KEY FIGURES

GROUP	1-6/2018 IFRS	1-6/2017 IFRS	1-12/2017 IFRS
Income, EUR 1 000	35,221	38,722	80,989
Operating profit (-loss), EUR 1 000	12,377	15,604	27,611
- as percentage of turnover	35.1 %	40.3 %	34.1 %
Net profit for the period, EUR 1 000	9,396	12,534	21,787
- as percentage of turnover	26.7 %	32.4 %	26.9 %
Basic earnings per share, EUR	0.32	0.44	0.76
Diluted earnings per share, EUR	0.32	0.44	0.76
Return on equity % (ROE) 1)	17.4 %	26.2 %	21.8 %
Return on equity at fair value % (ROE) 1)	16.6 %	22.1 %	19.1 %
Return on assets % (ROA) 1)	8.2 %	11.9 %	9.8 %
Cost/income ratio	65.1 %	59.9 %	66.2 %
Price/earnings (P/E) 1)	15.5	10.5	13.7
Number of employees, avg	185	186	184

1) Annualised.

GROUP	1-6/2018 IFRS	1-6/2017 IFRS	1-12/2017 IFRS
Equity ratio -%	48.3 %	46.7 %	46.3 %
Modified equity ratio % 1)	48.3 %	46.7 %	46.3 %
Gearing -%	29.2 %	19.2 %	8%
Equity/share, EUR	3.84	3.44	3.73
Dividend/share, EUR 2)	-	-	0.26
Dividend/earnings, % 2)	-	-	34.3 %
Effective dividend yield, % 2)	-	-	2.5 %
Loan receivables, EUR 1 000	12,114	4,776	6,598
Conglomerate's capital adequacy ratio, %	178.1 %	272.9 %	251.2 %
Financing sector capital adequacy ratio, %	24.9 %	-	22.5 %
Number of shares at the end of period 3)	28,305,620	28,305,620	28,305,620
Average number of shares 3)	28,305,620	28,305,620	28,305,620
Share average price, EUR	10.39	8.33	9.30
- highest price, EUR	11.80	9.38	11.50
- lowest price, EUR	9.50	7.78	7.78
- closing price, EUR	10.00	9.20	10.35
Market capitalization, EUR 1000 4)	283,056	260,412	292,963
Shares traded, thousands	888	1,304	2,487
Shares traded, %	3%	5%	9%

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 22.
2) Adjusted for share issues and reduced by own shares acquired
3) Reduced by own shares acquired.

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	1-6/2018	1-6/2017	1-12/2017
Net income from insurance	**5,786**	**5,282**	**9,818**
Earned premiums, net	5,488	5,378	10,638
Claims incurred, net	298	-96	-820
Net income from investment operations	**392**	**6,415**	**11,933**
Operating expenses	**-3,772**	**-3,785**	**-7,849**
Operating profit before valuations	**2,406**	**7,912**	**13,902**
Change in fair value of investments	**-562**	**-2,254**	**-3,604**
Profit before taxes and non-controlling interests	**1,845**	**5,658**	**10,298**
Combined ratio, %	41%	52%	60%
Claims ratio, %	-3%	4%	10%
Expense ratio %	45%	48%	50%
Return on investments at fair value, %	-0.1 %	3.3 %	6.6 %
Solvency ratio (S2), % [1)]	222%	420%	391%
Insurance exposure, EUR billion	1.60	1.40	1.49
Number of employees, avg	23	26	25

1) The Solvency II figures 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

Key figure	Formula
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		**H1 2018**	**H2 2017**	**H1 2017**
Total items affecting comparability in income	-	-	-	-
Total items affecting comparability in operating profit	-	-	-	-
Total items affecting comparability in net profit for the period	-	-	-	-

Key figure	Formula
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
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 at end of financial period, less repurchased own shares, multiplied by stock exchange price 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	1/1-30/6/2018	1/1-30/6/2017
Fee and commission income	2	25,600	24,468
Net income from insurance	3	6,178	11,698
From guaranty insurance operations		5,786	5,282
From investment operations		392	6,415
Net gains or net losses on trading in securities and foreign currencies	4	813	347
Income from equity investments	5	-2,341	1,869
Interest income	6	378	328
Other operating income	7	4,593	13
TOTAL INCOME		**35,221**	**38,722**
Fee and commission expense		-3,152	-2,539
Interest expense		-1,464	-1,613
Administrative expenses			
Personnel costs		-10,219	-12,418
Other administrative expenses		-3,995	-3,367
Depreciation, amortisation and impairment of tangible and intangible assets		-608	-570
Other operating expenses		-3,661	-2,817
Expected credit losses from financial assets measured at amortised cost	11	-4	-
Share of associates' profit or loss		261	205
OPERATING PROFIT		**12,377**	**15,604**
Income tax expense		-2,981	-3,069
PROFIT FOR THE PERIOD		**9,396**	**12,534**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1/1-30/6/2018	1/1-30/6/2017
Profit for the period	9,396	12,534
Items that may be reclassified to profit or loss		
Translation differences	13	-28
Changes in the fair value reserve	-562	-2,382
Income tax	112	476
Items that may be reclassified to profit or loss in total	**-437**	**-1,934**
Items that may not be reclassified to profit or loss		
Changes in the fair value reserve	-1	-
Income tax		-
Items that may not be reclassified to profit or loss in total	**-1**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,959**	**10,601**
Profit for the period attributable to:		
Owners of the parent company	9,115	12,366
Non-controlling interests	281	168
Total	**9,396**	**12,534**
Total comprehensive income for the period attributable to:		
Owners of the parent company	8,678	10,432
Non-controlling interests	281	168
Total	**8,959**	**10,601**

Earnings per share for profit attributable	1/1-30/6/2018	1/1-30/6/2017
Basic earnings per share, profit for the period	0.32	0.44
Diluted earnings per share, profit for the period	0.32	0.44

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**	**30/06/2018**	**31/12/2017**
Receivables from credit instutions	8, 9	24,288	34,567
Receivables from the public and general government	8, 9	12,114	6,598
Shares and units	8, 9	14,013	25,883
Participating interests	8, 9, 15	10,778	7,606
Insurance assets	8, 9	131,908	135,586
Insurance assets		2,281	3,268
Investments		129,627	132,318
Intangible assets		2,035	2,205
Goodwill		627	627
Other intangible assets		1,407	1,577
Tangible assets	10	787	361
Other assets		15,514	10,081
Accrued income and prepayments		14,032	5,322
Deferred tax assets		1,326	1,113
		226,794	**229,322**

Liabilities, EUR 1 000	**Note**	**30/06/2018**	**31/12/2017**
LIABILITIES		**117,156**	**123,238**
Liabilities to credit institutions	8, 9	7,489	7,982
Debt securities issued to the public	8, 9, 12	54,786	54,758
Insurance liabilities		21,169	20,336
Other liabilities		3,175	2,131
Accrued expenses and deferred income		15,124	22,143
Deferred tax liabilities		15,412	15,887
EQUITY CAPITAL	13	**109,638**	**106,084**
Share capital		125	125
Reserve for invested non-restricted equity		35,814	35,814
Fair value reserve		-1,486	-4,280
Translation difference		13	-
Retained earnings or loss		65,057	52,594
Profit or loss for the period		9,115	21,447
Non-controlling interest		1,001	384
		226,794	**229,322**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1 000	1/1-30/6/2018	1/1-30/6/2017
Cash flow from operating activities:		
Operating profit (loss)	12,377	15,604
Depreciation	608	570
Other adjustments		
Changes in fair value of investments		
- at fair value through profit or loss	-1,209	130
- at fair value through other comprehensive income	2,399	-1,902
Other adjustments	44	-506
Cash flow before change in working capital	14,219	13,895
Change in working capital		
Increase (-)/decrease (+) in loan receivables	-5,503	2,142
Increase (-)/decrease (+) in current interest-free receivables	-14,310	-6,590
Increase (+)/decrease (-) in current interest-free liabilities	-5,137	1,474
Cash flow from operating activities before financial items and taxes	-10,731	10,922
Direct taxes paid (-)	-1,615	-1,828
Cash flow from operating activities (A)	**-12,346**	**9,094**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-864	-486
Investments in subsidiaries and associated companies		
net of cash acquired	-5,178	-21
Other investments	15,552	-9,687
Cash flow from investing activities (B)	**9,510**	**-10,194**
Cash flow from financing activities:		
Changes in synthetic options	497	-178
Transactions with non-controlling interests	323	-
Debt securities issued to the public	-	-10,000
Increase (+)/decrease (-) in non-current liabilities	-500	-500
Dividends paid and other distribution of profit		
To parent company shareholders	-7,359	-6,227
To non-controlling shareholders	-404	-215
Cash flow from financing activities (C)	**-7,443**	**-17,120**
Increase/decrease in cash and cash equivalents (A+B+C)	-10,279	-18,220
Cash and cash equivalents at beginning of period	34,567	55,148
Cash and cash equivalents at end of period	24,288	36,928
Net change in cash and cash equivalents	-10,279	-18,220

CHANGES IN GROUP EQUITY CAPITAL

1/1 - 30/6/2018, EUR 1 000	Share capital	Fair value reserve	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
31/12/2017	**125**	**-4,280**	**35,814**	**-**	**74,041**	**105,700**	**384**	**106,084**
Effect of IFRS 9 transition 1.1.2018	-	3,244	-	-	-3,301	-57	-	-57
Effect of IFRS 2 amendments 1.1.2018	-	-	-	-	783	783	-	783
01/01/2018	**125**	**-1,036**	**35,814**	**-**	**71,523**	**106,426**	**384**	**106,809**
Total comprehensive income for the financial period	-	-450	-	13	9,115	8,678	281	8,959
Earnings for the period	-	-	-	-	9,115	9,115	281	9,396
Other comprehensive income items	-	-450	-	13	-	-438	-	-438
Distribution of profit	-	-	-	-	-7,359	-7,359	-404	-7,764
Dividend EUR 0.26/share	-	-	-	-	-7,359	-7,359	-	-7,359
Distribution of profit for subgroup	-	-	-	-	-	-	-404	-404
Share-based payments								
payable as equity	-	-	-	-	497	497	-	497
Transactions with non-controlling interests [1)]	-	-	-	-	397	397	741	1,137
30/06/2018	**125**	**-1,486**	**35,814**	**13**	**74,172**	**108,638**	**1,001**	**109,638**

1/1 - 30/6/2017, EUR 1 000	Share capital	Fair value reserve	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	-	-1,906	-	-28	12,366	10,432	168	10,601
Earnings for the period	-	-	-	-	12,366	12,366	168	12,534
Other comprehensive income items	-	-1,906	-	-28	-	-1,934	-	-1,934
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
Share-based payments	-	-	-	-	-	-	-	-
payable as equity	-	-	-	-	-178	-178	-	-178
Transactions with non-controlling interests [1)]	-	-	-	-	-16	-16	-	-16
Other	-	-	-	-	-	-	3	3
30/06/2017	**125**	**-3,194**	**35,814**	**-276**	**65,038**	**97,507**	**310**	**97,817**

1) See note 14.

SEGMENT INFORMATION - EARNINGS

1 January–30 June 2018, EUR 1 000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
	Continuing operations				
Continuing earnings	19,128	5,786	1,089	862	26,865
Performance fees	5,637	-	-	-	5,637
Investment operations	4,929	392	-	-2,341	2,979
Total income	**29,694**	**6,178**	**1,089**	**-1,479**	**35,481**
Fee and commission expense	-3,121	-	-11	-20	-3,152
Interest expense	-21	-	-	-1,443	-1,464
Personnel costs	-6,443	-1,729	-979	-1,067	-10,219
Direct expenses	-4,677	-780	-770	-1,430	-7,657
Depreciation, amortisation and impairment	-513	-50	-14	-30	-608
Impairment losses on loans and other receivables	-	-	-	-4	-4
Operating profit before overhead costs	**14,918**	**3,619**	**-686**	**-5,474**	**12,377**
Overhead costs	-772	-131	-116	1,020	-
Allocation of financing expenses	-	-1,081	-117	1,198	-
Operating profit before valuations	**14,146**	**2,406**	**-919**	**-3,256**	**12,377**
Change in fair value of investments	-1	-562	-	-	-563
Profit before taxes and non-controlling interests	**14,145**	**1,845**	**-919**	**-3,256**	**11,814**

1 January–30 June 2017, EUR 1 000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
	Continuing operations				
Continuing earnings	18,131	5,282	776	890	25,079
Performance fees	5,745	-	-	-	5,745
Investment operations	-	6,415	-	1,688	8,103
Total income	**23,876**	**11,698**	**776**	**2,577**	**38,927**
Fee and commission expense	-2,474	-	-41	-24	-2,539
Interest expense	-18	-	-	-1,595	-1,613
Personnel costs	-8,036	-1,990	-877	-1,515	-12,418
Direct expenses	-3,813	-685	-347	-1,338	-6,184
Depreciation, amortisation and impairment	-496	-46	-11	-16	-570
Operating profit before overhead costs	**9,038**	**8,977**	**-501**	**-1,911**	**15,604**
Overhead costs	-1,175	-213	-176	1,564	-
Allocation of financing expenses	-	-851	-	851	-
Operating profit before valuations	**7,864**	**7,912**	**-677**	**505**	**15,604**
Change in fair value of investments	-	-2,254	-	-128	-2,382
Profit before taxes and non-controlling interests	**7,864**	**5,658**	**-677**	**377**	**13,222**

Reconciliations

Reconciliation of total income	1/1-30/6/2018	1/1-30/6/2017
Total income of segments	35,481	38,927
Share of associates' profit or loss allocated to total income of segments	-261	-205
Consolidated total income	**35,221**	**38,722**

Reconciliation of operating profit	1/1-30/6/2018	1/1-30/6/2017
Total earnings of segments before taxes and non-controlling interests	11,814	13,222
Change in fair value of investments	563	2,382
Consolidated operating profit	**12,377**	**15,604**

NOTES TO THE HALF YEAR FINANCIAL REPORT 30 JUNE 2018

1. ACCOUNTING POLICIES

The half year financial report has been prepared in accordance with IAS 34 and with the accounting principles presented in the financial statements 2017, with exception of the changes described below.

The half year financial report is unaudited. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

The half year financial report is available in Finnish and English. The Finnish version is the official half year financial report that will apply if there is any discrepancy between the language versions.

Applied new and amended standards

The Group has applied the following new and amended standards, with an effect on the group financial statements, as of 1.1.2018.

IFRS 9 Financial instruments

On 1 January 2018, the Group started applying the IFRS 9 *Financial Instruments* standard, which comprises the classification, measurement and impairment of financial assets and liabilities. The standard affects the classification and measurement of the Group's financial instruments as well as impairment. The Group does not apply hedge accounting. Below, we present the key effects of the standard in the Group, the conversion calculation of financial instruments per 1 January 2018 as well as accounting policies for financial instruments as of 1 January 2018. Taaleri does not correct comparative information, and the accounting policies for in effect in the comparative period are presented in the 2017 financial statements.

Key effects in the Group – classification and measurement

At initial recognition, the Group's financial assets are classified into the following categories: those recognised at fair value through profit or loss, those recognised at fair value through other comprehensive income and those recognised at amortised cost. For the classification, financial assets are grouped into debt instruments, equity instruments and derivatives. Taaleri has reclassified its financial assets based on this grouping and, where debt instruments are concerned, also based on the business model and the cash flow characteristics of the instruments. The changes are presented in the table below.

IFRS 9 did not bring any changes to the classification and measurement of financial liabilities.

Conversion table for financial assets and liabilities as of 1 January 2018, without the effect of expected credit losses

Financial assets 1/1/2018, EUR 1 000	IFRS 9 classification					
IAS 39 classification	Amortised cost	At fair value through other comprehensive income	At fair value through other comprehensive income (without recycling)	At fair value through profit or loss	TOTAL	Note
Loans and receivables	**52 020**	**-**	**-**	**564**	**52 583**	
Receivables from credit institutions	34 567				34 567	1)
Receivables from the public and general government	5 634			564	6 198	2)
Other financial assets	11 819				11 819	1)
At fair value through profit or loss	**-**	**-**	**-**	**20 470**	**20 470**	
Shares and units				20 470	20 470	3)
Available-for-sale	**-**	**67 735**	**390**	**70 006**	**138 132**	
Shares and units			390	5 023	5 413	4)
Receivables from the public and general government				400	400	5)
Insurance assets		67 735		64 583	132 318	6)
Assets in total	**52 020**	**67 735**	**390**	**91 040**	**211 185**	
Excepted credit loss	71	204				

Financial liabilities 1/1/2018, EUR 1 000	IFRS 9 classification			
IAS 39 classification	Amortised cost	At fair value through profit or loss	TOTAL	
Other liabilities	**79 164**	**-**	**79 164**	
Liabilities to credit institutions	7 982	-	7 982	1)
Debt securities issued to the public	54 758	-	54 758	1)
Other financial liabilities	16 424	-	16 424	1)
Liabilities in total	**79 164**	**-**	**79 164**	

1) Receivables from credit institutions, other financial assets and all liabilities are measured as before, at amortised cost.

2) Receivables from the public and general government previously classified as loans and receivables will continue to be measured at amortised cost. However, receivables whose cash flow characteristics are not consistent with a basic lending arrangement are measured at fair value through profit or loss. At Taaleri, such receivables consist of subordinated loans, among other things.

3) Shares previously measured at fair value through profit or loss will continue to be measured at fair value through profit or loss.

4) Shares and units previously classified as available-for-sale will now be measured at fair value through profit or loss. However, at the time of initial recognition, the management may make an irrevocable choice concerning a procedure according to which changes in fair value are recognised in other comprehensive income and will not later be recycled to profit or loss. Taaleri's non-strategic investments will be measured according to this procedure at fair value through other comprehensive income without recycling.

5) Receivables from the public and general government previously classified as available-for-sale will now be measured at fair value through profit or loss. At Taaleri, such receivables consist of profit-sharing loans, among other things.

6) Financial assets of insurance operations, previously classified as available-for-sale, will now be measured either at fair value through other comprehensive income or at fair value through profit or loss. Debt instruments that pass the cash flow test are measured at fair value through other comprehensive income. This category includes normal bonds. Equity instruments and debt instruments that do not pass the cash flow test are measured at fair value through profit or loss. This category includes mutual funds, private equity funds and hybrid loans.

Key effects in the Group – impairment

With regard to impairment, through IFRS 9 a model based on expected credit losses was introduced, replacing the model based on actual losses accordant with IAS 39. Impairment is recognised from all loans and debt instruments not recognised at fair value through profit or loss and from all off-balance sheet liabilities.

For the purposes of testing impairment, assets to be tested are divided into three levels. On the first level, there are instruments whose credit risk has not increased significantly; on the second level, there are instruments whose credit risk has increased significantly; and, on the third level, there are instruments whose value has decreased. For instruments on the first level, a deductible item is recognised that corresponds to the expected credit losses from 12 months. For instruments on the second and third levels, a deductible item is recognised to the amount which corresponds to the expected credit losses over the entire period of validity.

The majority of the items for which the expected credit loss is recognised are in Garantia's investment portfolio. The expected credit loss for debt instruments in Garantia's investment portfolio is calculated based on an individual credit risk calculation model (PDxLGDxEAD)[1], where the credit risk calculation model from Garantia's economic capital model is utilized. The Group's other debt instruments are very few in number, and their expected credit loss is also mainly calculated according to the corresponding individual credit risk calculation model. Expected credit loss is recognised for 12 months when the credit risk has not increased significantly and for the entire period of validity when the credit risk has increased significantly. A significant increase in credit risk is estimated on the basis of a change in credit rating; the credit rating is deemed to take into account reasonable and justifiable information to the necessary extent. In addition, the credit risk is estimated to have increased significantly if the payment is 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. In connection with the IFRS 9 conversion, expected credit losses amounting to EUR 204,000 were recognised for financial assets in insurance operations and EUR 71,000 for receivables from the public and general government.

IFRS 9 accounting policies

Chapter *2.7 Financial assets and liabilities* of Taaleri's accounting policies has changed as of 1 January 2018 as described hereunder, with the exception of the *Measurement at fair value* section. In addition, Chapter *2.8 Assets and liabilities from insurance operations* has been updated regarding investment assets of insurance operations and Chapter *2.18 Accounting policies requiring management's judgement and key uncertainties regarding estimations* has been updated with a paragraph on impairment. The changed accounting policies are presented below.

[1] PD (probability of default) represents the other party's probability of becoming insolvent within the next 12 months, LGD (loss given default) represents the proportion of financial loss in a case of insolvency, and EAD (exposure at default) represents the amount of liability at the moment of insolvency.

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.

Financial assets

At initial recognition, the Group's financial assets are classified into the following categories: those measured at fair value through profit or loss, those measured at fair value through other comprehensive income and those measured at amortised cost. For the purpose of classification, financial assets are grouped into debt instruments, equity instruments and derivatives.

The classification of debt instruments depends on Taaleri's business model in the management of financial assets and the characteristics of the cash flows of the financial assets in question. Taaleri mainly manages its debt instruments according to two different business models. Due to the nature of the insurance operations, the objective of Garantia's investment operations is achieved by both collecting contractual cash flows and selling financial assets, i.e. applying the "hold to collect and sell" business model. Accordingly, debt instruments that pass the cash flow test are measured at fair value through other comprehensive income. For debt instruments other than those of insurance operations, the business model is mainly holding the debt instruments to collect contractual cash flows, meaning that debt instruments that pass the cash flow test are measured at amortised cost. This estimate is performed instrument-specifically, so the measurement basis is also determined instrument-specifically. In both insurance investment operations and the Group's other investment operations, debt instruments that do not pass the cash flow test are measured at fair value through profit or loss.

Changes in fair value from debt instruments measured at fair value through other comprehensive income are recognised in the fair value reserve. Interest income, impairment gains and losses as well as foreign exchange rate gains and losses are recognised in profit or loss. When a debt instrument is derecognised, the profit or loss in the fair value reserve is transferred, as an adjustment due to a change in the classification, from equity to profit or loss in the net gains from insurance investment operations, as the item belongs to the investment assets of insurance operations.

The carrying amount of debt instruments recognised at amortised cost includes the deductible item for expected credit losses, and interest income is recognised in interest income using the effective interest method. Sales gains and losses are recognised in profit or loss.

Debt instruments measured at fair value through profit or loss are measured at fair value, and any changes in fair value are recognised in profit or loss. Interest income, profits from funds, foreign exchange rate gains and losses as well as sales gains and losses are also recognised in profit or loss.

A business model indicates how financial assets are managed to achieve a certain business objective. In the "hold to collect" business model, the objective is to collect contractual cash flows; in the "hold to collect and sell" business model, the objective is achieved by both collecting contractual cash flows and selling financial assets; in the "trading" business model, the objective is achieved by actively trading in the financial assets. Determining the business model is based on estimating, for example, how the profitability of the financial assets is assessed, how the risks of the operations are managed and how often and to what extent the assets are traded in.

The characteristics of the cash flows of the debt instruments are evaluated in the cash flow test. If contractual cash flows do not consist solely of payments of principal and interest (basic lending arrangement), the instrument in question is measured at fair value through profit or loss. If the cash flows are subject to, for example, share prices or the debtor's financial situation, it is not a basic lending arrangement. At Taaleri, such debt instruments mainly consist of mutual fund investments, convertible bonds as well as profit-sharing and subordinated loans.

Investments in equity instruments are measured at fair value through profit or loss, meaning that changes in fair value, dividends, interest income, foreign exchange rate gains and losses as well as sales gains and losses are recognised in profit or loss. At the time of initial recognition, the management may make an irrevocable choice concerning a procedure according to which changes in fair value are recognised in other comprehensive income and will not later be recycled to profit or loss. In this case, dividend yields are recognised in profit or loss, but changes in fair value, foreign exchange rate gains and losses as well as sales gains and losses are recognised in other comprehensive income. Taaleri's non-strategic investments will be measured according to this procedure at fair value in other comprehensive income without recycling. Taaleri does not have significant non-strategic investments.

Investments in financial assets are originally recognised at fair value, to which transaction expenses are added, except if the financial asset in question is recognised at fair value through profit or loss, in which case the transaction expense is recognised in expenditure. When recognising financial instrument purchase and sales contracts, the date of the transaction is used as the basis for recognition.

Financial assets are derecognised when the Group has lost its contractual right to receive cash flows or moved the risks and profits outside the Group to a significant extent.

Cash and cash equivalents, which correspond to the “Receivables from credit institutions” item in the Group’s balance sheet, comprise call deposits and fixed deposits.

Financial liabilities

At the time of initial recognition, the Group’s financial liabilities are classified into those measured at fair value through profit or loss and those measured at amortised cost. The Group has not had any financial liabilities measured at fair value through profit or loss in the 2017 and 2018 financial periods.

Other loans are originally recognised at fair value, to which transaction expenses are added. Later, other loans are recognised at amortised cost using the effective interest method. Other liabilities are derecognised when their obligations have been met and their validity has expired.

Impairment

Impairments are based on an expected credit loss (ECL) model and impairments are recognised on all loans and debt instruments that are not measured at fair value through profit or loss, and on off-balance sheet liabilities.

Impairment is calculated using an individual credit risk calculation model based on the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and the maturity (M): ECL = PD * LGD * EAD * M(min 1 or M).[2]

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 recognised. On every reporting date Taaleri estimates whether the credit risks of instruments has increased significantly compared to the credit risk at initial recognition, and based on this defines the expected credit loss.

A significant increase in credit risk is estimated based on changes (or expected changes)[3] in the credit rating. The credit rating is deemed to take into account sensible and reasonable information to the necessary extent. Additionally, the credit risk is estimated to have increased significantly if payments are over 30 days due.

The credit risk is deemed to have increased significantly if the counterparty’s credit rating declines as follows:

- Investment grade, so from AAA – (BBB-) to (BB-) or less;
- from BB+ – (BB-) to (B-) or less:
- from B+ – (B-) to C rating or less.

The expected credit loss for loans measured at amortised cost is recognised in the P/L line item “Expected credit loss from financial assets measured at amortised cost” and booked against the book value of the loan. The expected credit loss for financial assets measured at fair value through other comprehensive income is recognised in the P/L line item “Net income from insurance, investment operations”, when the asset is part of the insurance business’ investment portfolio, and booked against the fair value reserve in other comprehensive income.

2.8 Assets and liabilities from insurance operations (extract)

Investment assets of insurance operations are measured either at fair value through other comprehensive income or at fair value through profit or loss, depending on the business model used for managing the financial assets and the characteristics of the cash flows of the financial assets in question. More detailed measurement principles are presented in Section 2.7 Financial assets and liabilities.

2.18 Accounting policies requiring management’s judgment and key uncertainties regarding estimations (extract)

The classification and measurement of financial assets require management consideration when, for example, assessing whether an equity instrument is strategic or non-strategic, based on which the instrument is measured either at fair value through profit or loss or at fair value through other comprehensive income without recycling. The determination of expected credit losses requires management consideration when, for example, selecting impairment models and assessment methods for their parameters.

[2] PD (probability of default) represents the other party’s probability of becoming insolvent within the next 12 months, LGD (loss given default) represents the proportion of financial loss in a case of insolvency, and EAD (exposure at default) represents the amount of liability at the moment of insolvency.
[3] If it, due to recently received information, is deemed that the credit rating on the reporting date doesn’t reflect all available information (i.e. the credit rating has not yet been updated), the increase in credit risk is estimated based on managements’ judgement.

IFRS 15 Revenue from contracts with customers

The Group applies IFRS 15 *Revenue from contracts with customers* as of 1.1.2018. The new standard does not affect Taaleri's revenue recognition principles. Revenue is recognised when (or as) the company transfers control of goods or services to a customer and the customer thus can control its use and receive benefit from it. 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 Group does not have customer contracts, where the revenue recognition changes due to the implementation of the new standard. The new notes to the financial statements required in the standard are presented in the half year financial report and the financial statements of the full year.

IFRS 2 Share-based payments

Taaleri has applied amendments to IFRS 2 Share-based payments prospectively as of 1.1.2018. At Taaleri, as of 1 January 2018, all share-based bonuses are recognised in equity at fair value at the moment of granting, and the expense is not measured at market value during the earning period. When a bonus is paid, its actual cost is recognised by adjusting the amount recognised in equity.

In accordance with the amended standard, share bonus plans are treated as arrangements fully paid in equity, and the expense is amortised according to the gross shares granted, even though the employee receives a net payment and the Group pays withholding tax to the tax authorities as a monetary payment. The withholding tax paid by the Group to the tax authorities is recognised directly in equity. The adoption of the IFRS 2 amendments increased the equity in Taaleri's opening balance 2018 by EUR 783,000. The change in the measurement bases for transactions paid in cash has no significant effect on personnel costs in the reporting period.

IFRS 2 – accounting principles

The section "Management long-term remuneration" in Chapter 2.12 "Employee benefits" of Taaleri's accounting policies has changed as of 1 January 2018 as described below.

2.12 Employee benefits

Management long-term remuneration

All full-time Taaleri Group employees in Finland (except for the Group CEO and Deputy CEO) belong to Taaleri Group's remuneration fund (Taaleri Palkkiorahasto hr.). Part of the Group's annual remuneration is transferred to the remuneration fund according to predefined criteria.

The Group uses long-term remuneration systems for personnel based on which persons belonging to them may receive a bonus settled in Taaleri shares or cash for work performed during the vesting period. Depending on the payment method, these remuneration programmes are recognised either in equity or as cash-settled share-based payment transactions.

Share-based employee benefits paid in equity are measured at fair value at the moment of granting. The amount recognised in expenditure is amortised in personnel costs and as an increase in equity during the vesting period. Also in arrangements settled in the net amount – in which the Group is obliged to pay withholding tax on the bonus to be paid, due to which part of the bonus earned is spent on paying taxes – the bonus earned is treated as an asset fully paid in equity instruments, despite the tax part paid in money.

The estimated number of shares to be implemented is checked quarterly. The possible effects of adjustments made to the original estimates are recognised in the income statement as personnel costs, and the corresponding adjustment is made in equity.

Conversion calculation for opening balances

Due to the adoption of the *IFRS 9 Financial Instruments* standard and amendments to the IFRS 2 *Share-based Payment* standard, Taaleri's opening balances for the reporting period have changed. The changes are presented hereunder.

Conversion calculation for opening balances 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	6,527	-71	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	3,925	-1,397	2)
Deferred tax assets	1,113	1,127	14	3)
	229,322	**227,867**	**-1,454**	

Liabilities, EUR 1,000	1/1/2018	Changed 1/1/2018	Change	
LIABILITIES	**123,238**	**121,058**		
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	19,951	-2,192	4)
Deferred tax liabilities	15,887	15,899	12	5)
EQUITY CAPITAL	**106,084**	**106,809**	**726**	
Share capital	125	125		
Reserve for invested non-restricted equity	35,814	35,814		
Fair value reserve	-4,280	-1,036	3,244	6)
Retained earnings or loss	52,594	50,076	-2,518	7)
Profit or loss for the period	21,447	21,447		
Non-controlling interest	384	384		
	229,322	**227,867**	**-1,454**	

In item 1), the expected credit loss for receivables from the public and general government is recognised, mainly measured at amortised cost according to IFRS 9.

In item 2), accrued income relating to share-based payment is transferred to retained earnings in equity capital.

In item 3), the deferred tax asset from expected credit loss is recognised.

In item 4), EUR 2,180,000 of accrued expenses relating to share-based payments is transferred to retained earnings in equity capital and EUR 12,000 of tax liabilities is transferred to deferred tax liabilities.

In item 5), EUR 12,000 of tax liabilities relating to share-based payment is transferred to deferred tax liabilities.

In item 6), EUR 3,244,000 of cumulative changes in fair value from financial assets previously measured at fair value through other comprehensive income and measured at fair value through profit or loss according to IFRS 9, is transferred from the fair value reserve to retained earnings (item 7). In addition, a EUR –57,000 (net) deductible item for expected credit losses is recognised in retained earnings.

In item 7), EUR 783,000 (net) of accrued income and liabilities relating to share-based payment is transferred to equity, in addition to the IFRS 9 changes mentioned in item 6.

2 FEE AND COMMISSION INCOME

Fee and commission income 1/1-30/6/2018, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Wealth management fees and commissions	18,864	-	1,071	28	19,962
Performance fees	5,637	-	-	-	5,637
Total	**24,501**	**-**	**1,071**	**28**	**25,600**

Fee and commission income 1/1-30/6/2017, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Wealth management fees and commissions	17,884	-	776	63	18,723
Performance fees	5,745	-	-	-	5,745
Total	**23,629**	**-**	**776**	**63**	**24,468**

From 1/1/2018 all fee and commission income from trading are recognised in Fee and commission income. Previoulsy they were partly recognised in net gains or net losses on trading in securities and foreign currencies. Comparative figures have been amended accordingly.

3 NET INCOME FROM INSURANCE

EUR 1,000	1/1-30/6/2018	1/1-31/12/2017
Earned premiums, net		
Premiums written	7,695	7,353
Reinsurers' share	-522	-488
Change in provision for unearned premiums	-1,869	-1,567
Reinsurers' share	184	80
Total	**5,488**	**5,378**
Claims incurred, net		
Claims paid	-339	-60
Reinsurers' share	241	21
Change in provision for outstanding claims	1,194	-57
Reinsurers' share	-798	-1
Total	**298**	**-96**
Net income from investment operations		
Financial assets at fair value through other comprehensive income (Available for sale)	1,336	6,415
Change in expected credit loss	-107	-
Total	**392**	**6,415**
Net income from insurance, total	**6,178**	**11,698**

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

Net gains or net losses on trading in securities, EUR 1,000	**1/1-30/6/2018**	**1/1-30/6/2017**
From financial assets measured at fair value through profit or loss		
Financial assets that need to be measured at fair value through profit or loss	621	258
Total	**621**	**258**

Net gains or net losses on trading in securities and foreign currencies, EUR 1,000	**1/1-30/6/2018**	**1/1-30/6/2017**
Net gains or net losses on trading in securities by type		
From shares and units	621	124
Sales profit and loss	28	258
Changes in fair value	593	-134
Net gains or let losses on trading in securities, total	621	124
Net gains or net losses on trading in foreign currencies	192	223
Total	**813**	**347**

5 INCOME FROM EQUITY INVESTMENTS

EUR 1,000	**1/1-30/6/2018**	**1/1-30/6/2017**
From financial assets measured at fair value through other comprehensive income	-	1,741
Dividend income	-	80
Profit or loss from divestments	-	1,661
From group companies	-2,240	-
Losses from divestment	-2,240	-
From associated companies	-101	**128**
Dividend income	-	**128**
Profit or loss from divestments	-101	**-**
Total	**-2,341**	**1,869**

6 INTEREST INCOME

EUR 1,000	**1/1-30/6/2018**	**1/1-30/6/2017**
Interest income from other loans and receivables		
From receivables from credit institutions	-	11
From receivables from the public and general government	377	316
Other interest income	1	
Total	**378**	**328**

7 OTHER OPERATING INCOME

EUR 1,000	**1/1-30/6/2018**	**1/1-30/6/2017**
Rental income	2	3
Project sales	4,294	-
Other income	297	10
Total	**4,593**	**13**

8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 30 June 2018, EUR 1 000

Financial assets	Amortised cost	At fair value through other comprehensive income: Equity instruments	At fair value through other comprehensive income: Others	At fair value through profit or loss: Equity instruments	At fair value through profit or loss: Others	Total	Fair value
Receivables from credit institutions [1]	24,288	-	-	-	-	24,288	24,288
Receivables from the public and general government [1]	5,816	-	-	-	6,298	12,114	12,114
Shares and units	-	496	-	13,517	-	14,013	14,013
Insurance assets	-	-	66,458	41,404	21,764	129,627	129,627
Other financial assets	18,148	-	-	-	-	18,148	
Financial assets total	**48,252**	**496**	**66,458**	**54,921**	**28,063**	**198,190**	
Participating interests						10,778	
Other than financial assets						17,827	
Assets in total 30 June 2018						**226,794**	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions [1]		7,489	7,489	7,489
Debt securities issued to the public [2]		54,786	54,786	58,659
Other financial liabilities		14,537	14,537	
Financial liabilities total		**76,813**	**76,813**	
Other than financial liabilities			40,343	
Liabilities in total 30 June 2018			**117,156**	

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

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			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 assets				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 [2]		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) Bonds included in Debt securities issued to the public are carried at amortised cost.

9 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 30 June 2018, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions	-	24,288	-	24,288
Receivables from the public and general government	-	11,716	398	12,114
Shares and units	6,484	-	7,529	14,013
Insurance assets	124,795	-	4,832	129,627
Total	**131,279**	**11,716**	**12,759**	**180,041**

Fair value of liabilities 30 June 2018, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions	-	7,489	-	7,489
Debt securities issued to the public	-	58,659	-	58,659
Total	**-**	**66,149**	**-**	**66,149**

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 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	30/06/2018	31/12/2017
Fair value January 1	10,074	7,641
Purchases	1,782	3,652
Sales and deductions	-464	-1,962
Change in fair value - income statement	762	-3
Change in fair value - comprehensive income statement	-1	745
Change of associated company or subsidiary to an investment	607	-
Fair value at end of period	**12,759**	**10,074**

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	1/1-30/6/2018	1/1-31/12/2017
Net income from insurance	125	-
Net gains or net losses on trading in securities and foreign currencies	637	-
Total	**762**	**-**

10 TANGIBLE ASSETS

EUR 1 000	30/06/2018	31/12/2017
Other tangible assets	787	361
Total	**787**	**361**

	1/1-30/6/2018	1/1-31/12/2017
Acquisition cost January 1	1,962	1,888
Additions	592	81
Deductions	-	8
Acquisition cost at end of period	2,554	1,962
Accrued depreciation, amortisation and impairment January 1	1,601	1,385
Depreciation in the financial period	166	216
Accrued depreciation, amortisation and impairment at end of period	1,766	1,601
Book value on January 1	361	503
Book value at end of period	**787**	**361**

11 IMPAIRMENT LOSSES ON RECEIVABLES

1 000 euroa	Amortised cost	At fair value through other comprehensive income1)	Total
ECL 1/1/2018	71	204	275
Additions due to purchases	5	104	109
Deductions due to derecognitions	-1	-30	-31
Changes in risk parameters	-	33	33
Recognised in profit or loss	**4**	**107**	**111**
ECL 30/6/2018	**76**	**311**	**386**

All financial assets subject to ECL calculations are on level 1, i.e. the credit risk has not increased significantly. There are no realised credit losses recognised in the presented financial periods.

1) Expected credit losses from financial assets measured at fair value through other comprehensive income all pertain to the insurance business, and therefore the expected credit loss has been recognised in net income from insurance investment operations. See note 3.

EUR 1 000	1/1-30/6/2018	1/1-31/12/2017
Expected credit losses from financial assets measured at amortised cost	-4	-
Recognised in profit or loss	**-4**	**-**

12 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1 000	30/06/2018	31/12/2017
Publicly issued bonds	54,786	54,758
Total	**54,786**	**54,758**

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.

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

13 EQUITY CAPITAL

Share capital

The company’s share capital on 30 June 2018 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 shares are traded on the Nasdaq Helsinki main market. 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.

14 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 1/1 - 30/6/2018
Subsidiary TT Canada RE Holding Corporation has in January subscribed to 85 % of the equity capital of Canadian company Northern Lights Enterprises.

Taaleri Energia Oy had a directed share issue on 12 March 2018, due to which the Groups shareholding dropped from 100 percent to 80.55 percent. The effect on the equity attributable to owners of the parent company is presented in the table below.

In March three subsidiaries were incorporated: Taaleri Energia Holding S.a.r.l. in Luxembourg and TGE Taaleri LLC as well as Taaleri Energia North America LLC both in the United States of America.

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.

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 of the company is subject to approval by the 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.

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	**1/1-30/6/2018**	**1/1-31/12/2017**
From an addition to the share owned in subsidiaries	-	-
From a reduction in the share owned in subsidiaries, without loss of control	397	53
Net effect on equity	**397**	**53**

There is not a material non-controlling interest in the group.

15 INVESTMENTS IN ASSOCIATED COMPANIES

Taaleri sold part of its share in Inderes Oy on 6 March 2018 and the Groups ownership decreased from 40 percent to 15 percent. Inderes Oy has been been consolidated as an associated company until this date and after this as a strategic equity investment. The Group purchased 47 % of the shares in Munkkiniemi Group Oy established in March, and on 11 June 2018 the Group acquired 48.15 % of the shares in Turun Toriparkki Oy in a directed share issue. Both are consolidated in the Group as associated companies from the acquisition date. On 30 June 2018 the group had four associated companies; Fellow Finance Plc, Ficolo Oy, Munkkiniemi Group Oy and Turun Toriparkki Oy. Neither of these is considered material to the group. All associated companies are consolidated using the equity method. A total of EUR 261 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'. The associated companies have neither discontinued operations nor comprehensive income items.

On 19 September 2017 the Group acquired 38.85 percent of Ficolo Oy, which has since been consolidated as an associated company. There were no other changes in investments in associated companies during 2017. Hence, on 31 December 2017 the group had three associated companies; Fellow Finance Plc, Inderes Oy and Ficolo Oy.

16 CONDITIONAL LIABILITIES AND CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1 000	30/06/2018	31/12/2017
Total gross exposures of guarantee insurance	1,595,010	1,491,279
Guarantees	2,000	219
Investment commitments	15,353	14,874
Pledged securities	12,500	13,333
Credit limits (unused)	10,000	10,000
Total	**1,634,863**	**1,529,706**

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.

17 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 1.1 million in leasing expenses was recorded in other operating costs per 30 June 2018 (EUR 1.0 million in 1-6/2017).

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

EUR 1,000	30/06/2018	30/06/2017
Within one year	1,711	1,616
In over one year and within five years maximum	5,139	5,766
Total	**6,850**	**7,382**

18 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.

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

1/1-30/6/2018	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	805	13	9,917	-
Other related parties	148	-	4,665	-

1/1-30/6/2017	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	348	45	4,711	-
Other related parties	112	10	4,158	-

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

TAALERI IN BRIEF

Taaleri is a Finnish financial service company, whose parent company Taaleri Plc is listed on Nasdaq Helsinki's main market. The Taaleri Group comprises three business areas: Wealth Management, Financing, and Energy. Taaleri provides services to institutional investors, companies and private individuals. The Group's operational subsidiaries are: Taaleri Wealth Management Ltd and its subsidiaries, Taaleri Private Equity Funds Group, Taaleri Investments Group, Taaleri Energia Oy Group and Garantia Insurance Company Ltd. In addition, Taaleri has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, Ficolo Oy developing data centers, and Turun Toriparkki Oy and Munkkiniemi Group Oy that are real estate project companies.

At the end of June 2018, Taaleri had assets under management totalling EUR 6.0 billion and 4,600 asset management customers. Taaleri Plc has some 4,100 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

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