) 23 (20) per cent of the investment portfolio. 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 (excl. fixed income funds) was 54 (70) per cent. The modified duration of fixed income investments was 3.7 (3.0).

For a while now, the Bank of Finland and the Financial Supervisory Authority have been concerned about the level of incurred debts of Finnish households and have thus justified the need for an earnings-related debt ceiling and for limiting the guaranties accepted in the calculation of maximum credit ratio. For this part, the possible change in regulation may have a significant impact on Garantia's ability to offer residential mortgage guaranties in the future.

Credit rating

No changes took place in Garantia's credit rating or its outlook during the year. On 19 December 2017 Standard & Poor's Credit Market Services Ltd (S&P) confirmed Garantia Insurance Company Ltd.'s financial strength rating as A- with a stable rating outlook.

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's existing expertise in renewable energy is being utilised in the new business. Energy operates on international energy infrastructure markets seeking new investment opportunities. Its operations are based on the life-cycle model: Energy is responsible for seeking and selecting targets to develop, and of project development, construction and operation all the way to the controlled shutdown of energy plants.

Taaleri has considerable expertise in the implementation and financing of both solar energy and wind power projects. Seventeen people work in the Energy segment in various tasks related to business operations and technology. The Energy segment comprises Taaleri Energia Oy, Taaleri Energia Operations Oy and Taaleri Energia Funds Management Ltd.

The Energy segment makes investments in the different stages of energy projects in Finland and internationally, mainly in industrial-scale projects. The objective is to observe a wide diversification in the selection of investment items. Energy invests particularly in wind and solar power but also in more traditional energy sources and networks. The energy business also includes control activities of energy production plants, which is intended to bring to the company a steady and long-term cash flow. The Energy segment operates in close cooperation with Wealth Management. The capital is primarily committed to new investments through funds.

In the first half of 2017, Taaleri Aurinkotuuli, an international renewable energy fund that mainly invests in solar and wind power, was launched successfully. Taaleri Private Equity Funds serves as the alternative investment fund manager. At the end of the year, Taaleri Aurinkotuuli made its first investments as it acquired 30 per cent shares of Serbia's largest 158 MW Čibuk wind power project and Jordan's largest 248 MWp Baynouna solar energy project. In both projects, Taaleri is partnered with Masdar, one of the world leaders in renewable energy. Masdar is owned by Abu Dhabi Emirate's Investment Company Mubadala.

In addition, indicative offers have been made throughout the year for projects in North America, Europe, Africa, the Middle East and India. The Energy segment currently has exclusive rights to negotiate about an investment to be made by Taaleri Aurinkotuuli in Eastern Europe.

Energy segment, EUR million	1–12/2017	1–12/2016	Change, %
Income	1.8	0.3	430.8
Operating profit	-1.5	-0.9	78.1
Average full-time personnel	16	4	267.4

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 done through Taaleri Investments Ltd, and Taaleri's shares in Bonus Solutions Oy, Fellow Finance Plc, Inderes Oy and Ficolo Oy.

The Group's investment company Taaleri Investments Ltd invests from its own balance sheet in unlisted and listed companies directly and on the principles of co-investment. Taaleri Investments Ltd aims to make longer-term investments where value is created for Taaleri through ownership and combining entrepreneurship, ideas and capital.

Taaleri Investments Ltd.'s returns consist of the changes in value of investments and of sales profits/losses gained in connection with investment sales. The returns and income of Taaleri Investments Ltd may thus vary significantly between periods under review. During the financial period, Taaleri Investments Ltd sold its co-investment item Mattiovi Oy and recorded a profit of EUR 1.8 million. The reference period includes a sales profit of EUR 8.5 million from the sale of Finsilva Oyj. During the financial period, a decision was made to finance a geothermal electricity production project in Germany and to develop a significant data centre in the Helsinki Metropolitan Area.

Associated company Fellow Finance Plc offers an online peer-to-peer lending service, and its returns consist of fee and commission income from loans transmitted between lenders and financiers. In December, Fellow Finance Plc became the first company offering crowdfunding and peer-to-peer lending services to be authorised as a payment institution by the Financial Supervisory Authority. Associated company Inderes Oy is an analytics company specialising in stock research and Ficolo Oy develops data centres in Finland. Taaleri Investments Ltd.'s subsidiary Bonus Solutions Oy is developing a new kind of invoice payment service for Finns, attempting to utilise the change in the regulation of payment services.

Income from other operations amounted to EUR 3.4 (11.0) million. Investments in other operations totalled 26.9 (10.3) million and loan receivables were EUR 6.5 (6.8) million.

Other operations, EUR million	1–12/2017	1–12/2016	Change, %
Income	3.4	11.0	-68.8
Operating profit	-1.4	6.4	-121.7
Investments, fair value	26.9	10.3	162.2
Average full-time personnel	16	18	-15.3

TAALERI'S BALANCE SHEET AND FINANCING

The balance sheet total of the Taaleri Group was EUR 229.3 (213.3) million. The Group's investments were EUR 165.8 (135.1) million, corresponding to 72.3 (63.4) per cent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 62.7 (73.7) million, which consisted of the bond programme of Taaleri Plc of EUR 54.8 (64.7) million and liabilities to credit institutions of EUR 8.0 (9.0) million. Liabilities totalled EUR 123.2 (119.4) million and equity stood at 106.1 (93.8) million.

The equity ratio of Taaleri Group remained strong and was 46.3 (44.0) per cent.

TAALERI'S RISK MANAGEMENT AND RISK POSITION

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 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 37 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. Taaleri Plc's Board of Directors has decided that 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 the internal equity requirement).

The business operations of Garantia Insurance Company Ltd in the insurance sector and the company's investment operations play a key role in Taaleri's risk position. Garantia's capital adequacy is strong and its risk position has remained stable. Garantia's claims ratio was 10.1 percent and the claims incurred in relation to gross exposure remained low at 0.07 percent. The share of fixed income investments in Garantia's investments was 76.0 per cent. Standard & Poor's Credit Market Services Ltd.'s (S&P) credit rating for Garantia is A- with stable prospects.

The greatest risks of Taaleri's Wealth Management segment mainly consist of operative risks and, to a slight extent, credit risks. In the future, Taaleri will also be exposed to international risks mainly through the Energy segment. The most significant risks of other business operations consist of private equity investments made by Taaleri Investments Ltd, and of credit risks related to Taaleri Plc's granted loans and receivables from credit institutions.

Taaleri falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of 2017, Taaleri's largest single customer risk was 20.8 (38.9) percent of the Group's own funds and the liabilities of any (single) customer entity did not exceed the 25 percent limit set by the law.

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 ownership of Garantia Insurance Company Ltd.

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. Taaleri RaVa conglomerate's own funds amounted to EUR 96.1 (84.7) million, with the minimum requirement being EUR 38.3 (31.5) million. The conglomerate's capital adequacy is EUR 57.9 (53.2) million and the capital adequacy ratio is 251.2 (268.9) per cent, with the minimum requirement being 100 per cent.

Within the Taaleri Group, the regulatory capital according to Solvency II is determined and reported not only for Garantia Insurance Company Ltd, but also for Taaleri Plc as a 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 28.5 (24.4) 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 of RaVa conglomerate, EUR thousand	31 December 2017	31 December 2016
Taaleri Group's Equity Capital	**106,084**	**93,850**
Goodwill and other intangible assets	-2,205	-2,513
Non-controlling interests	-384	-354
Planned distribution of profit	-7,371	-6,237
Total of conglomerate's own funds	**96,124**	**84,746**
Financing business' requirement for own funds	9,781	7,163
Insurance business' requirement for own funds	28,484	24,357
Total of conglomerate's minimum requirement for own funds	**38,265**	**31,520**
Conglomerate's capital adequacy	**57,859**	**53,226**
Conglomerate's capital adequacy ratio	**251.2%**	**268.9%**

Capital adequacy according to the Act on Credit Institutions and the EU Capital Requirements Regulation (Basel III)

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 per cent.

Starting from 1 January 2017, the internal insurance company investment of the financing and insurance group will be processed as a risk-weighted item instead of deduction as laid down in Capital Requirements Regulation (CRR) Article 49 (4) in accordance with a special permission granted by the Finnish Financial Supervisory Authority on 29 November 2016. Taaleri's Financing sector's Common Equity Tier with the CRR 49 special permission is EUR 48.8 million, of which the profit of the review period, EUR 19.2 million, is deducted. The risk-weighted commitments were EUR 217.2 million, of which the share of credit risk was EUR 145.6 million and the share of operational risk EUR 71.6 million. The Financing sector's capital adequacy was 22.5 per cent.

The CRR 49 special permission is valid until 31 December 2018, assuming that the company continuously meets the conditions for the special permission. Garantia's book acquisition expense of EUR 60 million can be left undeducted. Neither is the impact on the result accumulated by the insurance company investment included in the consolidated Common Equity Tier of the investment service company. Equity investments include the Group's internal insurance company investment of EUR 60.0 million with a risk-weight of 100 per cent. With the result of the review period, the consolidated Common Equity Tier of the investment service company would be EUR 6.7 million on 31 December 2017 if the special permission were not applied, and the insurance company investment would be deducted from the Common Equity Tier. The company meets the requirements for the special permission according to the situation on 31 December 2017, and it considers that it does not need new special permission after this special permission.

Financing sector's capital adequacy (with the CRR 49 special permission)	31 December 2017
Common Equity Tier 1 before deductions	**70,554**
Deductions from the Common Equity Tier 1	
Goodwill and intangible assets	-2,173
Non-controlling interests	-384
Profit of the review period	-19,172
Common Equity Tier 1 (CET1)	**48,825**
Additional Tier 1 before deductions	-
Deductions from the Additional Tier 1	-
Additional Tier 1 (AT1)	-
Tier 1 capital (T1 = CET1 + AT1)	**48,825**
Tier 2 capital before deductions	**-**
Deductions from the Tier 2 capital	-
Tier 2 capital (T2)	**-**
Total capital (TC = T1 + T2)	**48,825**
Total risk-weighted commitments (total risk)	**217,201**
- of which the share of credit risk	145,560
- of which the share of operative risk	71,641
- of which the share of other risks	-
Common Equity Tier (CET1) in relation to the amount of total risk (%)	22.5%
Tier 1 capital (T1) in relation to the amount of total risk (%)	22.5%
Total capital (TC) in relation to the amount of total risk (%)	22.5%

Solvency according to the Insurance Companies Act (Solvency II)

Garantia continues to have strong capital adequacy. Garantia's own assets were EUR 106.8 (100.9) million, clearly exceeding the solvency capital requirement of EUR 27.1 (23.2) million. Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 393.6 (435.4) per cent. The growth in the solvency capital requirement was the result of growth in the insurance risk and 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. On 27 November 2017, the Financial Supervisory Authority announced it was starting a proceeding for the increase of Garantia's capital requirement. The final amount of Garantia's solvency capital requirement is thus 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.

Based on the Insurance Companies Act that came into force on 1 January 2016, the Solvency II capital adequacy regulations do not fall within the sphere of statutory auditing. The Solvency II capital adequacy figures have not been audited.

DECISIONS MADE AT THE GENERAL MEETING

The Annual General Meeting was held on 29 March 2017. It decided to adopt the financial statements for 2016 and discharge the Board of Directors and the CEO from liability for 2016. The general meeting decided to distribute dividend of EUR 0.22 per share and leave the remaining share of distributable assets as equity. Members of the Board of Directors Peter Fagernäs, Esa Kiiskinen, Juha Laaksonen, Vesa Puttonen and Hanna Maria Sievinen were re-elected as members, and Tuomas Syrjänen 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 Annual General Meeting 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. 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 8 January 2016. 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 cancelled if justified from the point of view of the company and its shareholders.

The AGM authorised 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 2,500,000 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 deviating from the shareholder's pre-emptive subscription right in a private placement, 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, or 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 private placement 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 other factors related to share issues and the assignment of shares.
- The authorisation is valid for one year from the close of the General Meeting, but no later than until 30 June 2018.

Peter Fagernäs was re-elected as Chairman of the Board, and Juha Laaksonen was elected as Vice Chairman. The Board has three committees: the Audit Committee, Remuneration Committee and Nomination Committee. Vesa Puttonen was elected as Chairman of the Audit Committee and Hanna Maria Sievinen and Tuomas Syrjänen were elected as its other members. Peter Fagernäs was elected as Chairman of the Remuneration Committee, and Juha Laaksonen and Esa Kiiskinen were elected as its other members. Peter Fagernäs and Juha Laaksonen were elected as members of the Board's Nomination Committee, as was Pertti Laine as an external member. The Board of Directors elected Peter Fagernäs as Chairman of the Nomination Committee.

In accordance with a proposal by the Board of Directors, the General Meeting decided to increase the maximum amount of annual variable remuneration from 100% to 200%, so that the amount of a person's variable remuneration can be up to 200% of their fixed salary. The increase of the maximum amount applies to all personnel, excluding members of the Board of Directors of Taaleri Plc.

The General Meeting decided to revise Section 7 of the Articles of Association as follows: "Section 7 Auditor – The company has one (1) auditor that must be an auditing organisation referred to in the Auditing Act. The term of office of the auditor ends at the close of the first Annual General Meeting following the election."

Shares and share capital

Taaleri has a total of 28,350,620 shares. The company's share capital is EUR 125,000.00.

Since 2016, Taaleri's shares have been listed on the Helsinki Stock Exchange among the medium-sized companies. The closing price of Taaleri Plc's share on 31 December 2017 was EUR 10.35 (31 December 2016: 8.24), and the company's market value at the end of the review period was thus EUR 293 (233) million. The highest share price during the review period was EUR 11.50 and the lowest EUR 7.78. In total, 2.5 million shares were traded on Nasdaq Helsinki during the review period.

Taaleri shareholders and treasury shares

The number of the company's shareholders has increased by 1,224 owners during the financial period. At the end of 2017, the company had 3,928 shareholders, whereas the corresponding figure at the end of 2016 was 2,704. On 31 December 2017, the company possessed 45,000 (45,000) treasury shares. The company's 10 largest shareholders on 31 December 2017 are presented in the table below, as well as additional information about the division of holdings.

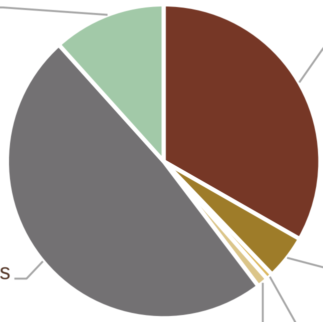
10 largest shareholders 31 December 2017	Percentage of shares and votes
1. Oy Hermitage Ab	8.83
2. Veikko Laine Oy	8.57
3. Elomaa Juhani	7.30
4. Haaparinne Karri	5.89
5. Lombard International Assurance S.A.	5.26
6. Fennia Life Insurance Company Ltd	4.02
7. Swiss Life (Luxembourg) S.A.	3.81
8. Berling Capital Oy	2.63
9. Petri Lampinen	1.79
10. Capercaillie Capital Oy	1.63

Distribution of shareholders 31 December 2017

Lower limit	Share-holders no.	Sharehold-ers %	Book-entry amount no.	Book-entry amount %	Number of votes no.	Number of votes %
1–100	1,388	35.34	69,855	0.25	69,855	0.25
101–500	1,255	31.95	317,392	1.12	317,392	1.12
501–1,000	470	11.97	374,114	1.32	374,114	1.32
1,001–5,000	396	10.08	885,673	3.12	885,673	3.12
5,001–10,000	167	4.25	1,305,006	4.60	1,305,006	4.60
10,001–50,000	188	4.79	3,554,018	12.54	3,554,018	12.54
50,001–100,000	26	0.66	1,730,468	6.10	1,730,468	6.10
100,001–500,000	29	0.74	6,909,065	24.37	6,909,065	24.37
500,001–1,000,000	2	0.05	1,254,170	4.42	1,254,170	4.42
1,000,001–10,000,000	7	0.18	11,950,859	42.15	11,950,859	42.15
Total	**3,928**	**100.00**	**28,350,620**	**100**	**28,350,620**	**100.00**
of which nominee-registered	6		605,691	2.14	605,691	2.14
Total on waiting list	0		0	0	0	0
In joint account			0	0	0	0
Total in special accounts			0	0	0	0
No. issued			28,350,620	100.00	28,350,620	100.00

Sector	Shareholders	Shares total	%
Companies	319	9,426,857	33.25
Financing and insurance institutions	16	1,299,162	4.58
Public corporations	3	191,447	0.68
Non-profit organisations	19	326,399	1.15
Households	3,554	13,799,115	48.67
Foreign and nominee-registered	23	3,307,640	11.67
Total	**3,928**	**28,350,620**	**100.00**

Distribution of ownership



Name	Position	Number of shares
Board of Directors		**31 December 2017**
Peter Fagernäs	Chairman of the Board of Directors	2,503,128
Juha Laaksonen	Vice Chairman of the Board of Directors	-
Esa Kiiskinen	Member of the Board of Directors	232,496
Vesa Puttonen	Member of the Board of Directors	182,224
Hanna Maria Sievinen	Member of the Board of Directors	3,000
Tuomas Syrjänen	Member of the Board of Directors	2,500
Total		**2,923,348**
Board of Directors' share of shares and votes, %		10.3%
Executive Management Team		**31 December 2017**
Juhani Elomaa	CEO of Taaleri Plc	2,070,831
Karri Haaparinne	Deputy CEO of Taaleri Plc	1,669,775
Vesa Aho	Managing Director of Garantia Insurance Company Ltd	-
Jorma Alanne	Head of Wealth Management	1,000
Janne Koikkalainen	Head of Legal of Taaleri Plc	10,000
Petri Lampinen	Managing Director of Taaleri Wealth Management Ltd	508,328
Minna Smedsten	CFO of Taaleri Plc	7,500
Total		**4,267,434**
Executive Management Team's share of shares and votes, %		15.1%

Personnel

Professional and motivated personnel is Taaleri's most important success factor and strength. The turnover of the company's personnel has been low throughout its operations, and the Company's growth has been facilitated by successful recruitment.

The Group employed an average of 175 (167) full-time personnel during the period under review. There were 119 (123) full-time people in the Wealth Management segment, 25 (21) in the Financing segment and 16 (4) in the Energy segment. The full-time personnel of other business operations averaged 16 (18). Of the personnel, 95 per cent were employed in Finland and 5 per cent abroad.

The personnel costs of the Taaleri Group totalled EUR 29.3 (22.4) million during the period under review. In comparison to the previous year, personnel costs increased as a result of larger variable remuneration of EUR 11.2 (5.7) million due to positive income development, and the establishment of the Energy segment in August 2016.

Company administration and management during the financial period

The composition of the Board of Directors in the period 1 January–29 March 2017 was Peter Fagernäs, Juha Laaksonen, Esa Kiiskinen, Pertti Laine, Vesa Puttonen and Hanna Maria Sievinen. Composition of the Board of Directors starting from 29 March 2017:

- Peter Fagernäs, Chairman
- Juha Laaksonen, Vice Chairman
- Esa Kiiskinen
- Vesa Puttonen
- Hanna Maria Sievinen
- Tuomas Syrjänen

The Board has an Audit Committee, a Remuneration Committee and a Nomination 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 Executive Management Team and potentially by the Board of Directors.

At the end of the review 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 Public Accountants, served as the company's auditor with Ulla Nykky APA as the appointed auditor.

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

Incentive schemes

Taaleri has three share-based 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 were 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. Based on the synthetic option programme of 2013, 584,000 new rights based on share value increase were granted, including a part paid in cash, and new rights are no longer available. On 16 December 2016 and 27 February 2017, the Board of Directors of Taaleri Plc decided that the bonus will be paid to the receiver fully in cash and that synthetic option recipients are obligated to acquire Taaleri shares with half of the bonus and keep the shares for one year (so-called waiting period). By the end of the review period, 252,000 rights had been exercised, and the number of outstanding synthetic options was 332,000.

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 were 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 rights based on the value increase of Taaleri Plc shares, including the part paid in cash. Based on the synthetic option programme of 2015, 760,000 new rights based on share value increase have been granted, including a portion paid in cash. At the end of the review period, the number of outstanding synthetic options was 685,000.

On 30 October 2017, the Board of Directors of Taaleri Plc decided on an incentive scheme for the Group's key persons. The share bonus plan has three earning periods lasting three years each: 1 November 2017–31 October 2020, 1 November 2018–31 October 2021 and 1 November 2019–31 October 2022. The Board of Directors will decide on the earning criteria and the targets set for each earning criterion at the beginning of each earning period. For the 2017–2020 earning period, the scheme's target group includes approximately 10 key persons, including the members of the Group's Executive Management Team. Any bonuses awarded under the scheme for the 2017–2020 earning period will be based on the gross yield of Taaleri Plc's share. The bonuses paid for the 2017–2020 earning period will correspond with the value of no more than 180,000 Taaleri Plc shares, including the part paid in cash. The bonus will be paid partly in the company's shares and partly in cash. The cash part is intended to cover the taxes and tax-like charges incurred from the bonus to the key personnel.

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 Group.

On 31 December 2017, Taaleri Investments Ltd was divided so that is ownership in Taaleri Energia Operations Oy was transferred to Taaleri Energia Oy and the rest of its operations are maintained within Taaleri Investments Ltd. During the financial period, Taaleri Energia Oy established Taaleri Energia Funds Management Ltd. On 31 December 2017, Taaleri Wealth Management Ltd withdrew from its subsidiary Taaleri Portföy Yönetimi A.S. by selling 66 per cent of the company to its executive management. At the end of the financial period, the Group owned 18.83 per cent of the company. The sale of the company still requires the approval of the Turkish authorities. During the financial period, 7 per cent of Taaleri Investment Ltd.'s subsidiary Bonus Solutions was sold and at the end of the financial period, the Group's ownership share of the company was 68 per cent. During the review period, Taaleri Group's subsidiaries closed down and established administrative subsidiaries and subscribed to 100% of their shares.

Board's proposal for measures concerning profit and unrestricted capital

The parent company's result for the financial period 1 January–31 December 2017 amounted to EUR 12,815,142.32, and the parent company's distributable assets on 31 December 2017 were EUR 49.4 million. The Board proposes to the Annual General Meeting to be held on 21 March 2018 that EUR 0.26 per share of dividend be distributed based on the balance sheet adopted for the financial period ending on 31 December 2017, making total dividends EUR 7,371,161.20. The dividend record date will be 23 March 2018, and the dividend payment date will be 3 April 2018. 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 Energy segment, and mostly personnel and administrative costs have been allocated to its development. Development work for ICT systems and administrative processes has been targeted at the operations of Taaleri Group subsidiaries in 2017, aiming to boost Group operations. During the financial period, the product range of the Group's business areas has been purposefully expanded.

Material events after the financial period

At the end of December 2017, Taaleri announced it is renewing its management system and thereby its organisation from 1 January 2018. Through these changes, the Group is seeking to streamline its operations and to create an operating model that more strongly supports its core processes. Taaleri's processes are built around managing customer relationships and product development.

Samu Lang, Taaleri's CIO, Director, Markets and Portfolio Management, was appointed Head of the Wealth Management segment and a member of the Group's Executive Management Team. Petri Lampinen, Head of Customer Relationships in Taaleri's Wealth Management segment, will continue in his current position and as a member of the Executive Management Team. Heikki Nystedt was appointed Taaleri's Head of Product and Service Development.

Since the end of the financial period, the business of Taaleri Group has continued as planned. Taaleri's operations are becoming increasingly international and at the beginning of the year, the Company announced it was developing a major residential project in Canada as well as a wind farm in the United States. Taaleri has also succeeded, among other things, in collecting EUR 31.5 million for its Taaleri Varustamo co-investment.

Estimate of likely future development

The most significant factors affecting the Group's operating profits are changes in the external operating environment and changes in the financial situation in Finland.

Taaleri's long-term operating profit target is at least 20 per cent of income, for return on equity in the long term at least 15 per cent, and the equity ratio target is at least 30 per cent. In addition to these, the company strives 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 as well as the expiration of the special permission by the Finnish Financial Supervisory Authority regarding the capital adequacy requirement.

KEY FIGURES

GROUP	2017 IFRS	2016 IFRS	2015 IFRS
Income, EUR 1,000	80,989	60,569	58,401
Adjusted income, EUR 1,000 [1)]	80,989	60,569	58,401
Operating profit (-loss), EUR 1,000	27,611	16,340	47,379
- as percentage of turnover	34.1 %	27.0 %	81.1 %
Adjusted operating profit (-loss), EUR 1,000 [1)]	27,611	16,340	20,092
- as percentage of turnover	34.1 %	27.0 %	34.4 %
Net profit for the period, EUR 1,000	21,787	12,771	44,087
- as percentage of turnover	26.9 %	21.1 %	75.5 %
Adjusted net profit for the period, EUR 1,000 [1)]	21,787	12,771	16,800
- osuus liikevaihdosta %	26.9 %	21.1 %	28.8 %
Basic earnings per share, EUR	0.76	0.45	1.53
Adjusted basic earnings per share, EUR [1)]	0.76	0.45	0.55
Basic earnings per share, continuing operations, EUR	0.76	0.45	1.54
Diluted earnings per share, EUR	0.76	0.45	1.52
Diluted earnings per share, continuing operations, EUR	0.76	0.45	1.53
Return on equity % (ROE)	21.8 %	13.4 %	65.3 %
Adjusted return on equity-% (ROE) [1)]	21.8 %	13.4 %	24.9 %
Return on equity at fair value % (ROE)	19.1 %	16.5 %	58.6 %
Adjustede return on equity at fair value % (ROE) [1)]	19.1 %	16.5 %	18.2 %
Return on assets % (ROA)	9.8 %	5.9 %	23.9 %
Adjusted return on assets % (ROA) [1)]	9.8 %	5.9 %	9.1 %
Cost/income ratio	66.2 %	73.2 %	67.5 %
Price/earnings (P/E)	13.7	18.4	5.5
Number of employees, avg	184	179	175

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.

GROUP	2017 IFRS	2016 IFRS	2015 IFRS
Equity ratio -%	46.3 %	44.0 %	44.8 %
Modified equity ratio % 1)	46.3 %	44.0 %	44.8 %
Net gearing -%	8%	17%	46%
Equity/share, EUR	3.73	3.30	3.35
Dividend/share, EUR 2)	0.26	0.22	0.20
Dividend/earnings, % 2)	34.3 %	49.2 %	13.0 %
Effective dividend yield, % 2)	2.5 %	2.7 %	2.4 %
Loan receivables, EUR 1,000	6,598	6,919	9,416
Conglomerate's capital adequacy ratio, %	251.2 %	268.9 %	259.2 %
Financing sector capital adequacy ratio, %	22.5 %	-	-
Number of shares at the end of period 3)	28,305,620	28,305,620	28,305,620
Number of series A shares at the end of period 3)	n/a	n/a	13,592,049
Number of series B shares at the end of period 3)	n/a	n/a	14,713,571
Average number of shares 3)	28,305,620	28,305,620	27,684,777
Average number of series A shares (act/act) 3)	n/a	n/a	14,671,451
Average number of series B shares (act/act) 3)	n/a	n/a	13,013,327
Share average price, EUR 4)	9.30	8.73	8.10
- highest price, EUR	11.50	9.50	9.25
- lowest price, EUR	7.78	8.00	6.04
- closing price, EUR	10.35	8.24	8.38
Market capitalization, EUR 1,000 5)	292,963	233,238	237,201
Shares traded, thousands	2,487	2,719	2,148
Shares traded, %	9%	10%	17%

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 2017 EUR 0.26 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 2015 reflect series B shares which were traded before the combination.

5) Reduced by own shares acquired. In the key figures from 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

Taaleri's insurance business operations consist entirely of Garantia Insurance Company Ltd. Garantia Insurance Company Ltd has been consolidated from 1 April 2015.

EUR 1,000	**2017**	**2016**	**2015**
Net income from insurance	**9,818**	**8,714**	**6,401**
Earned premiums, net	10,638	9,467	7,702
Claims incurred, net	-820	-753	-1,301
Net income from investment operations	**11,933**	**3,614**	**6,756**
Operating expenses	**-7,849**	**-7,702**	**-6,436**
Operating profit before valuations	**13,902**	**4,626**	**6,720**
Recognition of negative goodwill	-	-	**28,567**
Change in fair value of investments	**-3,604**	**3,064**	**-5,650**
Profit before taxes and non-controlling interests	**10,298**	**7,690**	**29,637**

Combined ratio, %	60%	64%	72%
Claims ratio, %	10%	12%	19%
Expense ratio %	50%	52%	52%
Return on investments at fair value, %	6.6 %	5.8 %	4.6 %
Solvency ratio (S2), % [1)]	391%	435%	506%
Insurance exposure, EUR billion	1.49	1.32	1.16
Number of employees, avg	25	22	25

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	Profit or loss attributable to ordinary share holders of the parent company / Weighted average number of ordinary shares outstanding - repurchased own shares
Diluted earnings per share, EUR	Profit or loss attributable to ordinary share holders of the parent company / 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 and the formulas are presented below.

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

Items affecting comparability, EUR 1,000	**2017**	**2016**	**2015**
Total items affecting comparability in income	**-**	**-**	**-**
Negative goodwill and expenses directly relating to the Garantia acquisition	-	-	27,287
Total items affecting comparability in operating profit	**-**	**-**	**27,287**
Total items affecting comparability in net profit for the period	**-**	**-**	**27,287**

Return on equity (ROE), %	Profit for the period x 100 / Total equity (average of the beginning and end of the year)
Return on equity at fair value % (ROE)	Total comprehensive income for the period x 100 / Total equity (average of the beginning and end of the year)
Return on assets (ROA), %	Profit for the period x 100 / Balance sheet total (average of the beginning and end of the year)
Cost/income ratio, %	fee and commission expense + interest expense + administrative expenses + depreciation + other operating expenses / total income + share of associates' profit or loss
Price/Earnings (P/E)	Price of series B share at the end of the period / Earnings/share
Equity ratio, %	Total equity x 100 / Balance sheet total
Modified equity ratio, %	(total equity + minority interest + voluntary provisions less deferred tax liability excluding Lainaamo consolidation) x 100 / balance sheet total excluding Lainaamo consolidation
Net gearing ratio, %	(Interest-bearing liabilities - cash and cash equivalents) x 100 / Total equity
Equity/share, EUR	Equity attributable to ordinary share holders of the parent company / Number of shares at end of period - repurchased own shares

Dividend/share, EUR	$\frac{\text{Dividend payable for the financial period x 100}}{\text{Weighted average number of ordinary shares}}$
Dividend/earnings, %	$\frac{\text{Dividend/share x 100}}{\text{Basic earnings per share}}$
Effective dividend yield, %	$\frac{\text{Dividend/share x 100}}{\text{Price of series B share at the end of the period}}$
Conglomerate's capital adequacy ratio, %	$\frac{\text{Conglomerate's total capital base}}{\text{Conglomerate's minimum requirement of total capital base}}$
Total capital in relation to risk-weighted items	$\frac{\text{Total Capital (TC)}}{\text{Risk-weighted items (Total risk)}}$
Common equity tier in relation to risk-weighted items	$\frac{\text{Common Equity Tier (CET1)}}{\text{Risk-weighted items (Total risk)}}$
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, %	$\frac{\text{Shares traded during the financial period x 100}}{\text{Weighted average number of ordinary shares outstanding}}$

KEY FIGURES FOR INSURANCE OPERATIONS

Combined ratio, %	Claims ratio, % + Expense ratio, %
Claims ratio, %	$\frac{\text{(Claims incurred + operating expenses allocated to claims paid) x 100}}{\text{Insurance premium income}}$ This key figure is calculated after the share of the reinsurers.
Expense ratio, %	$\frac{\text{(Operating costs - Group's allocated overhead and financing expenses + operating expenes allocated to claims paid) x 100}}{\text{Insurance premium income}}$ This key figure is calculated after the share of the reinsurers.
Solvency ratio (S2), %	$\frac{\text{Basic own funds x 100}}{\text{Solvency capital requirement (SCR)}}$

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	1/1-31/12/2017	1/1-31/12/2016
CONTINUING OPERATIONS			
Fee and commission income	3	51,983	33,238
Net income from insurance	4	21,748	12,328
From guaranty insurance operations		9,818	8,714
From investment operations		11,930	3,614
Net gains or net losses on trading in securities and foreign currencies	5	1,565	9,898
Income from equity investments	6	1,301	1,334
Interest income	7	562	700
Other operating income	8	3,829	3,071
TOTAL INCOME		**80,989**	**60,569**
Fee and commission expense	9	-6,391	-4,326
Interest expense	10	-3,133	-2,313
Administrative expenses			
Personnel costs	11, 45	-29,304	-22,383
Other administrative expenses	12	-7,079	-7,179
Depreciation, amortisation and impairment of tangible and intangible assets	13	-1,316	-1,388
Other operating expenses	14	-6,738	-6,870
Impairment losses on loans and other receivables	15	-	60
Share of associates' profit or loss	46	583	169
OPERATING PROFIT		**27,611**	**16,340**
Income tax expense	16	-5,824	-3,568
PROFIT FOR THE PERIOD		**21,787**	**12,771**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	1/1-31/12/2017	1/1-31/12/2016
Profit for the period		21,787	12,771
Items that may be reclassified to profit or loss	17		
Translation differences		248	-110
Available-for-sale financial assets		-3,739	3,887
Income tax		748	-777
Items that may be reclassified to profit or loss in total		**-2,743**	**2,999**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,044**	**15,770**

Profit for the period attributable to:		
Owners of the parent company	21,447	12,661
Non-controlling interests	341	110
Total	**21,787**	**12,771**

Total comprehensive income for the period attributable to:		
Owners of the parent company	18,703	15,660
Non-controlling interests	341	110
Total	**19,044**	**15,770**

Earnings per share for profit attributable		**1/1-31/12/2017**	**1/1-31/12/2016**
Basic earnings per share, profit for the period	18	0.76	0.45
Diluted earnings per share, profit for the period	18	0.76	0.45

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.

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	**Note**	**31/12/2017**	**31/12/2016**
Receivables from credit instutions	19, 25, 26, 38, 40	34,567	55,148
Receivables from the public and general government	20, 25, 26, 38, 40	6,598	6,919
Debt securities	21, 25, 26, 38, 40	-	100
Shares and units	22, 25, 26	25,883	7,353
Participating interests	22, 25, 26, 46	7,606	4,185
Derivative instruments		-	28
Insurance assets	24, 25, 26	135,586	126,202
Insurance receivables		3,268	2,740
Investments		132,318	123,463
Intangible assets	27	2,205	2,514
Goodwill		627	627
Other intangible assets		1,577	1,886
Tangible assets	28	361	503
Other assets	29	10,081	4,846
Accrued income and prepayments	30	5,322	4,898
Deferred tax assets	35	1,113	566
		229,322	**213,262**

Liabilities, EUR 1,000	**Note**	**31/12/2017**	**31/12/2016**
LIABILITIES		**123,238**	**119,412**
Liabilities to credit institutions	25, 26, 31, 38, 39	7,982	8,967
Debt securities issued to the public	25, 26, 32, 38, 39	54,758	64,691
Insurance liabilities	24, 25, 26	20,336	14,998
Other liabilities	26, 33	2,131	1,411
Accrued expenses and deferred income	26, 34	22,143	12,494
Deferred tax liabilities	35	15,887	16,852
EQUITY CAPITAL	36	**106,084**	**93,850**
Share capital		125	125
Reserve for invested non-restricted equity		35,814	35,814
Fair value reserve		-4,280	-1,288
Translation difference		-	-248
Retained earnings or loss		52,594	46,432
Profit or loss for the period		21,447	12,661
Non-controlling interest		384	354
		229,322	**213,262**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Cash flow from operating activities:		
Operating profit (loss)	27,611	16,340
Depreciation	1,316	1,388
Other adjustments		
Changes in fair value of investments		
- Held for trading	-76	6,669
- Available-for-sale	-2,984	3,109
Other adjustments	-297	-666
Cash flow before change in working capital	25,569	26,841
Change in working capital		
Increase (-)/decrease (+) in loan receivables	304	2,498
Increase (-)/decrease (+) in current interest-free receivables	-6,149	-120
Increase (+)/decrease (-) in current interest-free liabilities	12,780	2,120
Cash flow from operating activities before financial items and taxes	32,505	31,338
Direct taxes paid (-)	-3,711	-2,890
Cash flow from operating activities (A)	**28,794**	**28,448**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-870	-1,490
Investments in subsidiaries and associated companies		
net of cash acquired	-3,215	-1,240
Other investments	-27,426	-8,605
Cash flow from investing activities (B)	**-31,511**	**-11,335**
Cash flow from financing activities:		
Changes in synthetic options	-472	185
Transactions with non-controlling interests	24	-12,000
Debt securities issued to the public	-10,000	35,000
Increase (+)/decrease (-) in current liabilities	-	-
Increase (+)/decrease (-) in non-current liabilities	-1,000	-6,000
Dividends paid and other distribution of profit		
To parent company shareholders	-6,202	-5,661
To non-controlling shareholders	-215	-1,472
Cash flow from financing activities (C)	**-17,864**	**10,052**
Increase/decrease in cash and cash equivalents (A+B+C)	-20,581	27,166
Cash and cash equivalents at beginning of period	55,148	27,983
Cash and cash equivalents at end of period	34,567	55,148
Net change in cash and cash equivalents	-20,581	27,166

CHANGES IN GROUP EQUITY CAPITAL

2017, EUR 1,000	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
01/01/2017	125	-1,288	35,814	-248	59,093	93,496	354	93,850
Total comprehensive income for the financial period	-	-2,991	-	248	21,447	18,703	341	19,044
Earnings for the period	-	-	-	-	21,447	21,447	341	21,787
Other comprehensive income items	-	-2,991	-	248	-	-2,743	-	-2,743
Distribution of profit	-	-	-	-	-6,227	-6,227	-215	-6,442
Dividend EUR 0.22/share	-	-	-	-	-6,227	-6,227	-	-6,227
Distribution of profit for subgroup	-	-	-	-	-	-	-215	-215
Purchase of own shares	-	-	-	-	-	-	-	-
Share-based payments payable as equity	-	-	-	-	-472	-472	-	-472
Shares sold to non-controlling interests	-	-	-	-	147	147	-103	44
Transactions with non-controlling interests [1)]	-	-	-	-	53	53	7	60
31/12/2017	**125**	**-4,280**	**35,814**	**-**	**74,041**	**105,700**	**384**	**106,084**

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**

1) See note 45.

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, Taaleri Energia Operations Oy, and Taaleri Energia Funds Management Oy founded in 2017. 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 2017, EUR 1,000	Continuing operations WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	35,733	9,818	1,786	1,610	48,947
Performance fees	15,806	-	-	-	15,806
Investment operations	3,064	11,933	-	1,822	16,820
Total income	**54,603**	**21,751**	**1,786**	**3,432**	**81,572**
Fee and commission expense	-6,190	-55	-97	-50	-6,391
Interest expense	-46	-	-	-3,087	-3,133
Personnel costs	-18,018	-4,080	-1,814	-5,392	-29,304
Direct expenses	-8,809	-1,367	-837	-2,805	-13,818
Depreciation, amortisation and impairment	-1,163	-91	-23	-39	-1,316
Operating profit before overhead costs	**20,378**	**16,159**	**-985**	**-7,940**	**27,611**
Overhead costs	-3,732	-677	-561	4,970	-
Allocation of financing expenses	-	-1,580	-	1,580	-
Operating profit before valuations	**16,646**	**13,902**	**-1,545**	**-1,391**	**27,611**
Change in fair value of investments	13	-3,604	-	-149	-3,739
Profit before taxes and non-controlling interests	**16,659**	**10,298**	**-1,545**	**-1,539**	**23,872**

1 January–31 December 2016, EUR 1,000	Continuing operations WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	28,327	8,714	336	2,494	39,871
Performance fees	5,781	-	-	-	5,781
Investment operations	2,963	3,614	-	8,508	15,085
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	-8,709	-1,494	-330	-3,524	-14,057
Depreciation, amortisation and impairment	-1,103	-211	-9	-66	-1,388
Impairment losses on loans and other receivables	60	-	-	-	60
Operating profit before overhead costs	**9,231**	**7,013**	**-539**	**635**	**16,340**
Overhead costs	-3,060	-368	-329	3,757	-
Allocation of financing expenses	-	-2,019	-	2,019	-
Operating profit before valuations	**6,171**	**4,626**	**-868**	**6,411**	**16,340**
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) Beginning from 1 January 2017 some costs, previously recognised as overhead costs have been allocated to the segments' direct

Reconciliations

Reconciliation of total income	2017	2016
Total income of segments	81,572	60,738
Share of associates' profit or loss allocated to total income of segments	-583	-169
Consolidated total income	**80,989**	**60,569**

Reconciliation of operating profit	2017	2016
Total earnings of segments before taxes and non-controlling interests	23,872	20,226
Change in fair value of investments	3,739	-3,887
Consolidated operating profit	**27,611**	**16,340**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2017

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 Kasarmikatu 21 B, 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, Inderes Ltd, which produces analyses for investors, and Ficolo Oy, which develops datacenters (see Group companies on page 108). Taaleri offices are located in Helsinki, Tampere, Turku, Pori, Oulu, 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 2017 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.

The consolidated financial statements have been prepared over 12 months for the financial period of 1 January – 31 December 2017. The Board of Directors of Taaleri Plc approved the consolidated financial statements for public release on 14 February 2018. 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 Board of Director's report and the financial statements are available in Finnish and English. The Finnish version is the official version that will apply if there is any discrepancy between the language versions.

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 2016–2017. 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.

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.

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 38 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 2016 or 2017.

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 26) 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 26 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 2017, the Group has applied the following new and revised standards and interpretations with an impact on the financial statements:

- Amendments to IAS 7 *Statement of Cash Flows* concerning disclosures about changes in liabilities arising from financing activities

- 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 2017, 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* covers 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.

The Group has an ongoing project to introduce IFRS 9 and on 1 January 2018 the Group has started applying IFRS 9 *Financial instruments*. IFRS 9 brings changes to the classification and measurement of financial instruments, and to the impairment of financial assets. The Group does not apply hedge accounting. In the following sections the central impacts of the new standard will be presented, as well as the preliminary changes to the opening balances as of 1 January 2018. Taaleri does not amend comparative figures.

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. The classification depends on the company's business model and on the characteristics of the cash flows of the financial assets in question.

With regard to financial assets, Taaleri will have two business models. As a result of the nature of the insurance business, the objective of Garantia's investment operations is reached both by holding instruments to collect cash flows and by selling instruments. The business model is hence a combination of both, and debt instruments that pass the SPPI –test will be measured at fair value through other comprehensive income. For other than the insurance business the general model is holding-to-collet contractual cash flows, but this will be assessed on an instrument-specific basis as will the measurement of the instruments.

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 fair value in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, even on derecognition. The Group will apply this choice for 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. The Group does not have any financial liabilities measured at fair value through profit or loss on 1 January 2018.

The most prominent change in the Group will come from financial assets previously classified as available-for-sale, which under IFRS 9 will be measured at fair value through profit or loss. Mainly these instruments consist of insurance investment operations' equity instruments and debt instruments, which do not pass the SPPI –test, as well as Group level strategic investments. For these instruments the fair value changes will under IFRS 9 will recognized in profit or loss, and not in other comprehensive income as previously under IAS 39.

According to the analysis by the Group financial assets and liabilities will under IFRS 9 be measured as follows:

- 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, primarily be measured at fair value through profit or loss.

- 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. Co-investments and other 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). This means that instruments measured at fair value through profit or loss will increase.

- Investments included in insurance assets which, according to IAS 39, are classified as available-for-sale will, according to IFRS 9 be measured in two different ways. Debt instruments that pass the SPPI –test, will be measured at fair value through other comprehensive income as before. Equity instruments and debt instruments that do not pass the SPPI –test, will be measured at fair value through profit or loss. The volatility of the Group's profit will increase as fair value changes in these instruments will be recognized in P&L instead of in other comprehensive income as previously under IAS 39.

- 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 also under IFRS 9 be measured at amortised cost.

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.

Most financial assets on which expected credit losses will be recognized, are in Garantia's investment portfolio. For debt instruments in Garantia's investment portfolio, an individual credit risk calculation model (PDxLGDxEAD)[1] based on the calculation model used at present. The Group only has a few other debt instruments and primarily the expected credit loss will be measured using a corresponding individual credit risk calculation model. An expected credit loss for the following 12 months will be recognized when there is no significant increase in credit risk. If there is a significant increase in credit risk a lifetime expected credit loss will be recognized. A significant increase in credit risk is estimated based on changes in the credit rating. The credit rating is deemed to take into account sensible and justifiable information to the necessary extent. Additionally, the credit risk is estimated to have increased significantly if payments are over 30 days due.

It is expected that the application of the expected credit loss model will increase and bring forward credit loss allowances, but the impact is not expected to be significant.

[1] PD = Probability of default, LGD = Loss given default, and EAD = Exposure at default.

Preliminary opening balances as of 1 January 2018

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	1/1/2018	Changed 1/1/2018	Change	
Receivables from credit institutions	34,567	34,567		
Receivables from the public and general government	6,598	6,462	-135	1)
Shares and units	25,883	25,883		
Participating interests	7,606	7,606		
Insurance assets	135,586	135,586		
Insurance receivables	3,268	3,268		
Investments	132,318	132,318		
Intangible assets	2,205	2,205		
Goodwill	627	627		
Other intangible assets	1,577	1,577		
Tangible assets	361	361		
Other assets	10,081	10,081		
Accrued income and prepayments	5,322	5,322		
Deferred tax assets	1,113	1,140	27	2)
	229,322	**229,212**	**-108**	

Liabilities, EUR 1,000	1/1/2018	Changed 1/1/2018	Change	
LIABILITIES	**123,238**	**123,238**		
Liabilities to credit institutions	7,982	7,982		
Debt securities issued to the public	54,758	54,758		
Insurance liabilities	20,336	20,336		
Other liabilities	2,131	2,131		
Accrued expenses and deferred income	22,143	22,143		
Deferred tax liabilities	15,887	15,887		
EQUITY CAPITAL	**106,084**	**105,975**	**-108**	
Share capital	125	125		
Reserve for invested non-restricted equity	35,814	35,814		
Fair value reserve	-4,280	-1,042	3,238	3)
Retained earnings or loss	52,594	49,248	-3,346	3)
Profit or loss for the period	21,447	21,447		
Non-controlling interest	384	384		
	229,322	**229,212**	**-108**	

On the asset side 1) the expected credit loss on receivables from the public and general government that are primarily measured at amortized cost under IFRS 9, is recognized and in 2) deferred tax assets relating to the expected credit loss is recognized.

In equity capital 3) cumulative fair value changes on instruments previously measured at fair value through other comprehensive income and under IFRS 9 measured at fair value through profit or loss are transferred from the fair value reserve to retained earnings. Additionally the expected credit loss is taken into account in retained earnings.

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. The Group has analysed the impact of the standard during 2017. In the analysis no customer contracts where recognized where the revenue recognition principles would change due to the new standard.

IFRS 16 *Leases* was issued in January 2016 and will become applicable on 1 January 2019. The standard replaces the IAS 17 standard. The new 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.

IFRS 17 *Insurance Contracts* was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. The standard will become applicable on 1 January 2021. The overall objective of IFRS 17 is to provide better information on the financial position and profitability of insurance companies. The purpose is to increase the transparency and improve the comparability of financial statements. The accounting in IFRS 17 differs to some extent from the Solvency II capital adequacy calculations that insurance companies currently use, and the technical provisions will therefore not be the same. IFRS 17 harmonizes the accounting for insurance liabilities and the application of local accounting policies will no longer be allowed. Under IFRS 17 the measurement of the insurance liability will be at fair value. The Group is assessing the impact of IFRS 17. The standard has not yet been endorsed by the EU.

The amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* becomes applicable on 1 January 2018. The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. EU endorsement is expected during the first quarter of 2018. The Group is assessing the impact of the amendments.

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

NOTES TO THE INCOME STATEMENT

3 FEE AND COMMISSION INCOME

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Wealth management fees and commissions	36,178	27,457
Performance fees	15,806	5,781
Total	**51,983**	**33,238**

4 NET INCOME FROM INSURANCE

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Earned premiums, net		
Premiums written	15,235	12,218
Reinsurers' share	-1,008	-810
Change in provision for unearned premiums	-3,669	-1,855
Reinsurers' share	79	-86
Total	**10,638**	**9,467**
Claims incurred, net		
Claims paid	-105	-618
Reinsurers' share	21	105
Change in provision for outstanding claims	-1,754	-100
Reinsurers' share	1,018	-140
Total	**-820**	**-753**
Net income from investment operations		
From financial assets available for sale		
From interest	2,967	2,616
From dividends	299	315
From sales profit and loss	8,681	715
From others	-18	-32
Total	**11,930**	**3,614**
Net income from insurance, total	**21,748**	**12,328**

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

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

Net gains or net losses on trading in securities, EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
From financial assets recorded at fair value in profit and loss	-	8,365
From financial assets kept for trading purposes	1,177	890
From financial assets held for sale		167
Total	**1,177**	**9,422**

Net gains or net losses on trading in securities and foreign currencies,	1/1-31/12/2017	1/1-31/12/2016
Net gains or net losses on trading in securities by type		
From shares and units	1,182	9,394
Sales profit and loss	1,238	9,233
Changes in fair value	-56	161
From derivative instruments	-5	28
Sales profit and loss	23	-
Changes in fair value	-28	28
Net gains or let losses on trading in securities, total	1,177	9,422
Net gains or net losses on trading in foreign currencies	388	477
Total	**1,565**	**9,898**

6 INCOME FROM EQUITY INVESTMENTS

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
From financial assets recorded at fair value in profit or loss	-	1,334
Dividend income	-	1,334
From financial assets available for sale	1,875	-
Dividend income	80	-
Profits from divestment	1,795	-
From associated companies	128	-
Dividend income	128	-
From group companies	-703	-
Losses from divestment	-703	-
Total	**1,301**	**1,334**

7 INTEREST INCOME

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Interest income from other loans and receivables		
From receivables from credit institutions	51	22
From receivables from the public and general government	510	669
Other interest income	1	9
Total	**562**	**700**

Interest income includes EUR 5,5 thousand (2016 19.2 thousand) in income from financial assets that are impaired.

8 OTHER OPERATING INCOME

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Rental income	5	5
Project sales	3,767	2,963
Other income	58	103
Total	**3,829**	**3,071**

9 FEE AND COMMISSION EXPENSE

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Wealth management fee and commission expenses	6,183	4,326
Other commission expenses	208	-
Total	**6,391**	**4,326**

10 INTEREST EXPENSE

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Interest expenses from other liabilities		
From liabilities to credit institutions	311	466
From receivables from credit institutions	58	-
From liabilities to the public and general government	-	198
From debt securities issued to the public	2,760	1,646
Other interest expenses	3	3
Total	**3,133**	**2,313**

11 PERSONNEL COSTS

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Wages, salaries and fees	21,958	17,303
- whereof variable fees	7,101	3,714
Pension expenses - from defined contribution plans	3,002	2,815
Share-based payments	2,614	1,059
Payable in equity	21	185
Payable in cash	2,594	874
Social security contributions	1,730	1,206
Total	**29,304**	**22,383**

12 OTHER ADMINISTRATIVE EXPENSES

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
ICT expenses	2,601	2,492
Marketing and communication expenses	1,199	1,961
Other expenses	3,279	2,726
Total	**7,079**	**7,179**

13 DEPRECIATION, AMORTISATION AND IMPAIRMENT ON TANGIBLE AND INTANGIBLE ASSETS

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Intangible assets		
Planned depreciation	1,100	1,171
Tangible goods		
Planned depreciation	216	217
Total	**1,316**	**1,388**

14 OTHER OPERATING EXPENSES

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Premises and other rental expenses	1,677	1,715
External services	2,535	2,708
Equipment rental and leasing	430	458
Fees paid to the company’s auditors	350	347
Auditing fees	293	224
Other	57	123
Other expenses	1,746	1,642
Total	**6,738**	**6,870**

15 IMPAIRMENT LOSSES ON RECEIVABLES

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Impairment losses on receivables from the public and general government:		
Agreement-specific amortisation and impairment losses, deductions	-	-60
Recognised in profit or loss	**-**	**-60**

No credit losses have been realised in the 2017 and 2016 financial periods.

16 INCOME TAXES

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
From profit for the financial period	6,575	5,461
Taxes from previous periods	-	51
Deferred taxes	-751	-1,943
Total	**5,824**	**3,568**

Reconciliation of taxes on the income statement with profit before taxes	1/1-31/12/2017	1/1-31/12/2016
Operating profit (profit before taxes)	27,611	16,340
Taxes calculated at the tax rate of the parent company (20%)	5,522	3,268
Tax-free income	-42	-297
Non-deductible expenses	303	591
The use of taxable losses not previously booked	-3	-1
Unbooked deferred tax receivables from taxable losses	-98	-98
Share of the profits of associated and joint venture companies with taxes deducted	117	34
Taxes from previous financial periods		51
Other items	25	21
Taxes on the income statement	**5,824**	**3,568**

The effective tax rate in 2017 was 21 % (2016: 22 %).

17 OTHER COMPREHENSIVE INCOME ITEMS

Taxes concerning other comprehensive income	1/1-31/12/2017			1/1-31/12/2016		
EUR 1,000	**Pre-tax**	**Tax effect**	**After taxes**	**Pre-tax**	**Tax effect**	**After taxes**
Financial assets available for sale	-3,739	748	-2,991	3,887	-777	3,109
Translation differences	248	-	248	-110	-	-110
Total	**-3,491**	**748**	**-2,743**	**3,776**	**-777**	**2,999**

18 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 36 Equity).

EUR 1,000	**1/1-31/12/2017**	**1/1-31/12/2016**
Profit from continuing operations attributable to the owners of the parent company	21,447	12,661
Total	**21,447**	**12,661**
ordinary shares	28,306	28,306
Basic earnings per share, continuing operations, EUR	**0.76**	**0.45**

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	**1/1-31/12/2017**	**1/1-31/12/2016**
Profit from continuing operations attributable to the owners of the parent company	21,447	12,661
Total	**21,447**	**12,661**
Weighted average number of ordinary shares outstanding (1,000 pcs)	28,306	28,306
The dilutive effect of share options (1,000 pcs)	43	127
The weighted average of the number of shares when calculating the diluted earnings per share (1,000 pcs)	**28,348**	**28,433**
Diluted earnings per share, continuing operations, EUR	**0.76**	**0.45**

NOTES TO THE BALANCE SHEET

19 RECEIVABLES FROM CREDIT INSTITUTIONS

EUR 1,000	31/12/2017	31/12/2016
Repayable on demand	34,553	54,566
From domestic credit institutions	34,553	54,566
From foreign credit institutions	-	-
Other than repayable on demanded	14	582
From domestic credit institutions	14	14
From foreign credit institutions	-	568
Total	**34,567**	**55,148**

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

20 RECEIVABLES FROM THE PUBLIC AND GENERAL GOVERNMENT

EUR 1,000	31/12/2017	31/12/2016
Other than repayable on demanded		
Companies and housing associations	4,607	6,900
Households	125	2
Foreign	1,866	17
Total	**6,598**	**6,919**

The group has subordinated receivables amounting to EUR 198 thousand. Information about impairment losses is presented in Note 15 to the income statement. The maturity dates of receivables are presented in Note 38.

21 DEBT SECURITIES

EUR 1,000	31/12/2017	31/12/2016
Other than those issued by general government		
Available for sale		
Other debt securities (not publicly quoted)	-	100
Total	**-**	**100**

22 SHARES AND UNITS

Shares and units, EUR 1,000	31/12/2017	31/12/2016
Held for trading	20,470	3,233
Available-for-sale	5,413	4,120
Total	**25,883**	**7,353**
- of which publicly quoted	33	386
- of which shares in funds	20,437	2,847

Participating interests, EUR 1,000	31/12/2017	31/12/2016
Acquisition cost	6,778	3,940
Share of the associates' profits	828	245
Total	**7,606**	**4,185**
Total	**33,489**	**11,538**

23 DERIVATIVE INSTRUMENTS

Derivative instruments, EUR 1,000	**31/12/2017**	**31/12/2016**
Held for trading		
Equity derivatives	-	28
Yhteensä	**-**	**28**

The nominal value of the equity derivatives recognized on the balance sheet is EUR 0 on 31/12/2017 (EUR 89 thousand on 31/12/2016). 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.

24 INSURANCE ASSETS AND LIABILITIES

Insurance assets, EUR 1,000	**31/12/2017**	**31/12/2016**
Investments		
Loans and other receivables	100,079	93,607
Shares and units	32,240	29,855
Total	**132,318**	**123,463**
Receivables		
Arising out of direct insurance operations	523	635
Arising out of reinsurance operations	1,844	847
Other receivables	901	1,258
Total	**3,268**	**2,740**
Total	**135,586**	**126,202**

Insurance liabilities, EUR 1,000	**31/12/2017**	**31/12/2016**
Provision for unearned premiums	16,918	13,249
Claims outstanding	3,051	1,297
Liabilities arising out of direct insurance operations	55	75
Liabilities arising out of reinsurance operations	313	377
Total	**20,336**	**14,998**

25 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 31 December 2017, 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)]	34,567	-	-	34,567	34,567
Receivables from the public and general government [1)]	6,198	-	400	6,598	6,598
Shares and units	-	20,470	5,413	25,883	25,883
Insurance assets [2)]	-	-	132,318	132,318	132,318
Other financial assets	11,819	-	-	11,819	-
Financial assets total	**52,583**	**20,470**	**138,132**	**211,185**	
Participating interests	**-**	**-**	**-**	7,606	**-**
Other than financial instruments	-	-	-	10,530	-
Assets in total 31 December 2017	**-**	**-**	**-**	**229,322**	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions [1)]	-	7,982	7,982	7,982
Debt securities issued to the public [3)]	-	54,758	54,758	57,605
Other financial liabilities	-	16,424	16,424	-
Financial liabilities total	**-**	**79,164**	**79,164**	
Other than financial liabilities	-	-	44,074	-
Liabilities in total 31 December 2017	**-**	**-**	**123,238**	

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 24.

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

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 24.

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

26 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 31 December 2017, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions	-	34,567	**-**	34,567
Receivables from the public and general government	-	6,198	**400**	6,598
Shares and units	20,470	-	5,413	25,883
Insurance assets	128,058	-	4,261	132,318
Total	**148,527**	**6,198**	**10,074**	**199,366**

Fair value of liabilities 31 December 2017, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions	-	7,982	**-**	7,982
Debt securities issued to the public	-	57,605	-	57,605
Total	**-**	**65,588**	**-**	**65,588**

Fair value of assets 31 December 2016, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions	-	55,148	**-**	55,148
Receivables from the public and general government	-	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	-	8,967	**-**	8,967
Debt securities issued to the public	-	67,084	-	67,084
Total	**-**	**76,051**	**-**	**76,051**

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.

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.

Reconciliation of assets categorised within level 3, EUR 1,000	31/12/2017	31/12/2016
Fair value January 1	7,641	46,533
Purchases	3,652	2,009
Sales and deductions	-1,962	-41,654
Change in fair value - income statement	-3	-190
Change in fair value - comprehensive income statement	745	943
Fair value at end of period	**10,074**	**7,641**

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	1/1-31/12/2017	1/1-31/12/2016
Net income from insurance	-	-
Net gains or net losses on trading in securities and foreign currencies	-	-50
Total	**-**	**-50**

27 INTANGIBLE ASSETS

EUR 1,000	31/12/2017	31/12/2016
Goodwill	627	627
Other intangible assets	1,577	1,886
IT systems and software	1,577	1,848
Other long-term expenses	-	38
Total	**2,205**	**2,514**

2017	Goodwill	Other intangible assets	Total
Acquisition cost 1 January 2017	627	4,310	4,937
Increases	-	792	792
Decreases	-		
Acquisition cost 31 December 2017	627	5,102	5,729
Accumulated depreciation, amortisation and impairment 1 January 2017	-	2,424	2,424
Depreciation during the financial period	-	1,100	1,100
Accumulated depreciation, amortisation and impairment 31 December 2017	-	3,524	3,524
Book value 1 January 2017	627	1,886	2,514
Book value 31 December 2017	**627**	**1,577**	**2,205**

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
Depreciations 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**

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 2017. 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.

28 TANGIBLE ASSETS

EUR 1,000	31/12/2017	31/12/2016
Other tangible assets	361	503
Total	**361**	**503**

	2017	2016
Acquisition cost 1 January	1,888	1,715
Increases	81	174
Decreases	8	-
Acquisition cost 31 December	1,962	1,888
Accumulated depreciation, amortisation and impairment 1 January	1,385	1,168
Depreciations during the financial period	216	217
Accrued depreciation, amortisation and impairment 31 December	1,601	1,385
Book value on 1 January	503	546
Book value on 31 December	**361**	**503**

29 OTHER ASSETS

EUR 1,000	31/12/2017	31/12/2016
Performance fee receivables	9,324	3,811
Other	757	1,035
Total	**10,081**	**4,846**

30 ACCRUED INCOME AND PREPAYMENTS

EUR 1,000	31/12/2017	31/12/2016
Pension and employer insurance premiums	93	270
Cash settled share options	1,397	451
Interest receivables	1,487	1,646
Tax receivables	68	34
Other accrued income	2,278	2,497
Total	**5,322**	**4,898**

31 LIABILITIES TO CREDIT INSTITUTIONS

EUR 1,000	31/12/2017	31/12/2016
Other liabilities to credit institutions	7,982	8,967
Total	**7,982**	**8,967**

32 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1,000	31/12/2017	31/12/2016
Publicly issued bonds	54,758	64,691
Total	**54,758**	**64,691**

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. The bond 01/2014 with a capital of EUR 10,000,000 was repaid in April 2017.

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 37 ‘Principles for managing Group risk 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/velkasijoittajat

33 OTHER LIABILITIES

EUR 1,000	31/12/2017	31/12/2016
Accounts payable	723	458
Fee and commission liabilities	1,063	708
Tax account liabilities	131	111
Other liabilities	214	134
Total	**2,131**	**1,411**

34 ACCRUED EXPENSES AND DEFERRED INCOME

EUR 1,000	31/12/2017	31/12/2016
Accrued personnel costs	2,459	2,082
Cash settled share options	4,743	2,139
Accrued interest	361	735
Accrued tax	2,977	2,648
Other accrued expenses	11,604	4,890
Total	**22,143**	**12,494**

35 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets, EUR 1,000	31/12/2017	31/12/2016
From employment benefits	673	436
From unused tax losses	413	100
From other IFRS adjustments	27	30
Total	**1,113**	**566**

Deferred tax liabilities, EUR 1,000	31/12/2017	31/12/2016
From financial assets available-for-sale	170	811
From insurance equalisation provision	15,717	16,041
Total	**15,887**	**16,852**

36 EQUITY

Share capital

The company's share capital on 31 December 2017 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 29 March 2017, 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 8 January 2016.

At the Annual General Meeting on 29 March 2017, 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 2,500,000 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. This authorisation is valid for one year 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 7 April 2016.

Changes in number of shares 2017	**Total**
Number of shares 1 January 2017	28,350,620
Number of shares 31 December 2017	28,350,620
Number of votes 31 December 2017	28,350,620

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

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 2017	**Financial assets available for sale**		
EUR 1,000	**Loans and receivables certificates**	**Stocks, shares and funds**	**Total**
Fair value reserve 1 January 2017	181	-1,469	-1,288
Changes in fair value	-454	-3,285	-3,739
Deferred taxes	91	657	748
Fair value reserve 31 December 2017	-182	-4,098	-4,280

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

NOTES CONCERNING RISK POSITION

37. 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

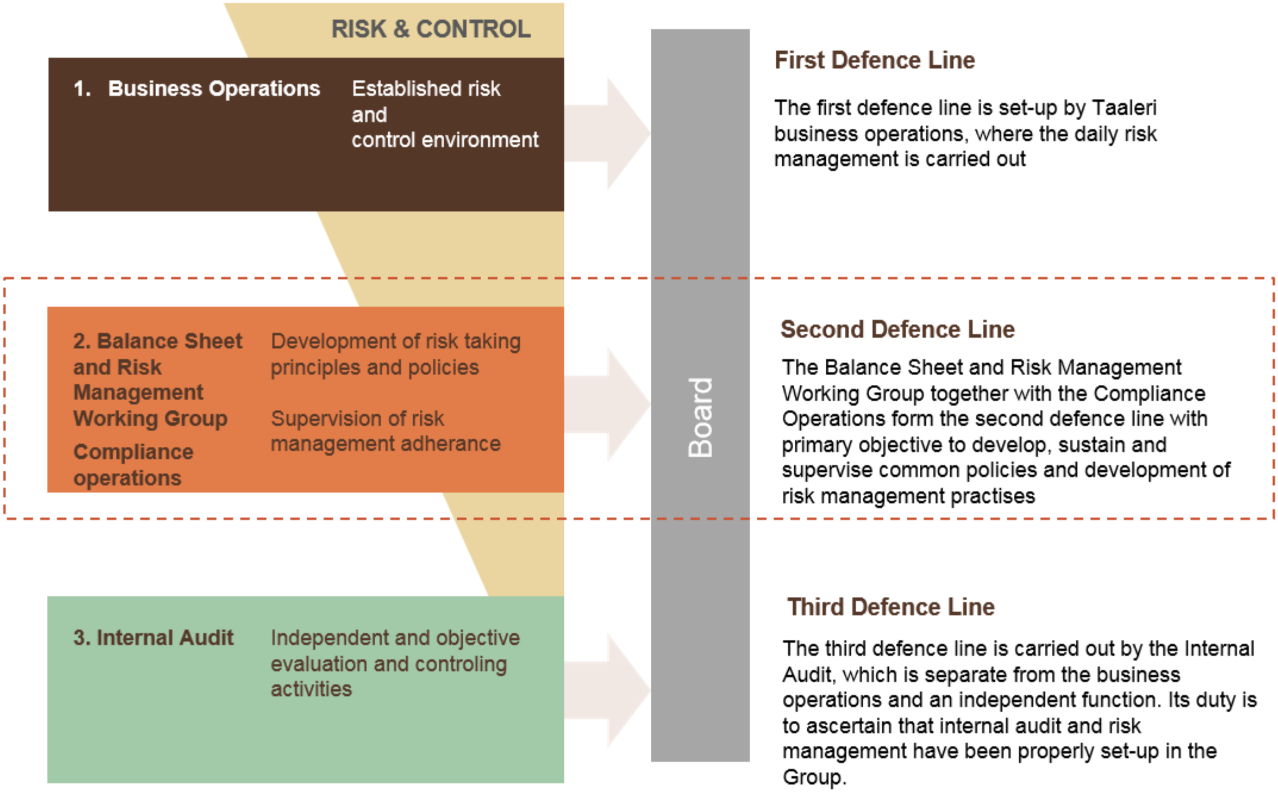
Taaleri Group is subject to the conditions not only of legislation on investment service companies, alternative fund management companies, credit institutions and insurance companies but also of the Act on the Supervision of Financial and Insurance Conglomerates (RaVa) (2004/699), according to which 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 subsidiary Taaleri Fund Management Ltd. 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.

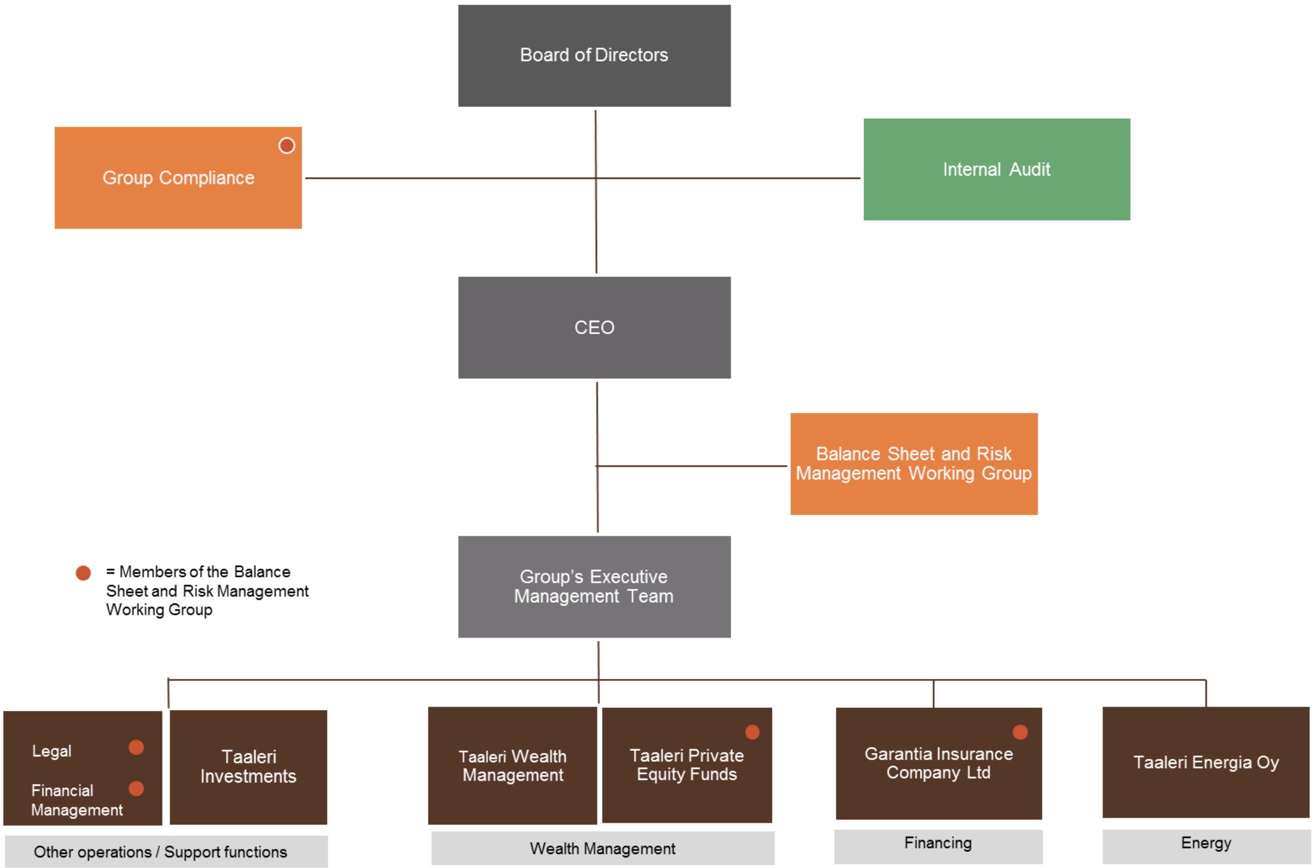


The Executive Management Team of Taaleri Group is responsible for the operational management of risk management in accordance with instructions and regulations issued by the Board of Directors. In matters concerning internal control and risk management, the Group's Executive Management Team promotes 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.

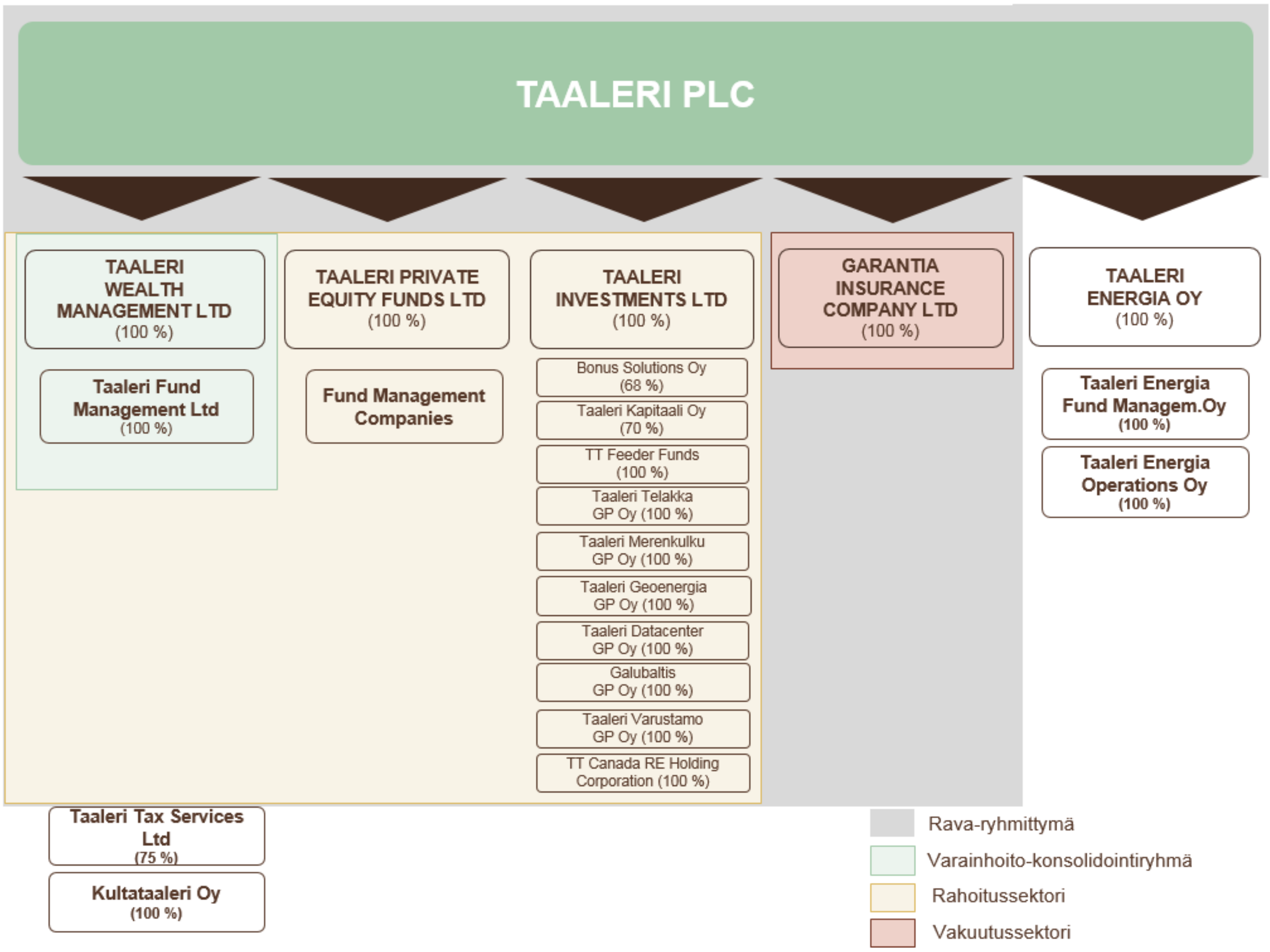
Continuity plan

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. 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 objectives are an equity ratio of at least 30 percent and a return on equity of 15 percent in the long run, in addition to which the development of the Group's gearing is monitored.

Taaleri Plc has strengthened 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 20 million will mature 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. 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. The special permission is valid from 1 January 2017 until 31 December 2018, assuming that the Company continuously meets the conditions for the 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 the 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 EUR 6.7 million on 31 December 2017 if the special permission was not applied but the insurance company investment was deducted from the Common Equity Tier and the result from the financial period was taken into account. The company meets the requirements for the special permission on 31 December 2017, and considers that it does not need a 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. In addition, strategic risks have been evaluated by analysing the development of the result, balance sheet and capital adequacy in different scenarios. Recognised key strategic risks and risks relating to the external operating environment are the decrease of the domestic capital markets, the new and stricter regulation affecting the business, and the management of growth.

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 or in liquid fixed income funds. 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 140.8 million on 31 December 2017 with the CRR 49 special permission. 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 11.3 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 money market investments, which can quickly be converted into cash assets.

Taaleri Group's cash flow comprises clearly forecastable fund and private equity fund management fee income, interest income from high-yield loans, and relatively predictable performance fees and cash flows from equity investments made by Taaleri Investments Ltd. Investment and exit activities can have a significant impact on cash flows. 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 forecasted for the coming 12-month period. Management fees and assets under management in mutual funds administered by Taaleri Fund Management Ltd. are subject to changes in market value and subscriptions and redemptions 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 Finance Director 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 Pilar II is reserved. Market risk in the Wealth Management segment mainly comprises receivables from credit institutions and share risk. 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 fixed income 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.

Taaleri Group calculates its operational risk in accordance with the basic method of its capital adequacy requirement. In 2017, the share of operational risk calculated according to the basic method was EUR 71.6 million, of which the capital requirement was EUR 5.7 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.

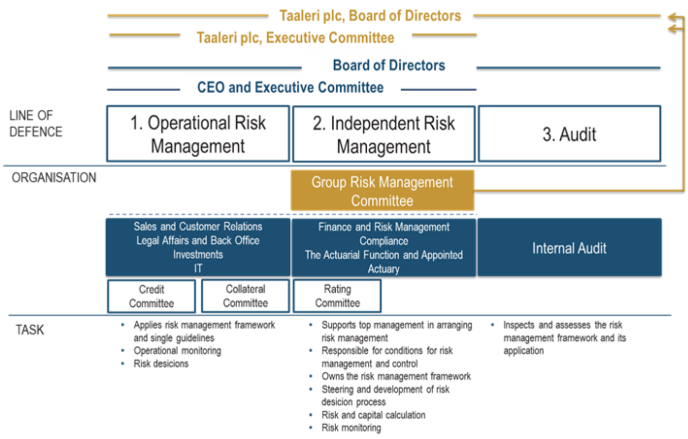
5. Key risks and Risk Management of the Financing segment (Insurance sector)

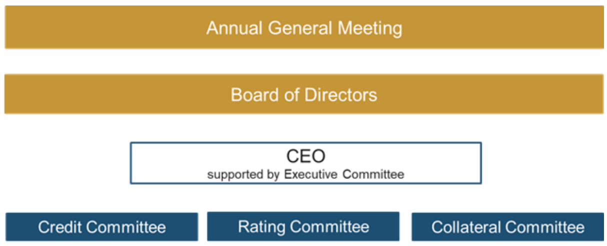
The company's risk management and solvency management are based on Garantia's values, Code of Conduct, strategy and business objectives. The purpose of risk management is to support the achievement of the company's objectives by identifying the company's threats and opportunities and ensuring that they remain within the limits of risk appetite and risk-bearing 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. Internal control covers the activities of all of the company's units and this includes the arrangement of appropriate reporting on all of the company's organisational levels. 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 Group Risk Management Committee, which is independent of the risk-generating business lines, 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 re-ports 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 CEO, 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 CEO 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 CEO.

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 own 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, the minimum capital requirement required by credit rating agency Standard & Poor's for an AAA credit rating, and 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 its business. 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 investment 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, i.e. 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 default of the guaranteed counterparty (default risk) or the guaranteed counterparty may fail to fulfil a contractual obligation on time (delivery risk). 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 default 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 insurance risk related to guarantee insurance i.e. 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 guaranty insurance 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 credit risks is the process of underwriting insurance policies, which is controlled by the credit risk policy, reinsurance policy and decision-making system confirmed by the Board of Directors 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 com-piled in conjunction with the annual planning.

The amount of insurance risk is measured by amount of the economic capital model, the solvency capital requirement (SCR) and S&P's insurance capital model. The insurance risk's economic capital is defined separately for each contract with internal ratings-based approach according to Basel II which considers the exposure at default (EAD), the instrument's credit rating (probability of default, PD), duration, and the loss given default (LGD), which depends on counter-collateral and reinsurance. The economic capital model also includes concentration risk. Garantia regularly assesses its economic capital model and the functionality of the parameters used in the calculation of the amount of economic capital, including the effectiveness of risk mitigating techniques as part of assessment of the accuracy of the LGD parameter. Credit risk specific to clients and groups of connected clients 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, uncovered exposure, covenants and risk client status. The credit risk of insurance exposure is assessed with the following indicators including: gross exposure, proportion reinsured and other collateral, and uncovered exposure 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 41.

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 as part of the known outstanding claims. A proportion of the premiums writ-ten 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 operations also in years with exceptionally high claims. Garantia's investment activities are long-term and the objective is primarily to secure capital and achieve stable and steadily increasing asset growth. The principle of prudence is observed in investment activities, according to which assets are only invested in the type of property where the company is able to identify, measure, monitor, manage, supervise and report the related risks. Market, counterparty (credit risk) and liquidity risk are the risks affecting the in-vestment 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 default 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 approved by the Board. 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 insurance 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.

Quantitative information on insurance investment risks is presented in note 42.

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 financial 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, knowing your customer (KYC) and 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 solvency capital requirement (SCR) and 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 group of connected clients and industry-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 groups of connected clients.

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.

6. Key risks and Risk Management of the Energy segment

Taaleri Private Equity Funds Ltd acts as an alternative investments fund manager for the Energy segment, and takes care of organising the risk management of alternative funds.

Investment-specific risk management in the Energy segment, and risk management which particularly concerns international energy infrastructure investment, has been integrated into the work of the Energy segment personnel through processes which define the quality criteria concerning projects and their inspection. In international investment activity, the need to commission external due diligence assessments is emphasised, in addition to assessments carried out by Energy segment personnel themselves. Each project is processed by the Energy segment investment committee, where experienced, independent infrastructure investment professionals challenge the investment activity presentation. Each project is usually processed three times by the Board of Directors of the alternative fund manager, prior to a final investment decision being made. After carrying out the investment, in the project's construction and operation phase the Energy segment personnel actively participate in project implementation and decision-making, right up to the divestment of the investment. As part of risk management and investor reporting processes, the Energy segment also constantly monitors key factors that may affect the value of projects, and annually updates the fund-specific risk analyses and stress tests.

The operating risks of the Energy segment include market risk (significant failure in the selection or divestment of one or more investments, and the resultant loss of value), currency exchange rate risk (for investments outside the Eurozone, possible significant changes in exchange rates and the resultant loss of profits), country risk (country- and target-specific legislative and political risks and their impact on individual investments), and profitability risk (business risks of the investments of the fund during construction and in the production phase).

Taaleri Energia Funds Management Ltd, a subsidiary of Taaleri Energia Oy, has applied for an alternative investment fund management licence, but the process has not yet been completed by the supervisory authority. The Energy segment will become part of the RaVa conglomerate, once Taaleri Energia Funds Management Ltd is granted an AIFM licence, and will then follow similar risk management methods as Taaleri Private Equity Funds Ltd is currently following. Taaleri Energia Oy is also carrying out project development from its own balance sheet, and its risk positions will be monitored as part of the RaVa conglomerate, once the segment becomes part of the conglomerate.

38 MATURITY SPREAD OF FINANCIAL ASSETS AND LIABILITIES

Financial assets 31/12/2017, EUR 1,000	< 3 m.	3–12 m.	1–5 y.	5–10 y.	> 10 y.	Total
Receivables from credit institutions	34,553	14	-	-	-	34,567
Receivables from the public and general gove	122	701	6,753	555	-	8,131
Other financial assets	11,819	-	-	-	-	11,819
Financial assets total	**46,494**	**715**	**6,753**	**555**	**-**	**54,517**

Financial liabilities 31/12/2017, EUR 1,000	< 3 m.	3–12 m.	1–5 y.	5–10 y.	> 10 y.	Total
Liabilities to credit institutions	**60**	8,103	-	-	-	8,163
Debt securities issued to the public [1)]	-	2,588	60,563	-	-	63,150
Other financial liabilities	16,424	-	-	-	-	16,424
Financial liabilities total	**16,484**	**10,691**	**60,563**	**-**	**-**	**87,737**

Financial assets 31/12/2016, EUR 1,000	< 3 m.	3–12 m.	1–5 y.	5–10 y.	> 10 y.	Total
Receivables from credit institutions	54,566	568	14	-	-	55,148
Receivables from the public and general gove	192	410	6,065	2,981	-	9,648
Debt securities	-	100	-	-	-	100
Other financial assets	7,297	-	-	-	-	7,297
Financial assets total	**62,055**	**1,078**	**6,079**	**2,981**	**-**	**72,193**

Financial liabilities 31/12/2016, EUR 1,000	< 3 m.	3–12 m.	1–5 y.	5–10 y.	> 10 y.	Total
Liabilities to credit institutions	-	1,264	8,188	-	-	9,452
Debt securities issued to the public [1)]	-	13,038	63,150	-	-	76,188
Other financial liabilities	9,006	-	-	-	-	9,006
Financial liabilities total	**9,006**	**14,302**	**71,338**	**-**	**-**	**94,645**

1) The maturity of financial assets are shown at their original value before impairments. Interest payments not yet due have been included in the respective instrument value (previously shown separately). The comparative figures have been amended with interest payments of EUR 1.3 million.

The maturity spread for insurance assets and liabilities is presented in Notes 41 and 42.

39 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	01/01/2017	Cash flows	Change in fair value	31/12/2017
Liabilities to credit institutions	8,967	-1,000	**15**	7,982
Debt securities issued to the public	64,691	-10,000	66	54,758
Total	**73,659**	**-11,000**	**82**	**62,740**

40 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 41 and 42.

			31/12/2017		31/12/2016	
EUR 1,000	**Risk variable**	**Change**	**Effect on earnings**	**Effect on equity**	**Effect on earnings**	**Effect on equity**
Interest rate risk [1)]	Interest	One per-centage pt.	269	269	464	464
Price risk [2)]						
Debt securities	Fair value	10%	-	-	-	10
Shares and units	Fair value	10%	2,047	2,588	323	735
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.

41 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 2017 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 out-standing claims***	**Claims incurred**	**%, of insurance exposure**	**Claims ratio, %**
2017	-343	-736	-1,079	0.07%	10.1 %
2016	-934	-240	-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, MEUR	**31/12/2017**	**31/12/2016**
Loan guarantees	365	407
Commercial bonds	462	353
Residential mortgage guaranties	579	467
Other guarantees	85	93
Total	**1,491**	**1,320**

Collateral position of insurance exposure, MEUR	**31/12/2017**	**31/12/2016**
Reinsured	259	219
Collateral classes 1 and 2	86	93
Collateral classes 3 and 4	127	60
Uncovered position	1,019	948
Total	**1,491**	**1,320**

Insurance exposure by credit rating*, MEUR	31/12/2017	31/12/2016
AAA - BBB-	178	165
BB+ - BB-	452	374
B+ - B-	182	208
C+ or weaker	22	22
Total	**834**	**769**

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

Insurance exposure by industry*, MEUR	31/12/2017	31/12/2016
Construction	364	287
Manufacturing	205	196
Machinery and equipment industry (incl. repair)	52	49
Metal	47	46
Forest and paper	24	39
Food	55	36
Other	27	26
Services	58	57
Wholesale and retail trade	44	47
Energy	23	39
Finance and insurance	40	36
Other industries	99	106
Total	**834**	**769**

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

Technical provisions (FAS), EUR 1,000	31/12/2017	31/12/2016
Provision for unearned premiums	16,514	12,925
Provision for claims outstanding	1,646	910
Known provision for claims outstanding	935	340
Unknown provision for claims outstanding	711	570
Equalisation provision	72,536	73,615
Total	**90,696**	**87,450**

Provision for unearned premiums and claims outstanding by estimated maturity 31 December 2017

EUR 1,000	< 1 year	1–2 years	2–3 years	> 3 years	Total
Provision for unearned premiums	6,056	2,846	2,269	5,344	16,514
Provision for claims outstanding	1,646	-	-	-	1,646
Total	**7,702**	**2,846**	**2,269**	**5,344**	**18,161**

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**

The modified duration of the cash flow distribution of technical provisions (not including the equalisation provision) is 2.0 years (2.1).

Sensitivity analysis of insurance operations 31 December 2017*

Risk parameter	Total amount	Change in risk parameter	Effect on equity	Effect on combined ratio, percentage point
Premium revenue	10,638	increases by 10%	851	+ 5,48 %-yksikköä
Claims incurred	1,079	increase by 10%	-	-1,01 %-yksikköä
Large claim, EUR 10 million	-	EUR 10 million	-	-94,0 %-yksikköä
Operating expenses	5,330	increase by 10%	-426	-5,01 %-yksikköä

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

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	+5,90 %-yksikköä
Claims incurred	1,174	increase by 10%	-	-1,24 %-yksikköä
Large claim, EUR 10 million	-	EUR 10 million	-	-105,63 %-yksikköä
Operating expenses	4,966	increase by 10%	-397	-5,25 %-yksikköä

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

42 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 2017 and the comparison periods, based on the figures in Garantia’s FAS financial statements.

Investment distribution at fair value, EUR million	31/12/2017	31/12/2016
Fixed income investments*	102	101
Equity investments	31	26
Land and buildings	2	1
Total	**134**	**127**

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

Investment sensitivity analysis, 31 December 2017*

Investment class	Invest-ments at fair value, EUR million	Risk parameter	Change	Effect on equity, EUR million
Bonds	101.5	Change in interest rate	1%	2.97
Shares	28.0	Fair value	10%	2.24
Capital investments	4.3	Fair value	10%	0.34

* 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 2016*

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

Fixed-income portfolio (excl. Bond funds) by maturity* and credit rating 31 December 2017**

EUR million	< 1 year	1–3 years	3–5 years	> 5 years	Total	%
AAA - AA-	0	-	1	8	10	10%
A+ - A-	0	11	-	2	12	12%
BBB+ - BBB-	-	-	19	14	33	32%
BB+ or weaker	6	19	22	-	47	46%
No rated	-	-	-	-	-	0%
Total	**6**	**29**	**43**	**23**	**102**	**100%**

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%**

* 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 and 2. External rating affirmed by an external rating agency.

43 TAALERI CAPITAL ADEQUACY

Capital Adequacy of RaVa conglomerate
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 2017, Taaleri RaVa conglomerate’s own funds amounted to EUR 96.1 (84.7) million, with the minimum requirement being EUR 38.3 (31.5) million. The conglomerate’s capital adequacy is EUR 57.9 (53.2) million and the capital adequacy ratio is 251.2 (268.9) percent, with the minimum requirement being 100 percent. On 27 November 2017 the Financial Supervisory Authority informed that they are evaluating a possible raise of the capital requirement for Garantia. As such the final capital requirement of Garantia is still under the review of the Financial Supervisory Authority. The executive management estimates that Garantia's capital adequacy will remain strong in spite of a possible raise of the capital requirment due to insurance risk.

Capital adequacy of RaVa conglomerate, EUR 1,000	**31/12/2017**	**31/12/2016**
Taaleri Group's equity capital	**106,084**	**93,850**
Goodwill and other intangible assets	-2,205	-2,513
Non-controlling interests	-384	-354
Planned distribution of profits	-7,371	-6,237
Total of conglomerate’s own funds	**96,124**	**84,746**
Financing business’ requirement for own funds	9,781	7,163
Insurance business’ requirement for own funds	28,484	24,357
Total of conglomerate’s minimum requirement for own funds	**38,265**	**31,520**
Conglomerate’s capital adequacy	**57,859**	**53,226**
Conglomerate’s capital adequacy ratio	**251.2 %**	**268.9 %**

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

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 per cent.

Starting from 1 January 2017, the internal insurance company investment of the financing and insurance group will be processed as a risk-weighted item instead of deduction as specified in Capital Requirements Regulation (CRR) Article 49 (4) in accordance with a special permission granted by the Finnish Financial Supervisory Authority on 29 November 2016. The special permission is valid until 31 December 2018, assuming that the company continuously meets the conditions for the special permission. Garantia’s book acquisition expense of EUR 60 million can be left undeducted. Neither is the impact on the result accumulated by the insurance company investment included in the consolidated Common Equity Tier of the investment service company. Equity investments include the Group’s internal insurance company investment of EUR 60.0 million with a risk-weight of 100 per cent. The consolidated Common Equity Tier of the investment service company would be EUR 6.7 million on 31 December 2017, if the special permission were not applied, and the insurance company investment would be deducted from the Common Equity Tier. The company meets the requirements for the special permission according to the situation on 31 December 2017, and it considers that it does not need new special permission after this special permission.

Capital adequacy for the Financing sector (according to CRR 49, special FSA permission)	31/12/2017
Common Equity Tier 1 (CET1) before deductions	**70,554**
Deductions from CET1:	
Goodwill and intangible assets	-2,173
Non-controlling interest	-384
Profit for the period	-19,172
Common Equity Tier 1 (CET1)	**48,825**
Additional Tier 1 Capital (AT1) before deductions	-
Deductions from AT1	-
Additional Tier 1 Capital	-
Tier 1 Capital (T1 = CET1 + AT1)	**48,825**
Tier 2 Capital (T2) before deductions	**-**
Deductions from T2	-
Tier 2 Capital (T2)	-
Total capital base (TC = T1 + T2)	**48,825**
Total risk weighted assets (Total risk exposure)	**217,201**
- of which the share of credit risk	145,560
- of which the share of operative risk	71,641
- of which the share of other risks	-
Common Equity Tier (CET1) in relation to the amount of total risk (%)	22.5 %
Tier 1 capital (T1) in relation to the amount of total risk (%)	22.5 %
Total capital (TC) in relation to the amount of total risk (%)	22.5 %

OTHER NOTES

44 NOTES CONCERNING PERSONNEL AND MANAGEMENT

	2017		2016	
Number of personnel	**Average no.**	**Change**	**Average no.**	**Change**
Permanent full-time personnel	175	8	167	4
Temporary part-time personnel	9	-3	12	-1
Total	184	5	179	3

Remuneration, EUR 1,000

2017	**Wealth Management**	**Financing**	**Energy**	**Other**
Variable fees paid in cash				
Salaries	3,643	1,197	376	750
Deferred fees	634	649		62
Payable as synthetic options	338	103	12	133
Number of beneficiaries	119	24	16	16

2016	**Wealth Management**	**Financing**	**Energy**	**Other**
Variable fees paid in cash				
Salaries	3,118	457	37	232
Deferred fees	156	647		
Payable as synthetic options	591	27		84
Number of beneficiaries	122	22	8	12

Salaries and bonuses paid to board members, executive management and risk takers, EUR 1,000	**2017**	**2016**
Payable in cash		
Members of the Board of Directors	330	359
Executive Management	2,270	1,905
Risk takers	5,565	4,908
- whereof fixed fees	-	49
Deferred fees		
Risk takers	969	738
Total	**8,166**	**7,172**

Number of beneficiaries		
Executive management	7	8
Risk takers	31	35

The group had not granted credit or guarantees to members of the Board, managing directors or deputy managing directors either on 31 December 2017 or on 31 December 2016. In addition to statutory pension insurance, voluntary additional pension insurance (defined contribution plans) was taken out for which EUR 87.450 was paid in 2017 (EUR 86,950 in 2016). The voluntary pension insurance payments are included in the table above. On 31 December 2017, 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. Taaleri's Board of Director's has on 16 December 2016 and 27 February 2017 decided that the synthetic options in full will be paid in cash. Thus outstanding synthetic options in full have been measured at fair value on 31 December 2017 and are recognized as debt on 31 December 2017.

Options outstanding (number of options)	**1/1-31/12/2017**	**1/1-31/12/2016**
Outstanding at the beginning of the period	584,000	584,000
Effect of share issue	-	-
Granted during the period	-	-
Returned during the period	-	-
Excercised during the period	252,000	-
Expired during the period	-	-
Outstanding at the end of the period	**332,000**	**584,000**
Excercisable at the end of the period	**332,000**	**-**

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, on 16 December 2016 at EUR 1.36 and on 30 October 2017 at EUR 2.83. 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)	**1/1-31/12/2017**	**1/1-31/12/2016**
Outstanding at the beginning of the period	610,000	0
Granted during the period	150,000	610,000
Returned during the period	75,000	-
Excercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	**685,000**	**610,000**
Excercisable at the end of the period	**-**	**-**

Share option plan 2017

On 30 October 2017, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key employees. The scheme consists of three three-year earnings periods, namely 1/11/2017 – 31/10/2020, 1/11/2018 – 31/10/2021, and 1/11/2019 – 31/10/2022. At the beginning of each period, the Board of Directors decides on the earnings criteria and sets performance targets. Approximately ten persons, including the members of the group's executive board, are part of the scheme in the earnings period 2017-2020. The potential bonus from the scheme in the earnings period 2017-2020 is based on the total return of Taaleri Plc's share. The potential bonus for the earnings period 2017-2020 corresponds to a maximum of the value of 180,000 shares, including the part paid in cash. The possible bonus from the earnings period 2017-2020 will be paid within approximately four years from the end of the earnings period in four instalments. The bonus is paid partly in shares and partly in cash. 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 the payment of the bonus, in principle no bonus will be paid. Shares received as a bonus may not be surrendered during a one-year waiting period. Shares received under the scheme must be held by the key employee until the value of the shareholding in the company corresponds to the key employee's yearly gross salary. This amount of shares must be held by the key employee as long as the employment in one of the group companies lasts.

On the date of granting on 30 October 2017, the fair value of an option was set at EUR 5.07. 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.

Options outstanding (number of options)	**1.1.-31.12.2017**	**1.1.-31.12.2016**
Outstanding at the beginning of the period	0	0
Granted during the period	180,000	0
Returned during the period	0	0
Excercised during the period	0	0
Expired during the period	0	0
Outstanding at the end of the period	**180,000**	**0**
Excercisable at the end of the period	**0**	**0**

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 2.6 million was recognised in personnel expenses for the period 1 January–31 December 2017, and a total of EUR 1.1 million for the period 1 January–31 December 2016.

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 2017	10.35	10.35	10.35
Series B share price 31 December 2016	8.24	8.24	8.24
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 2017, EUR	7.28	7.28	7.28
Fair value of option on 31 December 2016, EUR	5.39	5.39	5.39

[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 5/2016	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 2017	10.35	10.35	10.35	10.35
Original issue price, EUR	9.00	9.00	9.00	9.00
Dividend-adjusted issue price, EUR	8.58	8.58	8.58	8.58
Expected volatility, %	0.24	0.24	0.24	0.24
Validity period on date of granting, years	4.85	4.6	4.5	4.0
Risk-free interest, %	0.00	0.0004	0.0004	-0.0052
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 2017, EUR	2.52	2.52	2.52	2.52
Fair value of option on 31 December 2016, EUR	1.31	1.31	1.31	1.31

Share Options 2015, assumptions used	granted 10/2017
Weighted price of shares on the date of granting, EUR	10.75
Share price on 31 December 2017	10.35
Original issue price, EUR	9.00
Dividend-adjusted issue price, EUR	8.58
Expected volatility, %	23.4 %
Validity period on date of granting, years	3.17
Risk-free interest, %	-0.43%
Fair value of option at the time of granting, EUR	2.83
Fair value of option on 31 December 2017, EUR	2.52

45 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 2017

The group has on 31 December 2017 sold a 66 percent share of its former subsidiary Taaleri Portföy Yönetimi A.Ş. at a sales price of TRY 1.65 million (EUR 363 thousand). A loss of EUR 0.7 million was recognized in the income statement item “Income from equity investments”. The group’s shareholding after the sale is 18.83 percent. The shareholding is included in the balance sheet item “Shares and units” on 31 December 2017. The sale is subject to the approval of Turkish authorities.

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.

In August a 7 percent share of subsidiary Bonus Solutions Oy was sold after which the group’s shareholding is 68 percent.

In May the subsidiary Taaleri Energia Funds Management Ltd, was established and in June the subsidiary TT Canada RE Holding Corporation was established in Canada.

In december the demerger of Taaleri Sijoitus Oy was completed, as a result of which the 100 % ownership of Taaleri Energia Operations Oy was transfered to Taaleri Energia Oy from Taaleri Sijoitus Oy. The demerger had no effect on the group's own capital.

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 108.

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%.

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 2017.

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 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.

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	**2017**	**2016**
From an addition to the share owned in subsidiaries	-	-11,226
From a reduction in the share owned in subsidiaries without loss of control	53	-7
Net effect on equity	**53**	**-11,232**

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

There is no material non-controlling interest in the group.

	Proportion of non-controlling ownership interest		Profit or loss allocated to non-controlling interests		Equity capital allocated to non-controlling interests	
Company	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Other subsidiaries with non-controlling interests, which are not material on their own			341	110	384	354
Total			**341**	**110**	**384**	**354**

46 INVESTMENTS IN ASSOCIATED COMPANIES

The group has on 19 September 2017 acquired 38.85 percent of Ficolo Oy, which has since been consolidated as an associated company. There have been no other changes in investments in associated companies during 2017. Hence, on 31 December 2017 the group has three associated companies; Fellow Finance Plc, Inderes Oy and Ficolo Oy. None of these is considered material to the group. All associated companies are consolidated using the equity method. A total of EUR 583 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.

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.

47 CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1,000	**31/12/2017**	**31/12/2016**
Total gross exposures of guaranty insurance	1,491,279	1,319,746
Guarantees	219	219
Investment commitments	14,874	1,649
Pledged securities	13,333	15,000
Credit limits (unused)	10,000	10,000
Total	**1,529,706**	**1,346,614**

Garantia has received information that a matter concerning a potential insurance event and a EUR 5 million claim with penalty consequences and legal fees has become pending in the Helsinki District Court. The insurance claim concerns a pension fund which was a loan guaranty customer of Garantia in 2011 and which was placed in liquidation in December 2011 under the Pension fund act (1164/1992, as amended), related to which Garantia originally received a claim on 30 December 2011. Garantia considers that the claim is still unfounded which is why it has not been entered in the profit and loss account as a provision for outstanding claims.

48 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.

49 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 1.9 million in leasing expenses was recorded in other operating costs in 2017 (EUR 2.0 million in 2016).

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

EUR 1,000	**31/12/2017**	**31/12/2016**
Within one year	1,616	1,400
In over one year and within five years maximum	5,766	505
Total	**7,382**	**1,905**

50 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 108. 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 45.

Board member Peter Fagernäs is among the 10 largest shareholders of the company through a company he owns. 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

2017	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	632	91	4,148	-
Other related parties	391	46	4,580	-

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

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

Management shareholdings

At the end of 2017, members of the company's Board of Directors and Senior Management Team owned a total of 7,377,426 of the company's shares, which corresponds to about 26.0% of the shares and the voting rights attached to all shares. The shareholdings of the members of the company's Board of Directors and Senior Management Team in the company, including related party holdings:

Name	Position	Number of shares
Peter Fagernäs [1)]	Chairman of the Board of Directors	2,503,128
Juhani Elomaa [2)]	CEO	2,088,198
Karri Haaparinne [3)]	Deputy CEO	1,830,784
Petri Lampinen [4)]	Taaleri Wealth Management Ltd, Managing Director	516,596
Esa Kiiskinen [5)]	Member of the Board of Directors	232,496
Vesa Puttonen [6)]	Member of the Board of Directors	182,224
Janne Koikkalainen	Legal and Compliance	10,000
Minna Smedsten	CFO	7,500
Hanna Maria Sievinen	Member of the Board of Directors	3,000
Tuomas Syrjänen	Member of the Board of Directors	2,500
Jorma Alanne [7)]	Head of Wealth Management	1,000
Total		**7,377,426**
Total of share capital, %		26.0 %

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

[2)] Juhani Elomaa's shareholding consists of 2,088,198 shares, 266,656 of which are owned by E-Capital Oy, in which he has a controlling interest, and 17,367 are owned by other related parties.

[3)] Karri Haaparinne's shareholding consists of 1,830,784 shares, 167,683 of which are owned by Xabis Oy, in which he has a controlling interest, and 161,009 are owned by other related parties.

[4)] Petri Lampinen's shareholding consists of 516,596 shares, of which 8,268 shares are owned by other related parties.

[5)] 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,

[6)] Vesa Puttonen's shareholding consists of 182,224 shares owned by Enabla Oy, in 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 the Executive Board[1)]. Compensation paid or payable to them for their work consists of the following items:

TEUR	2017	2016
Salaries, bonuses and other fringe benefits	2,098	1,959
Benefits to be paid at the end of employment	886	596
Total	**2,984**	**2,555**

1) The composition of Taaleri's Executive Board changed during the 2016 and 2017 financial periods. The benefits of those who left the Executive Board are included in the table from the time when they belonged to the team.

PARENT COMPANY INCOME STATEMENT

EUR	Note	1/1-31/12/2017	1/1-31/12/2016
Fee and commission income	2	5,175.00	0.00
Net gains or net losses on trading in securities and foreign currencies		13,738.27	6,540.75
Net gains or let losses on trading in securities	3	13,738.27	6,540.75
Income from equity investments	4	11,000,000.00	6,335,625.00
Interest income	5	294,261.47	382,558.94
Other operating income	6	3,655,833.02	4,219,022.40
INCOME FROM INVESTMENT SERVICES		**14,969,007.76**	**10,943,747.09**
Fee and commission expense	7	-44,889.68	-46,411.20
Interest expense	8	-3,078,545.98	-2,069,947.66
Administrative expenses			
Personnel costs	9		
Wages, salaries and fees		-3,466,093.21	-2,335,101.47
Other benefits		-636,931.91	-485,284.87
Pension expenses		-361,285.58	-368,679.03
Social security contributions		-275,646.33	-116,605.84
Personnel costs, total		-4,103,025.12	-2,820,386.34
Other administrative expenses	10	-1,074,397.31	-1,456,818.47
Depreciation, amortisation and impairment of tangible and intangible assets	11	-17,862.06	-14,309.46
Other operating expenses	12	-1,170,460.37	-1,163,242.37
OPERATING PROFIT (LOSS)		**5,479,827.24**	**3,372,631.59**
Appropriations	13	7,800,000.00	3,000,000.00
Income taxes	14	-464,684.92	-7,805.41
PROFIT (LOSS) FOR THE PERIOD		**12,815,142.32**	**6,364,826.18**

PARENT COMPANY BALANCE SHEET

Assets	Note	31/12/2017	31/12/2016
Receivables from credit institutions	15, 25, 26, 27	12,268,305.04	33,013,392.42
Receivables from the public and general government	16, 25, 26, 27	5,925,210.00	4,000,000.00
Shares and units	17, 25, 26	15,033,434.51	19,696.24
Participating interests	17, 25, 26	2,380,012.00	2,380,012.00
Shares and units in group entities	17, 25, 26	77,883,946.42	77,883,946.42
Intangible assets	18	51,102.20	40,543.46
Other assets	19	411,028.25	106,483.75
Accrued income and prepayments	20	1,726,776.04	832,351.53
		115,679,814.46	**118,276,425.82**

Liabilities	Note	31/12/2017	31/12/2016
LIABILITIES		66,190,993.96	75,375,511.24
Liabilities to credit institutions	21, 25, 26, 27	8,000,000.00	9,000,000.00
Debt securities issued to the public	22, 25, 26, 27	55,000,000.00	65,000,000.00
Other liabilities	23	352,707.30	153,592.17
Accrued expenses and deferred income	24	2,838,286.66	1,221,919.07
EQUITY	28	49,488,820.50	42,900,914.58
Share capital		125,000.00	125,000.00
Non-restricted reserves		36,139,665.20	36,139,665.20
Reserve for invested non-restricted equity		36,139,665.20	36,139,665.20
Retained earnings or loss		409,012.98	271,423.20
Profit (loss) for the period		12,815,142.32	6,364,826.18
		115,679,814.46	**118,276,425.82**

PARENT COMPANY CASH FLOW STATEMENT

	1/1-31/12/2017	1/1-31/12/2016
Cash flow from operating activities:		
Operating profit (loss)	5,479,827.24	3,372,631.59
Depreciation	17,862.06	14,309.46
Other adjustments		
Change in fair value of investments held for trading	-13,738.27	-3,333.30
Cash flow before change in working capital	5,483,951.03	3,383,607.75
Change in working capital		
Increase (-)/decrease (+) in loan receivables	-1,925,210.00	4,500,000.00
Increase (-)/decrease (+) in current interest-free receivables	-1,198,163.02	1,296,581.46
Increase (+)/decrease (-) in current interest-free liabilities	1,375,832.37	-766,638.87
Cash flow from operating activities before financial items and taxes	3,736,410.38	8,413,550.34
Direct taxes paid (-)	-25,840.56	-25,840.57
Cash flow from operating activities (A)	**3,710,569.82**	**8,387,709.77**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-28,420.80	-
Investments in subsidiaries and associated companies	-	-12,906,346.43
Other investments	-15,000,000.00	-
Cash flow from investing activities (B)	**-15,028,420.80**	**-12,906,346.43**
Cash flow from financing activities:		
Chargeable changes in equity	-	-
Purchase of own shares	-	-
Debt securities issued to the public	-10,000,000.00	35,000,000.00
Increase (+)/decrease (-) in non-current liabilities	-1,000,000.00	-6,000,000.00
Paid and received group contributions	7,800,000.00	3,000,000.00
Dividends paid and other distribution of profit	-6,227,236.40	-5,661,124.00
Cash flow from financing activities (C)	**-9,427,236.40**	**26,338,876.00**
Increase/decrease in cash and cash equivalents (A+B+C)	-20,745,087.38	21,820,239.34
Cash assets at the beginning of the financial period	33,013,392.42	11,193,153.08
Cash assets at the end of the financial period	12,268,305.04	33,013,392.42
Difference in cash assets	-20,745,087.38	21,820,239.34

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 2017.

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".

From 1 January 2018 financial instruments will be accounted for according to IFRS 9 *Financial instruments*, which supersedes IAS 39. The effects of the transition on a group level are detailed in Taaleri group's notes to the financial statements.

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 FEE AND COMMISSION INCOME

	1/1-31/12/2017	1/1-31/12/2016
Other fees	5,175.00	0.00
Total	**5,175.00**	**0.00**

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

	1/1-31/12/2017	1/1-31/12/2016
From shares and units	-	3,207.45
Change in fair value	13,738.27	3,333.30
Net earnings from trading securities, total	13,738.27	6,540.75

4 INCOME FROM EQUITY INVESTMENTS

	1/1-31/12/2017	1/1-31/12/2016
From group companies		
Dividend income	11,000,000.00	6,335,625.00
Total	11,000,000.00	6,335,625.00

5 INTEREST INCOME

	1/1-31/12/2017	1/1-31/12/2016
From receivables from the public and general government	292,406.90	353,490.44
Other interest income	144.98	224.66
From group companies	1,709.59	28,843.84
Total	294,261.47	382,558.94

6 OTHER OPERATING INCOME

	1/1-31/12/2017	1/1-31/12/2016
From other companies	5,950.00	26,371.26
From group companies	3,649,883.02	4,192,651.14
Total	3,655,833.02	4,219,022.40

7 FEE AND COMMISSION EXPENSE

	1/1-31/12/2017	1/1-31/12/2016
From other operations	44,889.68	46,411.20
Total	44,889.68	46,411.20

8 INTEREST EXPENSES

	1/1-31/12/2017	1/1-31/12/2016
From liabilities to credit institutions	278,807.01	423,173.17
From receivables from credit institutions	25,442.85	-
From debentures issued	2,774,223.75	1,633,622.89
Other interest expenses	72.37	132.42
To group companies	0.00	13,019.18
Total	3,078,545.98	2,069,947.66

9 PERSONNEL COSTS

	1/1-31/12/2017	1/1-31/12/2016
Wages, salaries and fees	3,466,093.21	2,335,101.47
Pension expenses	361,285.58	368,679.03
Social security contributions	275,646.33	116,605.84
Total	4,103,025.12	2,820,386.34

During the 2017 financial period, a total of EUR 900.7 (835.8) thousand in salaries and fees were paid to the Board of Directors, the CEO and Deputy CEO including the voluntary pension insurance. During the financial period, the average number of personnel employed by the parent company was 16 (19).

The salaries and bonuses paid to the company's CEO in 2017 including fringe benefits and pension insurance amounted to EUR 455 thousand. If his employment is terminated by the company, the CEO is entitled to severance pay corresponding to 12 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 54 thousand in 2017.

10 OTHER ADMINISTRATIVE EXPENSES

	1/1-31/12/2017	1/1-31/12/2016
Voluntary personnel expenses	238,183.89	148,524.97
Marketing and communication expenses	250,679.27	336,086.98
Group internal administrative services	328,524.00	782,052.00
Other expenses	257,010.15	190,154.52
Total	1,074,397.31	1,456,818.47

11 DEPRECIATION, AMORTISATION AND IMPAIRMENT ON TANGIBLE AND INTANGIBLE ASSETS

	1/1-31/12/2017	1/1-31/12/2016
Intangible assets		
Planned depreciation	17,862.06	14,309.46
Total	17,862.06	14,309.46

12 OTHER OPERATING EXPENSES

	1/1-31/12/2017	1/1-31/12/2016
Premises and other leasing expenses	12,436.30	12,422.50
Equipment rental and leasing	93,992.52	95,730.13
Fees paid to the company's auditors	141,302.26	207,242.84
Auditing fees	125,302.00	102,709.20
Other	16,000.26	104,533.64
Other expenses	922,729.29	847,846.90
Total	1,170,460.37	1,163,242.37

13 APPROPRIATIONS

	1/1-31/12/2017	1/1-31/12/2016
Group contributions received	7,800,000.00	3,000,000.00
Total	7,800,000.00	3,000,000.00

14 TAXES

	1/1-31/12/2017	1/1-31/12/2016
From profit for the financial period	465,490.91	8,738.02
Taxes from previous periods	-805.99	-932.61
Total	464,684.92	7,805.41

NOTES TO THE BALANCE SHEET

15 RECEIVABLES FROM CREDIT INSTITUTIONS

	31/12/2017	31/12/2016
Repayable on demand		
From domestic credit institutions	12,268,305.04	33,013,392.42
Receivables from credit institutions, total	12,268,305.04	33,013,392.42

16 RECEIVABLES FROM THE PUBLIC AND GENERAL GOVERNMENT

	31/12/2017	31/12/2016
Other than repayable on demanded		
Group **)	1,800,000.00	-
Personnel	125,210.00	-
Other companies	4,000,000.00	4,000,000.00
Total	5,925,210.00	4,000,000.00
Total amount of subordinated receivables:		
**) Group internal	1,800,000.00	-

17 SHARES AND UNITS

	31/12/2017	31/12/2016
Shares and units	**15,033,434.51**	**19,696.24**
Held for trading	15,029,199.80	15,461.53
- of which publicly quoted	16,527.97	15,461.53
- 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**	**77,883,946.42**
Carrying amount total	**95,297,392.93**	**80,283,654.66**
- of which at acquisition cost	80,268,193.13	80,268,193.13

18 INTANGIBLE ASSETS

2017	IT systems	Total
Acquisition cost 1 January	57,237.83	57,237.83
Increases	28,420.80	28,420.80
Acquisition cost 31 December	**85,658.63**	**85,658.63**
Accumulated depreciation, amortisation and impairment 1 January	16,694.37	16,694.37
Depreciation during the financial period	17,862.06	17,862.06
Accrued depreciation 31 December	**34,556.43**	**34,556.43**
Carrying amount 1 January	40,543.46	40,543.46
Carrying amount 31 December	**51,102.20**	**51,102.20**

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**

19 OTHER ASSETS

	31/12/2017	31/12/2016
Group internal receivables	120,618.29	21,694.39
VAT receivables	248,722.97	79,888.70
Other	41,686.99	4,900.66
Total	411,028.25	106,483.75

20 ACCRUED INCOME AND PREPAYMENTS

	31/12/2017	31/12/2016
Group internal	1,258,383.31	249,383.83
Accrued interest	357,253.36	379,693.65
Tax accruals	17,960.27	17,102.55
Other accrued income	93,179.10	186,171.50
Total	1,726,776.04	832,351.53

21 LIABILITIES TO CREDIT INSTITUTIONS

	31/12/2017	31/12/2016
Other than repayable on demanded	8,000,000.00	9,000,000.00
Total	8,000,000.00	9,000,000.00

22 DEBT SECURITIES ISSUED TO THE PUBLIC

	31/12/2017	31/12/2016
Publicly issued bonds	55,000,000.00	65,000,000.00
Total	55,000,000.00	65,000,000.00

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 *32 Debt securities issued to the public* to the consolidated financial statements.

23 OTHER LIABILITIES

	31/12/2017	31/12/2016
Accounts payable	54,408.49	57,176.25
Other liabilities	74,635.00	26,015.33
Other group internal liabilities	223,663.81	70,400.59
Total	352,707.30	153,592.17

24 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2017	31/12/2016
Group internal accrued expenses	216,105.80	19,905.80
Holiday pay liability	343,622.81	251,690.68
Accrued interest	360,684.17	701,855.65
Accrued tax	439,650.35	-
Other accrued expenses	1,478,223.53	248,466.94
Total	2,838,286.66	1,221,919.07

25 ITEMS DENOMINATED IN DOMESTIC AND FOREIGN CURRENCY AND CONSOLIDATED ITEMS

2017	EUR	Other than EUR	Total	Group internal
Receivables from credit institutions	12,268,305.04	-	12,268,305.04	-
Receivables from the public and general governmei	5,925,210.00	-	5,925,210.00	-
Shares and units	95,297,392.93	-	95,297,392.93	77,883,946.42
Other assets	2,188,906.49	-	2,188,906.49	1,379,001.60
Total	115,679,814.46	-	115,679,814.46	79,262,948.02
Liabilities to credit institutions	8,000,000.00	-	8,000,000.00	-
Debt instruments issued to the public	55,000,000.00	-	55,000,000.00	-
Other liabilities	3,190,993.96	-	3,190,993.96	1,701,887.34
Total	66,190,993.96	-	66,190,993.96	1,701,887.34

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 governmei	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

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

2017	**Carrying amount**	**Fair value**
Financial assets		
Receivables from credit institutions	12,268,305.04	12,268,305.04
Receivables from the public and general government	5,925,210.00	6,909,313.17
Shares and units	17,413,446.51	17,413,446.51
Shares and units in group companies	77,883,946.42	77,883,946.42
Total	113,490,907.97	114,475,011.14
Financial liabilities		
Liabilities to credit institutions	8,000,000.00	8,406,893.88
Debt securities issued to the public	55,000,000.00	62,724,671.81
Total	63,000,000.00	71,131,565.69

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

Financial instruments measured at fair value

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares and units				
Held for trading	15,029,199.80	-	-	15,029,199.80
Available for sale	-	-	4,234.71	4,234.71
Total	15,029,199.80	-	4,234.71	15,033,434.51

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

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.

27 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

31/12/2017	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	12,268,305.04	-	-	-
3–12 months	-	-	8,000,000.00	-
1–5 years	-	4,125,210.00	-	55,000,000.00
5–10 years	-	1,800,000.00	-	-
more than 10 years	-	-	-	-
Total	12,268,305.04	5,925,210.00	8,000,000.00	55,000,000.00

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

28 INCRESES AND DECREASES OF EQUITY DURING THE FINANCIAL PERIOD

	01/01/2017	**Increase**	**Decrease**	**31/12/2017**
Share capital	125,000.00	0.00	0.00	125,000.00
Reserve for invested non-restricted equity	36,139,665.20	0.00	0.00	36,139,665.20
Retained earnings or loss	6,636,249.38	0.00	6,227,236.40	409,012.98
Profit (loss) for the period	0.00	12,815,142.32	0.00	12,815,142.32
Total	42,900,914.58	12,815,142.32	6,227,236.40	49,488,820.50

Parent company distributable assets 31 December 2017 49,363,820.50

	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

NOTES CONCERNING GUARANTEES AND CONTINGENT LIABILITIES

28 GUARANTEES AND CONTINGENT LIABILITIES

Off balance sheet items	31/12/2017	31/12/2016
Pledged securities	13,333,333.33	15,000,000.00
Credit limits (unused)	5,000,000.00	5,000,000.00
Total	18,333,333.33	20,000,000.00

30 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.

31 LEASING AND OTHER RENTAL LIABILITIES

31/12/2017	< 1 year	1–5 years
Leasing payments	77,726.02	93,610.81
Total	77,726.02	93,610.81

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

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
JT	Accrual 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%	
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%	
Taaleri Energia Operations Oy	Helsinki	2710646-2	100.00%	
Taaleri Energia Fund Management Oy [1)]	Helsinki	2833245-3	100.00%	new
Taaleri Kapitaali Oy [1)]	Helsinki	2772994-2	70.00%	
Taaleri Tax Services Ltd	Helsinki	2504066-6	75.00%	
Taaleri Fund Management Ltd	Helsinki	2062840-1	100.00%	
Bonus Solutions Oy	Helsinki	2714418-6	75.00%	
Taaleri Afrikka Rahaston hallinnointiyhtiö Oy	Helsinki	2606112-7	100.00%	
Taaleri Afrikka Rahasto II GP Oy [1)]	Helsinki	2772992-6	100.00%	
Taaleritehtaan Asuntorahaston hallinnointiyhtiö Oy [2)]	Helsinki	2300464-5	100.00%	
Taaleri Porin Asuntorahaston hallinnointiyhtiö Oy	Helsinki	2364138-8	100.00%	
Taaleritehtaan Asuntorahasto III hallinnointiyhtiö Oy [2)]	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 Datacenter GP Oy [1)]	Helsinki	2859905-1	100.00%	new
Taaleri Datacenter Ky [1)]	Helsinki	2842816-4	100.00%	new
Galubaltis GP Oy [1)]	Helsinki	2840499-8	100.00%	new
Taaleri Geoenergia GP Oy [1)]	Helsinki	2808431-4	100.00%	new
Taaleri Kiertotalous GP Oy	Helsinki	2745010-8	100.00%	
Taaleri Kiinteistökehitysrahaston hallinnointiyhtiö Oy	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	Helsinki	2766357-6	100.00%	
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 Monitoimitilat GP Oy [1)]	Helsinki	2873880-8	100.00%	new
Taaleri Oaktree Syöttörahaston hallinnointiyhtiö Oy	Helsinki	2442491-6	100.00%	
Taaleri Ovitehtaan hallinnointiyhtiö Oy	Helsinki	2577306-9	100.00%	
Taaleri Telakka GP Oy	Helsinki	2743458-9	100.00%	
Taaleri Tonttirahaston hallinnointiyhtiö Oy	Helsinki	2669135-6	100.00%	
Taaleri Tonttirahasto II GP Oy [1)]	Helsinki	2781839-8	100.00%	
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%	
Taaleri Varustamo GP Oy [1)]	Helsinki	2870420-2	100.00%	new
Taaleri Vuokrakoti GP Oy [1)]	Helsinki	2787453-3	100.00%	
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%	
TT Canada RE Holding Corporation [1)]	Vancouver	BC1125063	100.00%	new

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

2) The company has been dissoluted and the final accounts of liquidation have been submitted in August 2017.

Associated companies	Registered office	Business ID	Group ownership	
Fellow Finance Plc	Helsinki	2568782-2	38.43%	
Inderes Oy	Helsinki	2277600-2	40.00%	
Ficolo Oy	Helsinki	1574703-5	38.85%	new

SIGNATURES FOR THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki 14th February 2018

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

Vesa Puttonen
Member of the Board of Directors

Hanna Maria Sievinen
Member of the Board of Directors

Tuomas Syrjänen
Member of the Board of Directors

Juhani Elomaa
CEO

THE AUDITOR'S NOTE

Our auditor’s report has been issued today.

Helsinki, 14th February 2018

Ernst & Young Oy
Authorized audit firm

Ulla Nykky
Authorised Public Accountant

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 2234823-5) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows 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.

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 14 to the consolidated financial statements.

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

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.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue recognition of fee and commission income *We refer to the point 2.15 in Summary of key accounting policies on the financial statements and the note 3.* Fee and commission income in the consolidated group accounts amounted to 52,0 m€. Fee and commission income is based, for example, on fund units, asset management, securities brokerage and the issuance of securities. Some of the fees and commissions are performance based. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2) 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.
Technical provisions *We refer to the point 2.8 in Summary of key accounting policies on the financial statements and Note 24.* At the balance sheet date 31.1.2017 the value of technical provisions amounted to 20.3 m€. The amount comprises mostly provisions from unearned premiums and claims outstanding relating to the guaranty services of the group The assessment of technical provisions 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 of the provisions as well as identification of 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 estimates and 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 parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors in 2007, and our appointment represents a total period of uninterrupted engagement of 11 years. Taaleri Plc has been a Public Interest Entity since April 1st 2016.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this 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 on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14. February 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Ulla Nykky
Authorized Public Accountant