

2018

**Evli Bank Plc  
Interim Report January-March**

**EVLI**

## STABLE GROWTH CONTINUED

- In the Wealth Management and Investor Clients segment operating profit grew considerably and was EUR 4.3 million (1-3/2017 EUR 2.9 million)
- Operating profit in the Advisory and Corporate Clients segment improved slightly and was EUR 0.5 million (EUR 0.2 million)
- The trading activities through the own balance sheet were less successful during the review period, resulting in a decline in returns from investment activities in the Group Operations segment.

### January-March 2018

- The Group's net revenue increased five percent to EUR 17.0 million (EUR 16.1 million)
- The Group's operating profit was EUR 5.2 million (EUR 4.6 million)
- Evli's diluted earnings per share were EUR 0.24 (EUR 0.15) and return on equity was 34.1 percent (21.4%)
- Net assets under management increased slightly year on year and totaled a record EUR 11.4 billion (EUR 11.3 billion) at the end of March
- The proportion of recurring revenue to operating costs improved to 120 percent (112%).

### Outlook for 2018

The risks associated with the general trend in the equity and fixed income markets are high due to the prevailing uncertainty on the markets. A continued decline in equity prices or a reduction in investors' risk appetite would have a negative impact on the company's profit performance. Demand for Evli's products has remained stable and assets under the Group's management have grown substantially in recent years, which would soften the result-impact of any reversal of the market.

There has been positive development in the demand for advisory services, and its outlook for 2018 is stable. Customer's demand for Evli's products and services has developed positively, which has also led to a systematic increase in lending. In the advisory business and in own investment activities, substantial fluctuations in annual returns are possible.

Thanks to successful and stable development at the beginning of the year, we estimate that the result for the 2018 financial year will be clearly positive.

**KEY FIGURES**

	1-3/2018	1-3/2017	1-12/2017
<b>Income statement key figures</b>			
Operating income, M€	17.0	16.1	71.4
Operating profit/loss, M€	5.2	4.6	21.3
Operating profit margin, %	30.8	28.3	29.8
Profit/loss for the financial year, M€	5.9	3.3	17.5
<b>Profitability key figures</b>			
Return on equity (ROE), %	34.1	21.4	25.5
Return on assets (ROA), %	2.3	1.3	2.0
<b>Balance sheet key figures</b>			
Equity-to-assets ratio, %	6.1	4.4	7.6
Group capital adequacy ratio, %	15.4	15.0	15.0
<b>Key figures per share</b>			
Earnings per Share (EPS), fully diluted, €	0.24	0.15	0.72
Comprehensive Earnings per Share (EPS), fully diluted, €	0.23	0.15	0.69
Dividend per share, €*	-	-	0.52
Equity per share, €	2.80	2.55	3.10
Share price at the end of the period, €	9.48	6.20	9.60
<b>Other key figures</b>			
Expense ratio (operating costs to net revenue)	0.69	0.72	0.70
Recurring revenue ratio, %	120	112	113
Personnel at the end of the period	259	244	240
Market value, M€	224.6	144.5	224.9

\*Dividend from 2017 approved by the Annual General Meeting. The dividend was paid on March 21, 2018.

**Maunu Lehtimäki, CEO**

The year 2018 started strongly. The first-quarter revenue and operating profit improved significantly on the previous year. At the same time, despite the decline of the equity markets, the client assets under management increased to a new record of EUR 11.4 billion. The increase in client assets was boosted by successful customer acquisition activities, positive net subscriptions to funds and new product launches, particularly in the strategically important area of alternative investment products. The development was also positive in the area of corporate clients. Evli managed to grow its business activities in corporate finance, investment research and incentive systems.

The successful sales activities and new products contributed positively to the profit performance. In the first quarter, our revenue grew five percent and our operating profit correspondingly by almost 15 percent as the operating margin exceeded 30 percent. The majority of the revenue growth is a result of the trend in assets under management. As a consequence, our strategic indicator, the ratio of our recurring revenue in relation to the Group's operating expenses, also improved, reaching the level of 120 percent. When the profit of associated companies is included, the Group's return on equity rises to over 30 percent.

To target growth alongside the promotion of our traditional business, we have continued our efforts in international fund sales, development of alternative investment products and the creation of a simply unique customer experience. During the first quarter we made visible progress in each strategic frontier. In international sales, we launched the distribution of funds in Germany and continued sales efforts in our other core market areas. In alternative investment products, we launched the Evli Healthcare I Ky fund, which invests in care facilities. At the establishment phase, over EUR 70 million in investments were collected. We also implemented a new equity round in the EAI Residential I Ky fund, which invests in leased premises. We have focused on improving the client experience by investing in personnel training and the quality of client material. We believe

that the client experience is created through numerous small matters, and we are now focusing on these.

Digitalization can now be seen everywhere. The attainment of efficiency, client experience and regulation require the sector to develop digital service models and streamline processes. Evli is working on numerous projects in these sub-areas. Our goal is, by the end of the year, to complete a significant number of these reforms that aim to streamline our processes. However, we believe that the development of digital services will continue long into the future with the rapid development of technology and the changing needs of our clients.

Our excellent performance means that the outlook for 2018 is very promising. We will continue to focus on our strategic priorities and concentrate on achieving stable and profitable growth. We expect that on this basis, the result for 2018 will be clearly in the positive.

## MARKET PERFORMANCE

2018 started with rising prices, supported by strong economic performance. However, as the quarter progressed, fears and uncertainty grew on the markets, leading to considerable equity price fluctuation. The trend in the global economy has continued on a growth track as profits have improved, though the speed of growth declined slightly in the industry sector and in retail. Despite the growth, equity prices did not rise as investor expectations were already high. In contrast, fears of the acceleration of inflation and rise in interest rates, and the growth of geopolitical risks have increased downward pressure on equity prices. In particular, USA's announced tariffs on imports and the potential trade war resulting from their introduction have caused concerns on the markets. Supported by economic growth, the central banks have continued or indicated that they will continue to gradually tighten their monetary policy or end their stimulus measures.

The equity markets rose strongly in January but took a sharp decline for the first time in a long time after the USA's inflation figures spooked the markets. This was followed by concerns regarding a trade war and tech company outlooks as worries related to privacy protection arose. European equities (Stoxx 600) declined 4.2 percent and US equities (S&P 500) declined 0.8 percent during the first quarter. In Finland, in contrast, equities rose 3.1 percent (OMX Helsinki Cap GI) during the review period.

The euro strengthened 2.6 percent against the dollar at the beginning of the year. The euro area's high yield corporate bonds with a lower credit rating returned -0.6 percent. The returns of corporate bonds with higher credit rating also remained negative at -0.4 percent. Euro area government bonds returned 1.4 percent as long interest rates fell. The historically narrow spreads on the bond markets for bonds with different risk ratings have started to grow after a long-lasting contraction, which is a partial indication that the markets are normalizing.

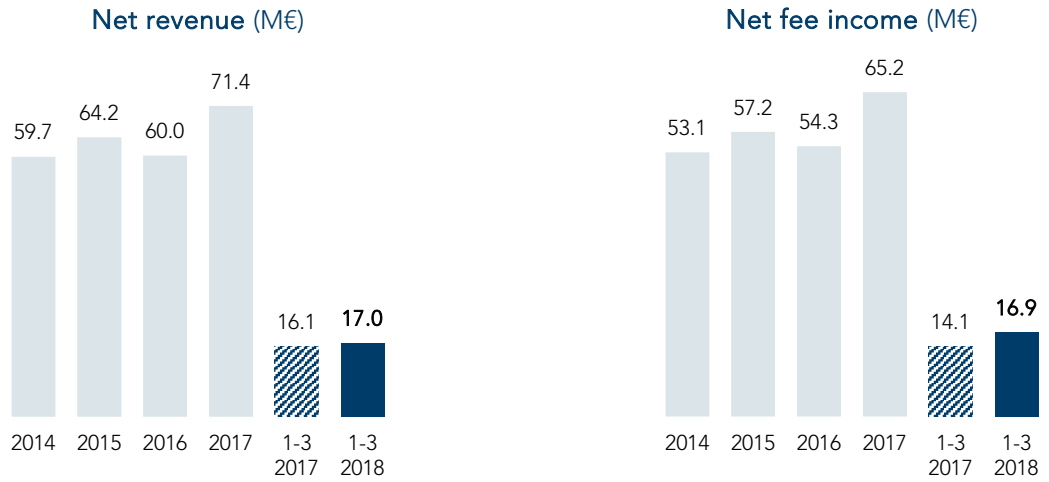
## DEVELOPMENT OF REVENUE AND RESULT

### January-March

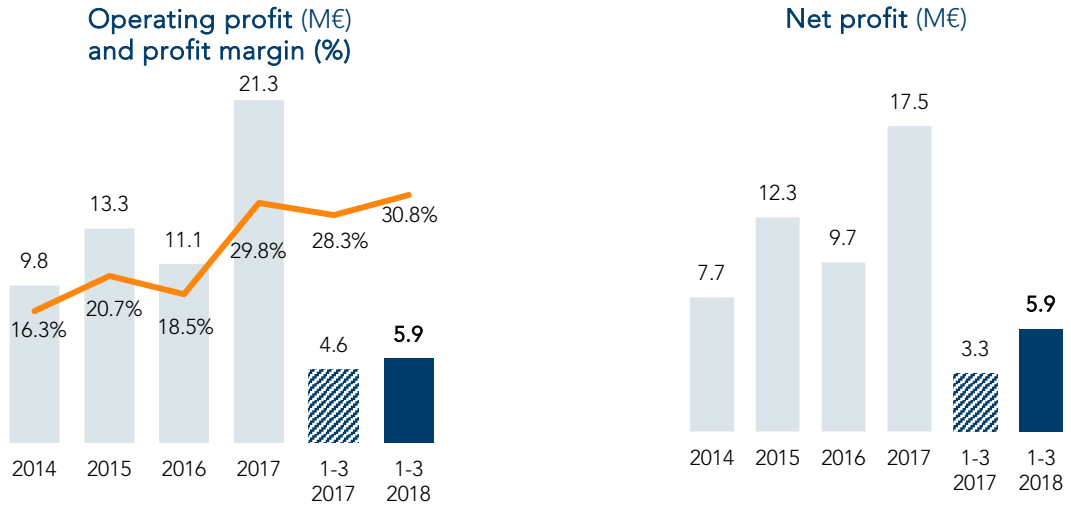
The Evli Group's net revenue grew by five percent during the review period compared to the previous comparison period and was EUR 17.0 million (EUR 16.1 million). The Group's net commission income was EUR 16.9 million (EUR 14.1 million). The increase in net revenue was positively affected especially by the considerable growth in recurring revenue. Brokerage of direct investment products also developed well. However, the net income from securities transactions and foreign exchange dealing declined significantly from the previous year to EUR -0.1 million (EUR 1.7 million).

Overall costs for January-March, including depreciation, amounted to EUR 11.7 million (EUR 11.6 million). The Group's personnel expenses totaled EUR 6.3 million (EUR 6.9 million) including estimated performance bonuses for the personnel. The performance bonus provision collected at the beginning of 2017 was larger than the amount of bonus payments made during the first quarter of this year, which has reduced the personnel expenses in the review period. The Group's administrative expenses were EUR 3.9 million (EUR 3.4 million). The Group's depreciation, amortization and write-downs were EUR 0.4 million (EUR 0.6 million). Other operating expenses totaled EUR 1.1 million (EUR 0.7 million). Other operating expenses includes a non-recurring item

of EUR 0.4 million related to the redemption of the equities of Aurator Asset Management Ltd's minority owners. Evli's expense/income ratio improved on the previous year and was 0.69 (0.72).



The Group's operating profit for the review period increased by 14.5 percent compared to the comparison period to EUR 5.2 million (EUR 4.6 million). The operating margin was 30.8 percent (28.3%). The profit for the review period was EUR 5.9 million (EUR 3.3 million). The profit in the review period was positively affected by the non-recurring exit fees received by the associated company. The Group's annualized return on equity was 34.1 percent (21.4%), which clearly exceeds the long-term return on equity target of 15.0 percent.



## Balance sheet and funding

At the end of March, the Evli Group's balance sheet total was EUR 1,082.2 million (EUR 1,333.4 million). Due to daily changes in client activity, significant fluctuations in the size of the balance sheet total are possible from one quarter to the next. At the end of the review period, the Evli Group's equity was EUR 65.9 million (EUR 58.9 million).

Evli applies the standardized approach (capital requirement for credit risk) and the basic indicator approach (capital requirement for operational risk) in its capital adequacy calculation. The Group's capital adequacy ratio of 15.4 percent clearly exceeds the regulator's requirement of 10.5 percent including the extra capital requirement. The Group's own minimum target for capital adequacy is 13.0 percent.

The Group's funding from the public and credit institutions decreased by 13.8 percent compared to comparison period. The company's loan portfolio increased by 32.8 percent year on year to EUR 102.6 million. The ratio of loans granted by the Group to Evli Bank Plc's deposits from the public was 18.3 percent. The Group's liquidity is very good, and Evli clearly meets the regulators' Liquidity Coverage Ratio (LCR) requirement.

<b>COMMON EQUITY TIER 1 CAPITAL, M€</b>	<b>31.3.2018</b>	31.3.2017
Share capital	30.2	30.2
Funds total	29.5	25.0
Minority interest	0.0	0.0
<i>Decreases:</i>		
Intangible assets	10.0	9.3
Other decreases	2.0	3.3
<b>Total common equity tier 1 capital</b>	<b>47.8</b>	<b>42.5</b>

Evli Bank has no tier 2 capital.

<b>Minimum requirement of own funds, M€</b>	<b>31.3.2018</b>	<b>31.3.2018</b>
<b>Minimum capital adequacy requirement by asset group, standard credit risk method:</b>	<b>Min. requirement</b>	<b>Risk-weighted value</b>
Claims from the state and central banks	0.0	0.0
Claims from regional governments and local authorities	0.0	0.0
Claims from credit institutions and investment firms	3.5	43.7
Investments in mutual funds	1.4	17.3
Claims secured with property	0.1	1.3
Claims from corporate customers	2.3	29.1
Items with high risk, as defined by the authorities	0.2	2.5
Other items	6.8	84.7
Minimum amount of own funds, market risk	1.0	12.0
Minimum amount of own funds, operational risk	9.6	120.4
<b>Total</b>	<b>24.9</b>	<b>311.0</b>

## BUSINESS AREAS

### Wealth Management and Investor Clients

The Wealth Management and Investor Clients segment offers services to present and future high net worth private individuals and institutions. The comprehensive product and service selection includes asset management services, fund products offered by Evli and its partners, various capital market services and alternative investment products. The segment also includes operations and execution activities that directly support these core activities.

#### *Wealth Management*

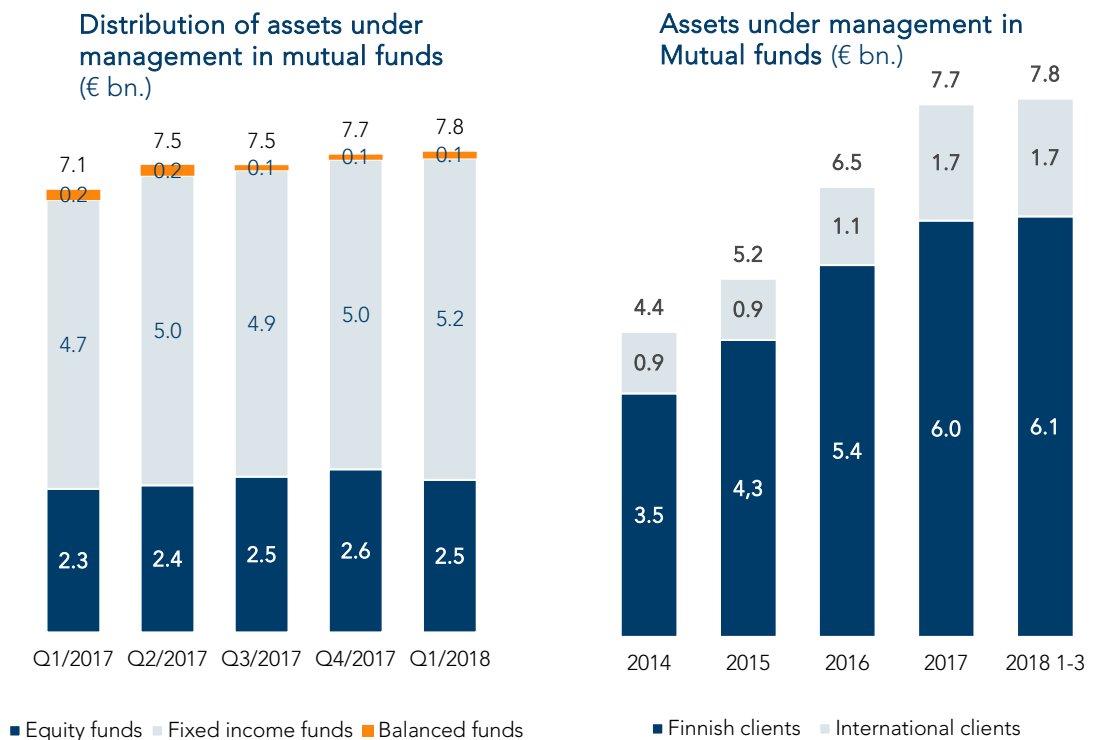
The sales of Evli's Wealth Management services were favourable during the first quarter. The number of clients continued to grow in both traditional and digital asset management. At the end of the review period, Evli had EUR 4.8 billion in discretionary asset management assets, which includes both the traditional and the digital service packages.

During the first quarter, Evli received recognition in a survey by Euromoney, one of the world's top financial magazines. In the survey Evli was selected as best in Finland in the digital client experience, asset management research and asset allocation advice categories. Evli's goal is the continuous development of digital services and during the first quarter, the development work on the My Evli online service continued, among other things.

### Investment products - mutual funds

The performance of fund sales was positive during the first quarter. Evli accumulated the second largest amount of net subscriptions among fund management companies in Finland, with EUR 153.0 million (EUR 454.0 million) in total. In addition, Evli collected about EUR 100 million into its new and existing alternative investment products. According to the Mutual Fund Report carried out by Investment Research Finland, Evli Fund Management Company's market share increased by 0.4 percentage points on the previous year and was 6.8 percent at the end of March. At the end of March, Evli had 29 funds registered in Finland. The combined assets of the mutual funds managed by the company were EUR 7,758 million (EUR 7,029 million). Of this, EUR 2,461 million were invested in equity funds (EUR 2,314 million), EUR 5,179 million in fixed income funds (EUR 4,655 million) and EUR 109 million in balanced funds (EUR 72 million). Evli's clients invested the most new assets in the Evli Short Corporate Bond (EUR 167 million), the Evli Nordic Corporate Bond (EUR 47 million) and the Evli Euro Liquidity (EUR 28 million) funds.

One of Evli's strategic targets is to boost the international sales of its investment products. The company's funds are currently available to institutional investors in among others Italy, Spain, France, German, Portugal and Latin America in addition to the domestic markets of Finland and Sweden. The intention is to extend the availability of products to new markets and to increase the efforts in international sales. The international interest in Evli's products has been good. EUR 1.7 billion of Evli's fund capital came from clients outside of Finland.



Another of Evli's strategic targets is to broaden its product selection in the area of alternative investment products. During the review period Evli launched a new fund that invests in care facilities, Evli Healthcare I Ky. At the launch of the fund a total of about EUR 70 million was collected for the fund. The fund's capital will be increased with new investment rounds also during the current financial period. In addition, the goal is to launch at least one more new alternative investment fund during 2018.

At the beginning of the year, Evli's fund knowledge was recognised in its domestic market and internationally. Evli Corporate Bond B -fund was selected as the best euro-denominated fixed income fund in Finland, Spain and France by Morningstar. Lipper Fund Awards also awarded Evli



“Best Group Over 3 years - Overall Small Company” award and Evli Short Corporate Bond B the best fund in the euro-denominated short-term fund category in France and Europe. The fund awards are given to the fund that has made the most consistent returns.

### *Investment products - others*

The entry into force of MiFID II at the beginning of 2018 has changed the operating environment, particularly regarding traditional equity brokerage activities. Many of Evli’s earlier brokerage clients have focused their services with a smaller group of brokers or otherwise changed the way they operate, which has led to a decline in active brokerage clients. Despite the decline in client numbers, the gross commission income from Evli’s equity brokerage rose from the levels of the previous year.

The trend in the brokerage of other investment products, particularly derivatives and ETF instruments, was positive compared with the previous year. Evli has strengthened the group's product sales by establishing a tied agent network, coordinated by Evli Investment Solutions Oy. At the end of March, Evli had seven tied agents specializing in sales. The business has developed as planned.

### WEALTH MANAGEMENT AND INVESTOR CLIENTS IN NUMBERS

	1-3/2018	1-3/2017	Change %
Net revenue, M€	14.3	12.2	17.2%
Operating profit/loss before Group allocations, M€	6.3	4.6	36.9%
Operating profit/loss, M€	4.3	2.9	48.5%
Personnel at the end of period	178	153	16.3%
Market share (Evli Fund Company), %*	6.8	6.4	
Net subscriptions to own funds, M€*	153.0	454.0	

\*source: fund report by Finanssialan Keskusliitto ry

### *January-March*

The Wealth Management and Investor Clients segment performed well during the review period. Net revenue increased by 17.2 percent on the corresponding period of the previous year and was EUR 14.3 million (EUR 12.2 million). The revenue performance was positively affected by the growth in fund management fees. During the review period, EUR 0.4 million in performance-based and similar fees were received as a result of asset management and funds (EUR 0.4 million).

### **Advisory and Corporate Clients**

The Advisory and Corporate Clients segment provides advisory services related to M&A transactions, including corporate acquisitions and divestments, IPOs and share issues. The segment also offers incentive program administration services and investment research for listed companies.

### *M&A transactions*

During the first quarter, Evli acted as the advisor in three transactions, two of which were share or bond issues. Activity on the M&A market has remained strong. For example, during the quarter, a total of 15 listings took place on the Nordic and Baltic stock exchanges (source: Nasdaq OMX). The client activity has been reflected as the significant increase in the company’s mandate base, and as a result, the business’s future outlook is favorable.

During the first quarter, Evli was an advisor in the following transactions:

- Endomines AB’s rights issue
- Acquisition of TVL Gold AB by Endomines AB.

### *Incentive systems*

The Incentive systems business area performed well, achieving a record level of revenue in the review period. The beginning of the year has traditionally been the busiest time of the year in the administration of incentive systems, which particularly this year was reflected in the high level of invoicing. Evli has seen increasing demand and growth potential related to the Market Abuse Regulation (MAR), ensuring and protecting bonus payment in share-based incentives, and communication with the target group in incentives. At the end of March, Evli was responsible for the administration of the incentive systems for about 60 mainly listed companies.

### *Investment research*

The first-quarter performance of Evli's investment research segment was as expected. The service continued to have a positive reception and the company gained four new clients during the first quarter. At the end of March, Evli's research service had 22 companies as clients.

#### ADVISORY AND CORPORATE CLIENTS IN NUMBERS

	1-3/2018	1-3/2017	Change %
Net revenue, M€	2.3	1.7	39.2%
Operating profit/loss before Group allocations, M€	0.8	0.2	236.1%
Operating profit/loss, M€	0.5	0.2	169.3%
Personnel at the end of period	41	32	28.1%

### *January-March*

The net revenue of the Advisory and Corporate Clients segment increased by 39.2 percent compared to the comparison period and was EUR 2.3 million (EUR 1.7 million). Significant fluctuations in revenue from one quarter to the next are typical of the segment's Corporate Finance activities.

### Group Operations

The Group Operations segment includes support functions serving the business areas, such as Information Management, Financial Administration, Group Communications and Investor Relations, Legal Department, Human Resources, and Internal Services. Banking services and the company's own investment operations that support the company's operations, and the Group's supervisory functions; Compliance, Risk Management and Internal Audit, are also part of Group Operations.

#### GROUP OPERATIONS IN NUMBERS

	1-3/2018	1-3/2017	Change %
Net revenue, M€	0.4	2.1	-81.7%
Operating profit/loss before Group allocations, M€	-1.9	-0.2	-
Operating profit/loss, M€	0.4	1.6	-78.2%
Personnel at the end of period	40	42	-4.8%

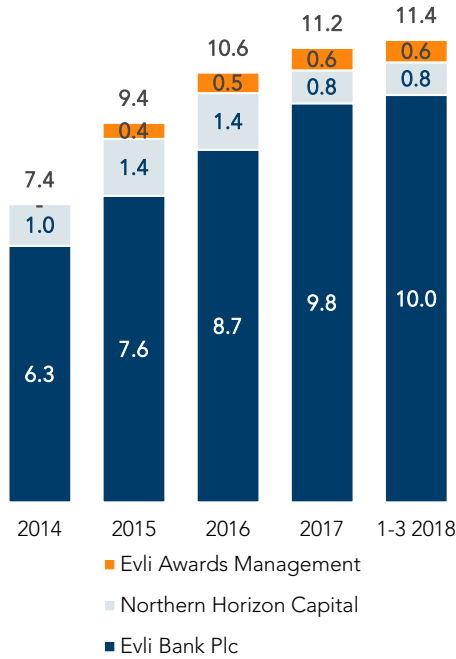
### *January-March*

The return of the Group operations segment declined 81.7 percent from the previous year and totaled EUR 0.4 million (EUR 2.1 million). The decline was caused by Evli's trading function's return that was lower than that of the previous year and the Treasury function's return, which weakened as a result of changes in the interest rate environment. The figures for the first quarter also include EUR 0.4 million in non-recurring costs related to the redemption of the equities of Aurator Asset Management Ltd's minority owners.

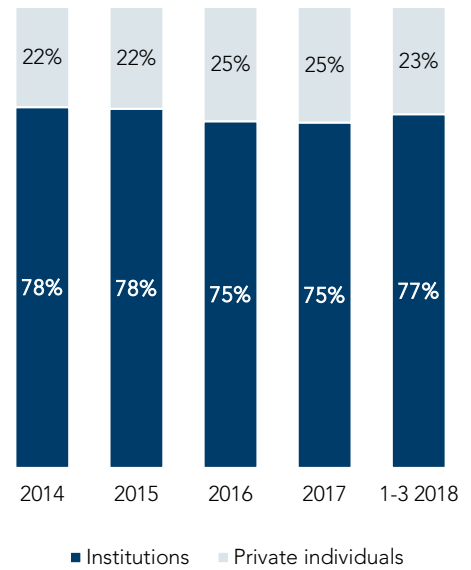
## DEVELOPMENT OF CLIENT ASSETS UNDER MANAGEMENT

There was positive performance in client assets under management in the review period despite the general decline of market values. The Group's combined net assets under management at the end of the review period were EUR 11.4 billion (EUR 11.3 billion). About 77 percent of client assets under management came from institutional investors and the remaining 23 percent from private individuals.

**Net Assets Under Management**  
(bn €)



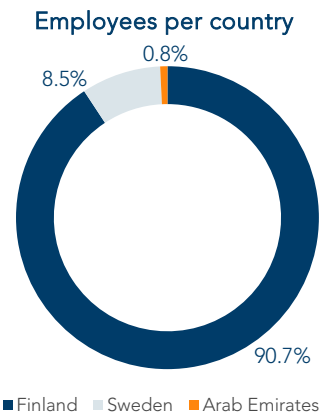
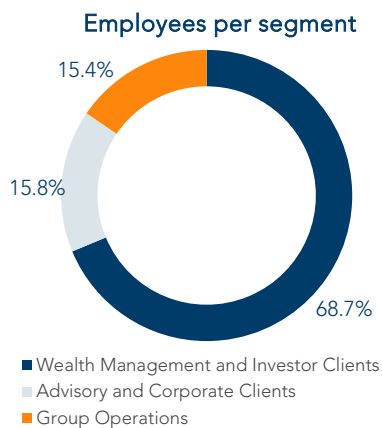
**Client split in Institutional and Private clients**  
(excl. associated companies)



## PERSONNEL

The group had 259 employees (244) at the end of March. The number of employees increased by six percent, from the comparison period. 90.7 percent of the personnel were employed in Finland and 9.3 percent abroad.

### EMPLOYEE FACTS



## CHANGES IN GROUP STRUCTURE

In the first quarter, Evli acquired an approximately ten percent share of Aurator Asset Management Ltd held by its minority owners. This transaction will make Aurator a wholly-owned subsidiary of Evli.

During the review period, Evli sold 4.9 percent of its shares in Terra Nova Capital Advisor Ltd to an employee of the company. Evli's stake in the company is now 50.1 percent.

Evli decided to concentrate the development of its alternative investment products in Evli Fund Management Company, and the business and subsidiaries of Evli Alternative Investments were transferred to Evli Fund Management Company.

In connection with the administration of the care facilities fund, Evli HC I GP Oy, a new wholly-owned subsidiary was established during the review period.

## EVLI'S SHARES AND SHARE CAPITAL

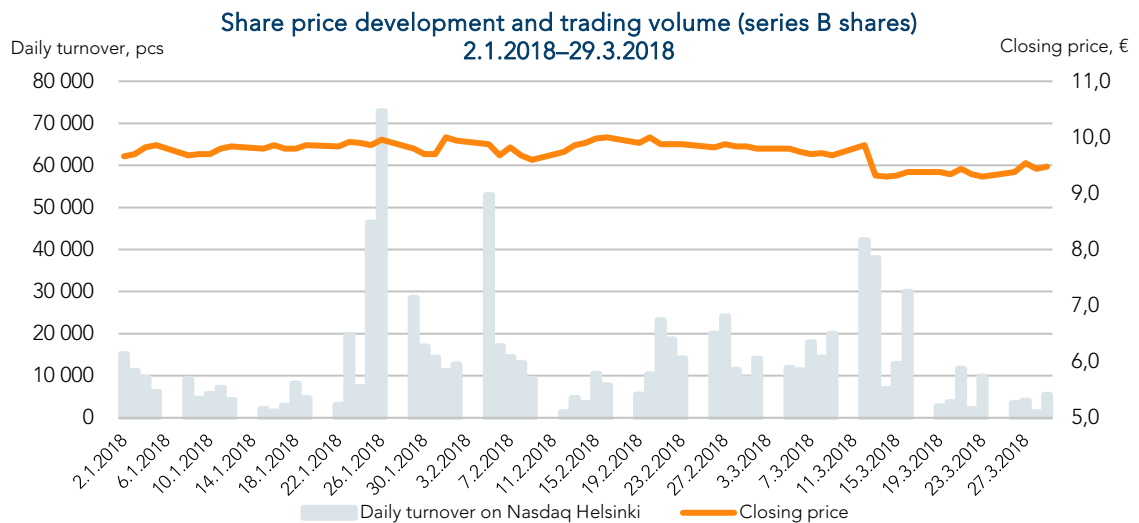
At the end of March, Evli Bank Plc's total number of shares was 23,688,920 shares, of which 15,662,551 were series A shares and 8,026,369 were series B shares. The company held 355,655 series A shares. The company's share capital was EUR 30,194,097.31 at the end of the review period. No changes took place in the share capital.

Under Article 4 of its Articles of Association, the company converted 71,093 A shares into B shares on February 20, 2018. Public trading on the converted shares began at Nasdaq Helsinki Ltd on February 21, 2018.

Based on the stock options 2014 granted by the company's Board of Directors a total of 206,800 new A shares and 51,700 new B shares were subscribed to on February 20, 2018. The shares subscribed to were registered in the Trade Register on February 20, 2018. Public trading with the new B-shares began at Nasdaq Helsinki Ltd on February 21, 2018.

### Trading on Nasdaq Helsinki

At the end of March, Evli had 8,026,369 series B shares subject to public trading on Nasdaq Helsinki Ltd. Trading in the shares in January-March came to EUR 8.4 million, with 859,667 Evli shares traded. The closing price at the end of the review period (March 29, 2018) was EUR 9.48. The highest share price in the first quarter of 2018 was EUR 9.75 and the lowest was EUR 9.14. Evli's market capitalization was EUR 224.6 million at the end of the first quarter. The market capitalization is calculated based on both unlisted series A shares and listed series B shares. Series A shares are valued at the closing value of the series B share at the end of the reporting period.



## Shareholders

Evli's ten largest shareholders on March 31, 2018 are listed in the table below. The total number of shareholders at the end of the financial year was 3,696 (2,579). The stake of Finnish companies was 68.1 percent (69.5%) and that of private Finnish individuals was 26.2 percent (24.8%).

### LARGEST SHAREHOLDERS MARCH 31, 2018

	A-shares	B-shares	Shares total	% of all shares	% of votes
1. Oy Scripo Ab	3 803 280	950 820	4 754 100	20.1	24.0
2. Prandium Oy Ab	3 803 280	950 820	4 754 100	20.1	24.0
3. Oy Fincorp Ab	2 319 780	441 257	2 761 037	11.7	14.6
4. Ingman Group Oy Ab	1 860 000	535 000	2 395 000	10.1	11.8
5. Lehtimäki Maunu	433 728	108 432	542 160	2.3	2.7
6. Höllfast John Erik	328 320	82 080	410 400	1.7	2.1
7. Tallberg Claes	369 756	32 588	402 344	1.7	2.3
8. Evli Pankki Oyj	355 655	0	355 655	1.5	2.2
9. Moomin Characters Oy Ltd	0	249 627	249 627	1.1	0.1
10. Lundström Mikael	186 448	45 546	231 994	1.0	1.2

## DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Evli Bank Plc's Annual General Meeting, held in Helsinki on Monday March 12, 2018, decided on the following matters:

### Adoption of the financial statements and use of the profit shown on the balance sheet and the payment of dividend

Evli Bank Plc's Annual General Meeting adopted the financial statements and resolved in accordance with the proposal of the Board of Directors to pay EUR 0.52 per share in dividends. The dividend was paid to a shareholder who on the record date March 14, 2018 was registered in the shareholders' register of the company held by Euroclear Finland Ltd. The date of the payment of dividends was resolved to be March 21, 2018.

### The release from liability of the members of the Board of Directors and the CEO

The Annual General Meeting granted release from liability to the Members of the Board of Directors and the CEO for the 2017 financial year.

## Number of Board members, members and fees

The Annual General Meeting confirmed five as the total number of members of the Board of Directors. Henrik Andersin, Robert Ingman, Johanna Lamminen, Mikael Lilius and Teuvo Salminen were re-elected to Evli Bank Plc's Board of Directors.

The meeting attendance fee payable to Board members is EUR 5,000.00 per month, and the attendance fee payable to the Chairmen of the Committees is EUR 6,000.00. The meeting attendance fee payable to the Chairman of the Board is EUR 7,500.00 per month.

## Auditors and auditors' fees

PricewaterhouseCoopers Oy, an auditing firm, was elected as the auditor, with Jukka Paunonen, Authorized Public Accountant, as the principally responsible auditor. The auditor is paid remuneration according to a reasonable invoice approved by the company.

## Board authorizations

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own series A and series B shares in one or more lots as follows:

The total number of own series A shares to be repurchased may be a maximum of 1,562,418 shares, and the total number of own series B shares to be repurchased may be a maximum of 780,624 shares. The proposed number of shares represents approximately ten percent of all the shares of the company' on the date of the Notice of the Annual General Meeting.

Based on the authorization, the company's own shares may only be repurchased with unrestricted equity. The company's own shares may be repurchased at the price formed for series B shares in public trading or at the price otherwise formed on the market on the purchase day.

The Board of Directors will decide how the company's own shares will be repurchased. Financial instruments such as derivatives may be used in the purchasing. The company's own shares may be repurchased in other proportion than the shareholders' proportional shareholdings (private purchase). Shares may be repurchased through public trading at the prevailing market price formed for the B-shares in public trading on Nasdaq Helsinki Ltd on the date of repurchase.

The authorization replaces earlier unused authorizations to repurchase the company's own shares. The authorization will be in force until the next Annual General Meeting but no later than until June 30, 2019.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares pursuant to chapter 10, section 1, of the Limited Liability Companies Act in one or more lots, for a fee or free of charge.

Based on the authorization, the number of shares issued or transferred, including shares received based on special rights, may total a maximum of 2,343,042 series B shares. The proposed number of shares represents approximately ten percent of all the shares of the company on the date of the Notice of the Annual General Meeting. Of the above-mentioned total number, however, a maximum of 234,304 shares may be used as part of the company's share-based incentive schemes, representing approximately one percent of all the shares of the company on the date of the Notice of the Annual General Meeting.

The authorization entitles the Board of Directors to decide on all the terms and conditions related to the issuing of shares and special rights entitling to shares, including the right to deviate from the shareholders' pre-emptive subscription rights. The Board of Directors may decide to issue either new shares or any own shares in the possession of the company.

The authorization replaces earlier unused authorizations concerning the issuance of shares as well as the issuance of options and other special rights entitling to shares. The authorization will be in force until the end of the next Annual General Meeting but no longer than until June 30, 2019.

## BUSINESS ENVIRONMENT

During the first quarter, the risks have grown in Evli's business environment. The rapid fluctuations in the equity markets during the first quarter have made investors cautious, and they have also increased the likelihood of losses in investments through Evli's own balance sheet. This has been reflected in sales and the Evli trading function's return. Tightening of regulation has weakened the brokerage function's capacity to operate as clients concentrate their brokerage operations with fewer brokers.

Despite this, the situation in the company's domestic market in Finland is very stable and the growth of the company's traditional operations has continued. In line with its strategy, Evli has focused increasingly on international sales and developing alternative investment products. These are considered important sources of growth for the company and as a buffer in any reversal of the market. Work has also been done to further improve scalability.

During 2017, Evli successfully gained a foothold in the fund markets of continental Europe, particularly Spain. During the first quarter Evli started to distribute its products in Germany. In addition to product availability, the streamlining and adaptation of administrative processes to correspond to the standards that investors are accustomed to on other markets are critical for the success of international growth. The company currently has many investigations under way in this area into measures that may help to accelerate growth. Evli is excellently placed where international sales are concerned, and the image of a high-quality Nordic fund management boutique is of interest to foreign investors.

Alternative investment products are another important strategic focus area for Evli. Strong demand for these products has continued and the market has been favorable for the growth of the asset class. The growth is supported by long-term trends, such as the aging of the population and urbanization. This is a challenging asset class when it comes to seeking sufficient return for investors, which also covers the risks contained in the investment which is always long term. It is also a very competitive area. In the first quarter Evli successfully launched one alternative investment product and is investigating several alternatives for new product ideas. The company's goal is to turn alternative products into a major source of revenue.

Increasing efficiency is critical for the company's success in its business environment that is becoming increasingly digitalized. Alongside the traditional service models, Evli has also focused considerably on the development of its digital services. Process automation, robotic process automation and artificial intelligence will, in the future, play an increasing role in the daily activities of the investment services industry. They also have a direct impact on the client experience in the form of the smooth performance of the services. To maintain its competitiveness, Evli will continue to invest in digital services and automation of its practices.

## RISK MANAGEMENT AND BUSINESS RISKS

Evli's most significant near-term risk is the impact of market performance on the company's business functions. Securities market performance has a direct impact on the wealth management business. Its revenue is based on the performance of assets under management and is therefore subject to market fluctuations. The general performance of the markets also has an impact on brokerage operations. In advisory assignments, any changes in the market confidence of investors and corporate management may result in the lengthening or termination of projects.

Evli's most significant risks associated with its bank and investment activities are liquidity, market and interest rate risks. These risks are controlled with limits set by Evli Bank's Board of Directors. The limits are constantly monitored. The basis for investments made by the company is that they

must not endanger Evli's result or solvency. Evli's investments are very highly diversified, and dependency on a single company is restricted by limiting the size of company-specific investments, for example. Regardless of good monitoring, there is always a certain degree of risk involved in investment activities, which means the return from investment activities can fluctuate significantly from one quarter to the next.

## OUTLOOK FOR 2018

The risks associated with the general trend in the equity and fixed income markets are high due to the prevailing uncertainty on the markets. A continued decline in equity prices or a reduction in investors' risk appetite would have a negative impact on the company's profit performance. Demand for Evli's products has remained stable and assets under the Group's management have grown substantially in recent years, which would soften the result-impact of any reversal of the market.

There has been positive development in the demand for advisory services, and its outlook for 2018 is stable. Customer's demand for Evli's products and services has developed positively, which has also led to a systematic increase in lending. In the advisory business and in own investment activities, substantial fluctuations in annual returns are possible.

Thanks to successful and stable development at the beginning of the year, we estimate that the result for the 2018 financial year will be clearly positive.

Helsinki, April 25, 2018

EVLI BANK PLC  
Board of Directors

### Additional information:

**Maunu Lehtimäki**, CEO, tel. +358 (9) 4766 9304 or +358 (0) 50 553 3000

**Juho Mikola**, CFO, tel. +358 (9) 4766 9871 or +358 (0) 40 717 8888

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## INVESTOR CALENDER 2018

Half Year Financial Report January-June, 2018: July 13, 2018

Interim Report January-September, 2018: October 30, 2018



**EVLI BANK PLC**

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**CONSOLIDATED INCOME STATEMENT, M€**

	1-3/2018	1-3/2017	1-12/2017
Net interest income	0.1	0.3	0.9
Commission income and expense, net	16.9	14.1	65.2
Net income from securities transactions and foreign exchange dealing	-0.1	1.7	4.9
Other operating income	0.0	0.0	0.4
<b>NET REVENUE</b>	<b>17.0</b>	<b>16.1</b>	<b>71.4</b>
Administrative expenses			
Personnel expenses	-6.3	-6.9	-28.9
Other administrative expenses	-3.9	-3.4	-15.1
Depreciation, amortisation and write-down	-0.4	-0.6	-2.3
Other operating expenses	-1.1	-0.7	-3.9
Impairment losses on loans and other receivables	0.0	0.0	0.0
<b>NET OPERATING PROFIT / LOSS</b>	<b>5.2</b>	<b>4.6</b>	<b>21.3</b>
Share of profits (losses) of associates	1.7	-0.3	0.6
Income taxes*	-1.0	-0.9	-4.3
<b>PROFIT / LOSS FOR FINANCIAL YEAR</b>	<b>5.9</b>	<b>3.3</b>	<b>17.5</b>
Attributable to			
Non-controlling interest	0.2	-0.1	0.8
Equity holders of parent company	5.7	3.4	16.7
<b>PROFIT / LOSS FOR FINANCIAL YEAR</b>	<b>5.9</b>	<b>3.3</b>	<b>17.5</b>
<b>OTHER COMPREHENSIVE INCOME / LOSS</b>			
Items, that will not be reclassified to profit or loss	0.0	0.0	0.0
Income and expenses recognised directly in equity	0.0	0.0	0.0
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations	-0.2	0.2	-0.2
Other comprehensive income/loss	-0.2	0.2	-0.2
Other comprehensive income after taxes / loss total	-0.2	0.2	-0.2
<b>OTHER COMPREHENSIVE INCOME / LOSS TOTAL</b>	<b>5.7</b>	<b>3.5</b>	<b>17.4</b>
Attributable to			
Non-controlling interest	0.2	-0.1	0.8
Equity holders of parent company	5.5	3.6	16.5
Earnings per Share (EPS), fully diluted	0.24	0.16	0.72
Comprehensive Earnings per Share (EPS), fully diluted,	0.23	0.15	0.69

\*Taxes are proportionate to the net profit for the period

CONSOLIDATED INCOME STATEMENT, M€	1-3 /2018	10-12 /2017	7-9 /2017	4-6 /2017	1-3 /2017
Net interest income	0.1	0.2	0.1	0.3	0.3
Commission income and expense, net	16.9	19.9	14.7	16.4	14.1
Net income from securities transactions and foreign exchange dealing	-0.1	0.5	1.5	1.2	1.7
Other operating income	0.0	0.4	0.0	0.0	0.0
<b>NET REVENUE</b>	<b>17.0</b>	<b>21.0</b>	<b>16.3</b>	<b>17.9</b>	<b>16.1</b>
Administrative expenses					
Personnel expenses	-6.3	-8.5	-6.2	-7.3	-6.9
Other administrative expenses	-3.9	-4.0	-3.6	-4.0	-3.4
Depreciation, amortisation and write-down	-0.4	-0.6	-0.6	-0.6	-0.6
Other operating expenses	-1.1	-1.4	-1.0	-0.8	-0.7
Impairment losses on loans and other receivables	0.0	0.0	0.0	0.0	0.0
<b>NET OPERATING PROFIT/LOSS</b>	<b>5.2</b>	<b>6.5</b>	<b>5.0</b>	<b>5.2</b>	<b>4.6</b>
Share of profits (losses) of associates	1.7	1.0	0.3	-0.4	-0.3
Income taxes*	-1.0	-1.8	-0.5	-1.1	-0.9
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>	<b>5.9</b>	<b>5.7</b>	<b>4.7</b>	<b>3.8</b>	<b>3.3</b>
Attributable to					
Non-controlling interest	0.2	0.6	0.4	-0.1	-0.1
Equity holders of parent company	5.7	5.2	4.3	3.8	3.4
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>	<b>5.9</b>	<b>5.7</b>	<b>4.7</b>	<b>3.8</b>	<b>3.3</b>
<b>OTHER COMPREHENSIVE INCOME/LOSS</b>					
Items, that will not be reclassified to profit or loss	0.0	0.0	0.0	0.0	0.0
Income and expenses recognised directly in equity	0.0	0.0	0.0	0.0	0.0
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences - foreign operations	-0.2	-0.4	0.0	0.1	0.2
Other comprehensive income/loss	-0.2	-0.4	0.0	0.1	0.2
Other comprehensive income after taxes/loss total	-0.2	-0.4	0.0	0.1	0.2
<b>OTHER COMPREHENSIVE INCOME/LOSS TOTAL</b>	<b>5.7</b>	<b>5.3</b>	<b>4.8</b>	<b>3.8</b>	<b>3.5</b>
Attributable to					
Non-controlling interest	0.2	0.6	0.4	-0.1	-0.1
Equity holders of parent company	5.5	4.7	4.3	3.9	3.6

\*Taxes are proportionate to the net profit for the period

**CONSOLIDATED BALANCE SHEET, M€**

	<b>31.3.2018</b>	31.3.2017	31.12.2017
<b>ASSETS</b>			
Liquid assets	347.2	324.8	383.2
Debt securities eligible for refinancing with central banks	36.2	39.2	36.3
Claims on credit institutions	73.0	47.8	64.1
Claims on the public and public-sector entities	102.6	77.3	92.0
Debt securities	147.6	340.9	229.4
Shares and participations	48.3	37.7	31.5
Participating interests	5.3	2.7	3.6
Derivative contracts	46.7	18.0	30.2
Intangible assets	10.2	9.7	10.0
Property, plant and equipment	1.8	2.0	1.8
Other assets	255.8	425.0	73.9
Accrued income and prepayments	6.4	7.6	4.0
Deferred tax assets	1.0	0.9	0.7
<b>TOTAL ASSETS</b>	<b>1 082.2</b>	<b>1 333.4</b>	<b>960.7</b>
<b>LIABILITIES</b>			
Liabilities to credit institutions and central banks	9.8	4.0	31.7
Liabilities to the public and public-sector entities	560.6	713.4	621.5
Debt securities issued to the public	99.1	59.3	97.5
Derivative contracts and other trading liabilities	53.6	40.6	34.6
Other liabilities	277.3	442.7	83.6
Accrued expenses and deferred income	15.6	14.1	19.1
Deferred tax liabilities	0.2	0.4	0.2
<b>LIABILITIES TOTAL</b>	<b>1 016.3</b>	<b>1 274.5</b>	<b>888.1</b>
Equity to holders of parent company	65.4	58.6	71.6
Non-controlling interest in capital	0.5	0.3	0.9
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1 082.2</b>	<b>1 333.4</b>	<b>960.7</b>

<b>EQUITY CAPITAL, M€</b>	Share capital	Share premium fund	Reserve for invested unrestricted equity	Other reserves	Translation difference	Retained earnings	Total	Non-controlling interest	Total Equity
<b>Equity capital 31.12.2016</b>	30.2	1.8	18.4	0.1	-0.2	14.6	<b>64.9</b>	0.4	<b>65.3</b>
Translation difference					0.1		<b>0.1</b>		<b>0.1</b>
Profit/loss for the period						3.4	<b>3.4</b>	-0.1	<b>3.3</b>
Dividends						-9.2	<b>-9.2</b>		<b>-9.2</b>
Acquisition of own shares			-0.5				<b>-0.5</b>		<b>-0.5</b>
Other changes			0.0			0.0	<b>0.0</b>	0.0	<b>0.0</b>
<b>Equity capital 31.3.2017</b>	30.2	1.8	17.9	0.1	-0.1	8.7	<b>58.6</b>	0.3	<b>58.9</b>
Translation difference					-0.1		<b>-0.1</b>		<b>-0.1</b>
Profit/loss for the period						13.3	<b>13.3</b>	0.8	<b>14.1</b>
Share options exercised			0.2				<b>0.2</b>		<b>0.2</b>
Dividends						0.0	<b>0.0</b>	-0.3	<b>-0.3</b>
Acquisition of non-controlling interest			-0.5				<b>-0.5</b>		<b>-0.5</b>
Acquisition of own shares			0.0				<b>0.0</b>		<b>0.0</b>
Other changes			-0.1	0.1		0.0	<b>0.0</b>	0.0	<b>0.0</b>
<b>Equity capital 31.12.2017</b>	30.2	1.8	17.5	0.1	-0.2	22.2	<b>71.6</b>	0.9	<b>72.5</b>
Translation difference					0.0		<b>0.0</b>		<b>0.0</b>
Profit/loss for the period						5.7	<b>5.7</b>	0.2	<b>5.9</b>
Dividends						-12.2	<b>-12.2</b>	-0.6	<b>-12.7</b>
Share options exercised			0.5				<b>0.5</b>		<b>0.5</b>
Acquisition of own shares							<b>0.0</b>		<b>0.0</b>
Acquisition of non-controlling interest							<b>0.0</b>		<b>0.0</b>
Other changes						-0.3	<b>-0.3</b>	0.0	<b>-0.3</b>
<b>Equity capital 31.3.2018</b>	<b>30.2</b>	<b>1.8</b>	<b>18.0</b>	<b>0.2</b>	<b>-0.2</b>	<b>15.5</b>	<b>65.4</b>	<b>0.5</b>	<b>65.9</b>

SEGMENT INCOME STATEMENT, M€	Wealth Management and Investor Clients 1-3/2018	Advisory and Corporate Clients 1-3/2018	Group Operations 1-3/2018	Unallocated 1-3/2018	Group 1-3/2018
<b>REVENUE</b>					
Net interest	0.0	0.0	0.1	0.0	0.1
Net commissions	14.3	2.3	0.4	-0.1	16.9
Trading and FX result	0.1	0.0	-0.1	0.0	-0.1
Other operative income	0.0	0.0	0.0	0.0	0.0
External sales	14.4	2.3	0.4	-0.1	17.0
Inter-segment sales	0.0	0.0	0.0	0.0	0.0
<b>Total revenue</b>	<b>14.3</b>	<b>2.3</b>	<b>0.4</b>	<b>-0.1</b>	<b>17.0</b>
<b>Timing of revenue recognition</b>					
At a point in time	12.4	1.1	-	-	13.5
Over time	1.9	1.2	-	-	3.1
<b>RESULT</b>					
Segment operating expenses	-8.0	-1.5	-2.2	0.4	-11.3
<b>Business units operating profit before depreciations and Group allocations</b>	<b>6.4</b>	<b>0.8</b>	<b>-1.8</b>	<b>0.3</b>	<b>5.7</b>
Depreciations	-0.1	-0.1	-0.1	-0.1	-0.4
<b>Business units operating profit before Group allocations</b>	<b>6.3</b>	<b>0.8</b>	<b>-1.9</b>	<b>0.1</b>	<b>5.2</b>
Allocated corporate expenses	-2.0	-0.3	2.3	0.0	0.0
<b>Operating profit including Group allocations</b>	<b>4.3</b>	<b>0.5</b>	<b>0.4</b>	<b>0.1</b>	<b>5.2</b>
Share of profits (losses) of associates				1.7	1.7
Income taxes				-1.0	-1.0
<b>Segment profit/loss</b>	<b>4.3</b>	<b>0.5</b>	<b>0.4</b>	<b>0.8</b>	<b>5.9</b>

SEGMENT INCOME STATEMENT, M€	Wealth Management and Investor Clients 1-3/2017	Advisory and Corporate Clients 1-3/2017	Group Operations 1-3/2017	Unallocated 1-3/2017	Group 1-3/2017
<b>REVENUE</b>					
Net interest	0.0	0.0	0.3	0.0	0.3
Net commissions	12.2	1.7	0.0	0.2	14.1
Trading and FX result	0.1	0.0	1.8	-2.0	-0.1
Other operative income	0.0	0.0	0.0	0.0	0.0
External sales	12.3	1.7	2.1	0.1	16.1
Inter-segment sales	0.0	0.0	0.0	0.0	0.0
<b>Total revenue</b>	<b>12.2</b>	<b>1.7</b>	<b>2.1</b>	<b>0.1</b>	<b>16.1</b>
<b>Timing of revenue recognition</b>					
At a point in time	10.5	0.9	-	-	11.4
Over time	1.7	0.8	-	-	2.5
<b>RESULT</b>					
Segment operating expenses	-7.3	-1.3	-2.2	-0.1	-11.0
<b>Business units operating profit before depreciations and Group allocations</b>	<b>4.9</b>	<b>0.3</b>	<b>-0.1</b>	<b>0.0</b>	<b>5.1</b>
Depreciations	-0.3	-0.1	-0.1	-0.1	-0.6
<b>Business units operating profit before Group allocations</b>	<b>4.6</b>	<b>0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>4.6</b>
Allocated corporate expenses	-1.7	-0.1	1.8	0.0	0.0
<b>Operating profit including Group allocations</b>	<b>2.9</b>	<b>0.2</b>	<b>1.6</b>	<b>-0.1</b>	<b>4.6</b>
Share of profits (losses) of associates				1.7	-0.3
Income taxes				-0.9	-0.9
<b>Segment profit/loss</b>	<b>2.9</b>	<b>0.2</b>	<b>1.6</b>	<b>-1.3</b>	<b>3.3</b>

Regular reporting to top management does not include breakdown of assets and liabilities of Evli Group to different business segments. Because of this the breakdown of assets and liabilities to segments is not included in the official segment report. Allocated corporate expenses include cost items relating to general administration of Evli Group and banking business that are allocated to business units using allocation drivers in place at each time of review. Group Operations comprise Management of Evli Group, certain back-office functions, Treasury, Group Risk Management, Financial Administration, Information Management, Group Communications, Legal Department and Compliance, and Human Resources.

**CASH FLOW STATEMENT, M€**

	1-3/2018	1-3/2017	1-12/2017
<b>Cash flows from operating activities</b>			
Interest and commission received	36.8	17.9	71.3
Open trades, net	-1.6	-29.0	-34.3
Interest and commissions paid	-1.2	-0.9	-4.2
Cash payments to employees and suppliers	-4.8	-26.4	-57.2
Increase(-) or decrease(+) in operating assets:			
Net change in trading book assets and liabilities	48.5	-119.9	-14.5
Deposits held for regulatory or monetary control purposes	-4.0	-2.2	-17.9
Funds advanced to customers	-93.9	259.3	182.4
Issue of loan capital	1.6	13.2	51.4
Net cash from operating activities before income taxes	-18.6	111.9	177.0
Income taxes	-0.1	-0.4	-4.1
<b>Net cash used in operating activities</b>	<b>-18.7</b>	<b>111.5</b>	<b>172.9</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of subsidiaries and associates	0.0	0.0	-0.6
Acquisition of property, plant and equipment and intangible assets	-0.6	-0.5	-1.9
<b>Net cash used in investing activities</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-2.4</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares	0.0	-0.5	-0.3
Share options subscriptions	0.5	0.0	0.0
Payment of finance lease liabilities	0.0	0.0	-0.2
Transactions with non-controlling interests	0.0	0.0	-0.5
Dividends paid	-12.2	-9.2	-9.2
<b>Net cash from financing activities</b>	<b>-11.6</b>	<b>-9.7</b>	<b>-10.2</b>
Net increase/decrease in cash and cash equivalents	-31.0	101.3	160.3
Cash and cash equivalents at beginning of period	388.6	228.3	228.3
Effects of exchange rate changes on cash and cash equivalents	-0.1	0.0	-0.1
<b>Cash and cash equivalents at end of period</b>	<b>357.5</b>	<b>329.6</b>	<b>388.6</b>

**KEY FIGURES DESCRIBING THE FINANCIAL PERFORMANCE**

	1-3/2018	1-3/2017	1-12/2017
<b>Income statement key figures</b>			
Operating income, M€	17.0	16.1	71.4
Operating profit, M€	5.2	4.6	21.3
Operating profit margin, %	30.8	28.3	29.8
Profit/loss for the financial year, M€	5.9	3.3	17.5
<b>Profitability key figures</b>			
Return on equity (ROE), %	34.1	21.4	25.5
Return on assets (ROA), %	2.3	1.3	2.0
<b>Balance sheet key figures</b>			
Equity-to-assets ratio, %	6.1	4.4	7.6
Capital adequacy ratio, %	15.4	15.0	15.0
<b>Key figures per share</b>			
Earnings per Share (EPS), fully diluted, €	0.24	0.15	0.72
Comprehensive Earnings per Share (EPS), fully diluted, €	0.23	0.15	0.69
Dividend / share, €*	-	-	0.52
Equity per share, €	2.80	2.55	3.10
Share price at the end of the period, €	9.48	6.20	9.60
<b>Other key figures</b>			
Expense ratio (operating costs to net revenue)	0.69	0.72	0.70
Recurring revenue ratio, %	120	112	113
Personnel at the end of the period	259	244	240
Market value, M€	224.6	144.5	224.9

\*Dividend from 2017 approved by the Annual General Meeting. The dividend was paid on March 21, 2018.

<b>Evli Group's capital adequacy</b>	1-3/2018	1-3/2017	1-12/2017
Own assets (common equity Tier 1 capital), M€	47.8	42.5	43.0
Risk-weighted items total for market- and credit risks, M€	190.5	171.3	166.9
Capital adequacy ratio, %	15.4	15.0	15.0
Evli Bank Plc:s adequacy ratio, %	18.5	20.5	20.4
Own funds surplus, M€	22.9	19.8	20.0
Own funds in relation to the minimum capital requirement	1.9	1.9	1.9
Own funds surplus M€ including additional capital requirement	15.1	12.7	12.9



**CALCULATION OF KEY RATIOS**

Net revenue	From Income Statement. Includes gross returns, deducted by interest and commission expenses.
Operating profit	From Income Statement
Profit for the financial year	From Income Statement
Return on equity (ROE), %	= $\frac{\text{Profit / Loss for financial year}}{\text{Equity capital and minority interest (average of the figures for the beginning and at the end of the year)}} \times 100$
Return on assets (ROA), %	= $\frac{\text{Profit / Loss for financial year}}{\text{Average total assets (average of the figures for the beginning and at the end of the year)}} \times 100$
Equity ratio, %	= $\frac{\text{Equity incl. non-controlling interest's share of equity}}{\text{Average balance total}} \times 100$
Expense ratio as earnings to operating costs	= $\frac{\text{Administrative expenses + depreciation and impairment charges+ other operating expenses}}{\text{Net interest income + net commission income + net income from securities transactions and foreign exchange dealing + other operating income}}$
Comprehensive Earnings per Share (EPS), fully diluted	= $\frac{\text{Comprehensive income for the year after taxes attributable to the shareholders of Evli Bank Plc}}{\text{average number of shares outstanding including issued share and option rights}}$
Earnings per Share (EPS)	= $\frac{\text{Profit for the year after taxes attributable to the shareholders of Evli Bank Plc}}{\text{average number of shares outstanding including issued share and option rights}}$
Group's capital adequacy (CET1), %	= $\frac{\text{Group assets (common equity Tier 1 capital)}}{\text{Risk-weighted items total}} \times 100$
Equity per share	= $\frac{\text{Equity attributable to the shareholders of Evli Bank Plc}}{\text{Number of shares at the end of the year}}$
Recurring revenue to operating costs ratio	= $\frac{\text{All revenues that are not transaction based but time dependent*}}{\text{All operative expenses excluding reservation for bonuses from review period}}$

*\*Asset management, fund fees, administration of incentive schemes, research, custody and client net interest fees*

NOTES TO BALANCE SHEET, M€	31.3.2018	31.3.2017	31.12.2017	
<b>Equity and debt securities</b>				
Equity securities are presented in the Statement of Changes in Equity				
Debt securities issued to the public				
Certificates of Deposits and commercial papers	13.0	19.5	22.5	
Bonds	86.1	39.9	75.0	
<b>Debt securities issued to the public</b>	<b>99.1</b>	<b>59.3</b>	<b>97.5</b>	
<b>Breakdown by maturity</b>	<b>under 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5-10 years</b>
Debt securities issued to the public	15.2	1.2	82.7	0.0
<b>Changes in bonds issued to the public</b>	<b>31.3.2018</b>	<b>31.3.2017</b>	<b>31.12.2017</b>	
Issues	15.2	5.5	49.5	
Repurchases	2.1	4.0	10.2	
<b>Off-balance sheet commitments</b>				
Commitments given to a third party on behalf of a customer	9.7	6.3	8.2	
Irrevocable commitments given in favour of a customer	0.2	0.2	0.2	
Guarantees on behalf of others	0.5	0.5	0.5	
Unused credit facilities	2.1	2.5	2.4	
<b>Transactions with related parties</b>	<b>1-3/2018</b>			
	Associated companies	Group management		
Sales	0.0	0.0		
Purchases	0.0	0.0		
Receivables	0.0	0.1		
Liabilities	0.0	1.0		

*There were no major changes in transactions with related parties in the review period.*

**VALUE OF FINANCIAL INSTRUMENTS ACROSS THE THREE LEVELS OF THE FAIR VALUE HIERARCHY, M€**

Fair value	Level 1 2018	Level 2 2018	Level 3 2018	Total
<b>Financial assets</b>				
Shares and participations classified as held for trading	24.8	0.0	0.4	25.1
Shares and participations, other	17.0	0.0	6.1	23.2
Debt securities eligible for refinancing with central banks	36.2	0.0	0.0	36.2
Debt securities	23.9	120.9	2.8	147.6
Positive market values from derivatives	2.1	42.1	2.6	46.7
<b>Total financial assets held at fair value</b>	<b>104.0</b>	<b>163.0</b>	<b>11.9</b>	<b>278.9</b>
<b>Financial liabilities</b>				
Shares and participations classified as held for trading	6.3	0.0	1.0	7.3
Negative market values from derivatives	1.7	42.1	2.5	46.3
<b>Total financial liabilities held at fair value</b>	<b>8.0</b>	<b>42.1</b>	<b>3.6</b>	<b>53.6</b>

**Explanation of fair value hierarchies:**
**Level 1**

Fair values measured using quoted prices in active markets for identical instruments

**Level 2**

Fair values measured using directly or indirectly observable inputs, other than those included in level 1

**Level 3**

Fair values measured using inputs that are not based on observable market data.

Level 1 of the hierarchy includes listed shares, mutual funds and derivatives listed on exchanges, and debt securities that are traded in active OTC- and public markets.

Shares and participations classified in level 3 are usually instruments which are not publicly traded, like venture capital funds, real estate funds, equities and equity rights.

Derivatives in level 2 are forwards whose values are calculated with inputs like quoted interest rates and currency rates.

Derivative valuations for level 3 instruments contain inputs (volatility and dividend estimate) which are not directly observable in the market. The values are calculated with pricing models widely in use, like Black-Scholes. Valuations received from the counterparty of the OTC trade are classified as level 3 valuations.

There is no significant change in the option fair values, If the volatility estimates are changed to publicly obtained historical volatilities.

Debt securities valuations that are obtained from markets that are not fully active, have a fair value level hierarchy of 2. Level 3 valuations for debt securities are valuations for illiquid securities that are received directly from the arranger of the issue, or the valuation is calculated by Evli Bank.

DERIVATIVE CONTRACTS, M€	Remaining maturity			Fair value (+/-)
	Nominal value of underlying, gross	Less than 1 year	1-5 years	
<b>Held for trading</b>				
Interest rate derivatives				
Interest rate swaps		1.3	42.8	0.0
Currency-linked derivatives		3 604.4	0.0	0.0
Equity-linked derivatives				
Futures		10.7	0.0	0.0
Options bought		61.6	49.8	0.0
Options sold		65.1	49.8	0.0
Other derivatives				
Held for trading, total		3 743.1	142.4	0.0
<b>Derivative contracts, total</b>		<b>3 743.1</b>	<b>142.4</b>	<b>0.0</b>

Equity derivatives held for trading, and other liabilities held for trading hedge the equity delta risk for shares and participations in the trading book.

The interest rate derivatives hedge the interest rate risk in assets and liabilities in the balance sheet.

Currency derivatives comprise commitments made against clients and the associated hedges, and contracts made to hedge currency risk in the balance sheet. The net open risk position of the total amount is small.

Equity derivatives in the banking book hedge the equity risk in equity-linked bonds issued to the public.

## ACCOUNTING POLICIES

The Interim Report complies with IAS 34, Interim Reports, as approved by the EU.

The interim report does not include all the tables regarding the business operations from the annual financial statement. As a consequence, this interim report should be read in conjunction with the company's financial statements for the financial year ended December 31, 2017.

The accounting policies used are consistent with the accounting policies for the financial year 2017 and the comparative reporting period, excluding the new IFRS standards that are described separately below.

## NEW IFRS STANDARDS APPLIED

Evli has started applying the following standards during the review period:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The impact of the new standards on the figures in the interim report is described below separately for each standard. The figures are unaudited.

## IFRS 9 - FINANCIAL INSTRUMENTS

ITEMS TO BE MEASURED ACCORDING THE IFRS 9 STANDARD, EXPECTED CREDIT LOSSES, M€  
Financial assets measured at amortized cost and accounts receivable

Balance sheet item	Amount	Level 1	Level 2	Level 3	Expected credit loss	Opening balance 1.1., credit loss provision
Receivables from credit institutions	73.03	73.03	0.00	0.00	0.00	0.00
Receivables from the public	102.60	102.60	0.00	0.00	0.04	0.00
Receivables from the public; corporate	20.14	20.14	0.00	0.00	0.02	0.00
Receivables from the public; private	82.31	82.31	0.00	0.00	0.01	0.00
Receivables from the public; other	0.16	0.16	0.00	0.00	0.00	0.00
Other receivables	2.27	2.27	0.00	0.00	0.00	0.00
Off-balance sheet loan commitments	2.66	2.66	0.00	0.00	0.00	0.00
	<b>180.56</b>	<b>180.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.04</b>	<b>0.00</b>

The assets are classified as Level 1 if the receivable is low risk or the credit risk of the receivable has not grown materially since the date of issuing the item. At the end of the period there were no such receivables whose risk level was considered to have grown materially.

The bank has one loan payment instalment that is over 30 days late, but the reason for this is technical.

The expected credit loss is a probability-weighted calculation formula in which the parameters used are probability of default and the potential total loss when the receivable's collateral is realized.

The parameters are generally measured on group levels, and financial assets are classified into groups of assets with similar risks and collateral.

The probability of default of counterparties is primarily measured with statistical data based on the amount of problem receivables in the credit stock on a national level.

The Group has no assets in the 'measured at fair value through comprehensive income' group and the debt securities are not valued at amortized cost.

## IMPACT OF THE IFRS 9 STANDARD

Impact on capital adequacy, %	-0.02
Impact on own funds, M€	-0.04

**IFRS 9 CLASSIFICATION AND MEASUREMENT, FINANCIAL ASSETS**

Financial assets that are measured, new and old measurement:

Financial asset group before 1.1.2018	Contents	Measurement method
Loans and other receivables	Receivables from the public and credit institutions, cash assets	Amortized cost
Financial assets measured at fair value through profit or loss	Shares and participations, derivatives, debt securities, funds	Fair value
Available-for-sale financial assets	Unquoted shares	Fair value
Financial assets held to maturity	Not in use	Amortized cost

Financial asset group as of 1.1.2018	Contents	Measurement method
Financial assets measured at amortized cost	Receivables from the public and credit institutions, cash assets	Amortized cost
Financial assets measured at fair value through profit or loss	Shares and participations, derivatives, debt securities, funds, unquoted equities	Fair value
Financial assets measured at fair value through comprehensive income	Not in use	Fair value

The change in classification does not result in any changes to the valuation methods of financial assets.

**IFRS 15 – REVENUE RECOGNITION**

The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. The IFRS 15 guidance applies to all revenues collected from clients that are not processed in accordance with other IFRS standards such as IFRS 9. Interest and dividend income are also examples of revenue items that do not come under IFRS 15. In IFRS 15 a five-step model is applied to determine when to recognize revenue, and at what amount. Revenue is recognized when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The impacts of IFRS 15 on Evli's consolidated financial statements have been assessed as follows:

Key revenue streams that fall under the standard and are based on client contracts have been analyzed using the five-step model. The client contract on which the stream is based and any performance criteria on which fees are based have been identified for each revenue stream. The fee charged has then been allocated to each performance criterion and the revenue recognition principles have been built around meeting the criteria. Breakdown of revenue in accordance to IFRS standard between overtime and at a point in time recognized revenue is shown as part of the segment reporting.