Lower costs and improved net commission income contributed to higher comparable operating profit

Juha Hammarén, acting CEO

”During the first quarter of the year, Aktia focused fully on implementing the new strategy. The comparable operating profit increased by EUR 2.1 million to EUR 18 million from last year due to the continued high net commission income and the work on the cost structure that started in the end of 2017. Aktia's outlook for 2018 has been revised as the comparable operating profit for 2018 is expected to be somewhat higher than the comparable operating profit for 2017.”

January - March 2018:

- Net commission income increased to EUR 23.8 (21.1) million. The net interest income decreased to EUR 20.7 (23.4) million, of which net interest income from borrowing and lending stayed at the same level as last year, EUR 16.9 (17.1) million. Interest income from the liquidity portfolio and unwound interest rate hedges decreased by EUR 2.9 million. Total operating income decreased to EUR 51.2 (53.1) million.
- The total operating expenses decreased by 10 % to EUR 33.5 (37.3) million. Operating expenses excluding items affecting comparability were EUR 33.1 (36.6) million.
- The operating profit increased to EUR 17.7 (16.4) million. The comparable operating profit increased to EUR 18.0 (15.9) million.
- Changed outlook 2018: **The comparable operating profit for 2018 is expected to be somewhat higher than (previously: approximately to be on the same level) the comparable operating profit for 2017** (see page 17).

Key figures

(EUR million)	1Q2018	1Q2017	Δ %	2017	4Q2017	1Q/4Q	3Q2017	2Q2017
Net interest income	20.7	23.4	-11 %	89.6	21.8	-5 %	21.5	22.9
Net commission income	23.8	21.1	13 %	91.4	23.7	0 %	22.0	24.6
Total operating income	51.2	53.1	-4 %	210.3	52.7	-3 %	50.3	54.2
Total operating expenses	-33.5	-37.3	-10 %	-160.7	-42.0	20 %	-41.7	-39.7
Impairment of credits and other commitments	-0.6	-0.1	-	-0.6	-0.4	-35 %	0.0	-0.1
Operating profit	**17.7**	**16.4**	**8 %**	**49.1**	**10.3**	**72 %**	**8.0**	**14.4**
Comparable operating profit[1]	**18.0**	**15.9**	**13 %**	**59.9**	**11.4**	**58 %**	**15.7**	**16.9**
Cost-to-income ratio	0.65	0.70	-7 %	0.76	0.80	-19 %	0.83	0.73
Earnings per share (EPS)[3], EUR	0.22	0.20	12 %	0.57	0.12	85 %	0.09	0.16
Equity per share (NAV)[2,3], EUR	8.61	9.01	-4 %	8.70	8.70	-1 %	8.61	8.53
Return on equity (ROE), %	10.2	8.7	16 %	6.5	5.5	84 %	4.4	7.4
Common Equity Tier 1 capital ratio[2], %	16.4	18.2	-10 %	18.0	18.0	-9 %	17.3	18.0
Capital adequacy ratio[2], %	20.8	24.8	-16 %	23.4	23.4	-11 %	22.9	24.3

1) Alternative performance measures excluding items affecting comparability, see page 18
2) At the end of the period
3) Recalculated according to the number of shares after combining series A and R

Content

Financial calendar

Half-year report January - June 2018 **7 August 2018**

Interim report January - September 2018 **31 October 2018**

The Interim Report January - March 2018 is a translation of the original Swedish version "Delårsrapporten 1.1–31.3.2018". In case of discrepancies, the Swedish version shall prevail.

CEO's comments

The economy in Finland continued strong during the first quarter and consumer confidence increased to a historically high level. Employment rates continued to develop in a positive direction and increased to over 70 %. The inflation was still moderate in Finland and the interest rates continued to stay on a low level due to the loose monetary policy. The demand for housing loans was still high at the same time as the competition for good housing loan borrowers was hard.

Aktia's operating profit for January–March 2018 increased by 8 % to EUR 17.7 million in comparison to the corresponding period the previous year. The comparable operating profit increased by 13 % to EUR 18.0 million. The profit was affected mainly by increased net commission income and lower costs compared to the first quarter of 2017.

The positive development in Personal & Corporate Banking and Wealth Management contributed to a 13 % increase in net commission income to EUR 23.8 million. The changed fair value accounting for shares and participations at the transition to IFRS 9 resulted in increased volatility in the net income from life-insurance. As a result of the change net income from life-insurance decreased by 17 % to EUR 5.8 million. The total net interest income decreased by 11 % to EUR 20.7 million. The decrease is attributable to lower yield from the liquidity portfolio and the unwound interest rate hedges, which decreased to EUR 5.6 (8.5) million. The operating expenses decreased by 10 % due to the lower total staff costs and IT expenses, which during the previous year were burdened by the launch of the core banking platform. Implementing the new core banking system in July 2017 led to nearly doubled depreciations.

In order to clarify follow-up on the new strategy, Aktia reports according to three business segments as of 1 January 2018: Personal & Corporate Banking, Wealth Management and Group Functions.

New concept in Personal & Corporate Banking led to increased commission income from the payment services and deposits, which had a positive effect on the net commission income. The comparable operating profit in Personal & Corporate Banking increased by 56 % to EUR 7.5 million.

Strong sales In Wealth Management contributed to increased net commission income both in Asset Management and Private Banking. Good institutional sales led to Aktia's mutual fund capital reaching an exceptionally high level over EUR 5 billion. The cooperation with German Universal-Investment, an important step in Aktia's ambitions towards offering their esteemed asset management services to new customers outside of Finland, had a good start. For the fourth year running Aktia's Asset Management was chosen Best Fixed Income Fund Manager in Morningstar's competition "Finland Awards 2018". The fund Aktia Corporate Bond+ also finished among the three best funds in the Fixed Income Funds category. The comparable operating profit for Wealth Management decreased by 3 % to EUR 6.0 million. The decrease is due to changed accounting principles in connection with the implementation of IFRS 9. The value change for the period, EUR -1.3 million, is included in the net income from life insurance while the value change EUR -1.0 million for the reference period is included in the fund at fair value. The effect from the changed accounting principles will even out during the year.

During the first quarter several initiatives for digitalisation were carried out in Aktia. We automated Balance Certificates and robotised customer enquiries, which clearly improves and makes the customer experience more efficient. We started offering Aktia's Mastercard customers contactless payment, which easily can be used in shops and online. We introduced electronic signatures to our corporate customers, which simplifies customers' cooperation with Aktia. Aktia also joined a new ecosystem that develops digital trading with shares in housing companies. As a new channel in preparation for the boating season, Aktia's private customers can now also submit their loan application directly at Nettivene.fi.

Events after the end of the period

In order to support the implementation of Aktia's new strategy the Board of Directors decided to introduce a new long-term share savings plan for the employees of the Aktia Group.

The Annual General Meeting on 10 April 2018 approved the Board of Directors' proposal to combine the company's two share classes 'A' and 'R' without increasing the share capital. After the combination Aktia only has one share class which is subject to public trading. The share entitles the holder to one (1) vote per share and equal rights also in general. Trading with the new share (AKTIA) started on 13 April 2018.

Helsinki, 8 May 2018

Juha Hammarén
Acting CEO

Main events

New business segments

As a part of Aktia Bank Plc's strategy that was published earlier, which focuses on wealth management and financing, the Group carried out a change in reporting. As of 1 January 2018 Aktia is reporting according to three business segments: Personal & Corporate Banking, Wealth Management and Group Functions. The Personal & Corporate Banking segment oversees Aktia's Private, Corporate and Premium customers. Wealth Management, which comprises of Asset Management, Private Banking and Life Insurance, provides service to wealthy private customers and institutional investors. Group Functions oversees Aktia's support and staff functions.

Combining the R and A shares

Aktia Bank Plc's Annual General Meeting approved the Board of Directors' proposal that the company's R and A shares should be combined without increasing the share capital, so that after the combination the company will have only one share class. The Annual General Meeting also accepted the amended Articles of Association and the directed payment-free issue of new shares to the holders of R shares so that the owners of R shares payment-free received 3 (three) new shares against every batch of 25 R shares. All in all, 2,383,851 new shares were issued to the holders of R shares. The combination was registered on 12 April 2018. Trading with the new share together with the existing share commenced on 13 April 2018 under the ISIN code FI4000058870 and trading symbol AKTIA.

Expanding to the international market

Aktia expanded the sales of its specialist knowledge on emerging market corporate bonds to the international market as the new cooperation continued with the German Universal-Investment GmbH, the largest independent manager in the German speaking Europe that offers investment services. The company has over EUR 340 billion assets under management and offers its customer over 1,000 private lable funds and mandates. Universal-Investment GmbH manages and distributes Aktia's funds through its sales organisation to institutional investors in the German speaking Europe.

Aktia's asset management in the top of Finnish fixed income fund management again

Aktia was again chosen Best Finnish Fixed Income Manager in Morningstar's competition "Finland Awards 2018". Additionally, the fund Aktia Corporate Bond+ finished among the three best funds in the Fixed Income Funds category. Asset Management at Aktia has been in the top in Morningstar's surveys since 2013. The long-standing success is proving the outstanding expertise within Aktia. Aktia's Wealth Management has specialised in three main areas within asset management: global inflation, European corporate bonds and government bonds issued by emerging markets.

Aktia Bank introduces a new share savings plan

To support the implementation of Aktia's new strategy, the Board of Aktia Bank Plc decided to introduce a new long-term share savings plan for the employees of the Aktia Group. The aim is to encourage Aktia's employees to invest in and hold the company's shares and with that rectify the interests and engagement of the staff and management towards value development and increased shareholder value.

Martin Backman stepped down as Chief Executive Officer at Aktia

Aktia Bank Plc's Board of Directos and CEO Martin Backman agreed together that Martin Backman will step down from his position effective immediately. Backman was CEO for the company 6 March 2017–7 March 2018. Aktia Bank Plc's Board of Directos immediately initiated the process of appointing a new CEO. Juha Hammarén, COO and Deputy to CEO, is acting as interim CEO.

Activity in January – March 2018

Business environment

Finland's economy continued to develop in the beginning of 2018 after a year of good growth in 2017.

The consumer confidence increased to a historically high level during the first quarter.

Employment rates continued to develop in a positive direction and increased to over 70 % during the first quarter of 2018. The positive development created better opportunities for increased consumption.

The inflation is still moderate in Finland. Consumer prices increased in March by 0.8 % while the corresponding number for the Euro zone was 1.4 %.

The prices for old row- and block house apartments increased by 0.8 % during January and February 2018 in comparison to the previous year. In the Helsinki region the prices increased faster while the prices outside the Helsinki region somewhat decreased.

The OMX Helsinki 25-index increased by approximately 2 % in January–March 2018 while the Nordic banking sector index decreased by approximately 11 %. Aktia's A shares rose by approximately 0.6 % in the same period.

The economic growth in Finland was balanced in the beginning of the year and was based on external demand as well as domestic investments and consumption. The export reflected a strong demand for investment products in the rest of the world. The outlook for the export is uncertain and reflects the risk of the trade barrier discussion between USA and China leading to a widespread trade war throughout the world.

The interest rates in the Euro zone have stayed on a low level as a result of the loose monetary policy that has carried on since 2008. If the European Central Bank will uphold its previous signals one can even expect a termination of the ongoing buying program, which could lead to a tighter monetary policy than previously. The low interest levels have so far reacted moderately to the communication from the Central Bank. The over one-year interest rates have increased slightly. At the same time the continuously moderate levels of inflation in the Euro zone are speaking for a possible increase in interest levels in the future. The market expects that the negative interest rates are soon to be history, provided that the first steps towards normalising the monetary policy goes well.

KEY FIGURES

Y-o-y	2019E*	2018E*	2017
GDP growth, %			
World	3.7	3.7	3.7
Euro area	2.0	2.3	2.5
Finland	2.2	2.6	2.7
Consumer price index, %			
Euro area	1.6	1.5	1.5
Finland	1.6	1.2	0.8
Other key ratios, %			
Development of real value of housing in Finland[1]	0.7	0.5	0.3
Unemployment in Finland[1]	8.2	8.4	8.7
Interest rates[2], %			
ECB	0.25	0.00	0.00
10-y interest rate, Finland	1.40	0.80	0.59
Euribor 12 months	-0.05	-0.16	-0.19
Euribor 3 months	-0.10	-0.30	-0.33

*Aktia's chief economist's prognosis 13 April 2018
1) annual average
2) at the end of the year

Rating

On 22 December 2017, Standard and Poor's confirmed its rating of Aktia Bank plc's creditworthiness. The rating is A- for long-term borrowing and A2 for short-term borrowing, both with a stable outlook.

On 2 January 2018, Moody's Investors Service confirmed its rating of Aktia Bank plc's creditworthiness for long-term borrowing as A3, short-term borrowing as P-2 and financial strength as C-. The outlook is positive. The bank's Baseline Credit Assessment (BCA) is baa2.

Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term covered bonds.

	Long-term borrowing	Short-term borrowing	Outlook	Covered bonds
Moody's Investors Service	A3	P-2	positive	Aaa
Standard & Poor's	A-	A-2	stable	-

Transition to IFRS 9

The income statement for the period is reported according to IFRS9, while the reference period for 2017 is reported according to the previous IAS 39 standard.

The new rules for measurement and recognition had at the time of the transition no significant effect on the Group's result or financial position but caused increased volatility mainly in the net income for life-insurance.

The transition to IFRS9 brought a new model for calculating and reporting write-downs. The new model can cause increased volatility for impairments of credits and other commitments, for net income from life-insurance and for net income from financial transactions.

Profit January – March 2018

The Group's operating profit amounted to EUR 17.7 (16.4) million. The Group's profit was EUR 15.1 (13.5) million. Operating profit excluding items affecting comparability was EUR 18.0 (15.9) million.

ITEMS AFFECTING COMPARABILITY

(EUR million)	Jan-Mar 2018	Jan-Mar 2017
Income from the sale of Visa Europe	-	1.1
Costs for restructuring	-0.4	-0.7
Total	**-0.4**	**0.4**

Income

The Group's operating income amounted to EUR 51.2 (53.1) million. Operating income excluding items affecting comparability was EUR 51.2 (52.0) million.

Net interest income decreased by 11 % to EUR 20.7 (23.4) million. Net interest income from borrowing and lending amounted to EUR 16.9 (17.1) million. The reference period includes interest income from unwound mortgage bank loans of EUR 0.9 million. Continued low market interest rates and thereby lower yield from the bank's liquidity portfolio decreased the Group's net interest income by EUR 2.2. million. Interest income from the 2012 unwound interest rate hedges decreased by EUR 0.7 million.

Net commission income increased by 13 % to EUR 23.8 (21.1) million. Net commission income from borrowing and lending amounted to EUR 3.4 (2.9) million, which corresponds to a 17 % increase. Commission income from mutual funds, asset management and securities brokerage increased by 20 % to EUR 14.7 (12.2) million. Card and other payment service commissions increased by 15 % to EUR 5.8 (5.1) million. Commission income from real estate agency operations decreased by 16 % to EUR 1.5 (1.7) million.

Net income from life insurance amounted to EUR 5.8 (7.0) million. The actuarially calculated result has increased from last year while the net income from investment activities has decreased. The changed fair value accounting for shares and participations at the transition to IFRS 9 resulted in increased volatility in the net income from life-insurance. The value change for the period, EUR -1.3 million, is included in the net income from life-insurance while the value change EUR -1.0 million for the reference period is included in the fund at fair value. The remaining part the net income from day-to-day investment activities remained on the same level as last year.

Net income from financial transactions amounted to EUR 0.6 (1.3) million. The reference period included a dividend from Suomen Luotto-osuuskunta of EUR 1.1 million. The comparable net income from financial transactions amounted to EUR 0.6 (0.1) million, of which net income from hedge accounting was EUR 0.2 (-0.3) million.

Other operating income amounted to EUR 0.2 (0.3) million.

Expenses

The operating expenses decreased by 10 % and amounted to EUR 33.5 (37.3) million. Operating expenses excluding items affecting comparability was EUR 33.1 (36.6) million.

Staff costs decreased by 8 % to EUR 16.5 (17.9) million. The period includes costs for restructuring, amounting to EUR 0.4 (0.7) million.

IT expenses decreased by 28 % to EUR 5.6 (7.8) million due to lower operating costs.

Depreciations of tangible and intangible assets amounted to EUR 3.1 (1.7) million, of which depreciation for the core banking system amounted to EUR 1.5 (-) million.

Other operating expenses decreased by 17 % to EUR 8.2 (9.9) million. The reference period includes Aktia's donations to universities of EUR 0.5 million.

Impairment of credits and other commitments

The change in the reserve for expected credit losses (ECS) in accordance with IFRS 9 resulted in impairment of credits and other commitments amounting to EUR -0.6 (-0.1) million.

Balance sheet and off-balance sheet commitments

The Group balance sheet total at the end of March was EUR 9,364 (9,550) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 1,762 (1,816) million. The liquidity portfolio was financed with repurchase agreements to a value of EUR 210 (146) million.

At the end of March, the Bank Group's liquidity buffer was approximately equivalent to the estimated outgoing cash flow of finance from the wholesale market for 27 months.

The Liquidity Coverage Ratio (LCR) was 143 (161) %. The LCR level fluctuates among other things due to the maturity structure of the covered bonds issued by the bank.

Liquidity coverage ratio (LCR)*	31 Mar 2018	31 Dec 2017
LCR %	143 %	161 %

* LCR is calculated according to the resolution published by the EU Commission in October 2014

Borrowing

Deposits from the public and public sector entities decreased by 5 % to EUR 3,933 (4,119) million, corresponding to a market share of deposits of 3.4 (3.5) %.

In total, the value of bonds issued by the Aktia Group was EUR 2,442 (2,451) million. Of these, EUR 1,669 (1,685) million was covered bonds issued by Aktia Bank. As security for the CB issue, bonds with a value of EUR 2,330 (2,110) million were reserved at the end of March.

No new long-term covered bonds were issued during the period.

Lending

Total Group lending to the public amounted to EUR 5,893 (5,839) million at the end of March, an increase of EUR 54 million.

Loans to private households accounted for EUR 4,704 (4,714) million, or 79.8 (80.7) % of the loan book.

The housing loan book totalled EUR 4,694 (4,655) million, of which the share for households was EUR 3,955 (3,971) million. Aktia's new lending to private households increased to EUR 183 (January–March 2017: 196) million. At the end of March, Aktia's market share in housing loans to households stood at 4.1 (4.2) %.

Corporate lending accounted for 10.7 (10.1) % of Aktia's loan book. Total corporate lending amounted to EUR 630 (592) million. Loans to housing companies increased by 5 %, totalling EUR 514 (491) million and making up 8.7 (8.4) % of Aktia's total loan book.

LOAN BOOK BY SECTOR

(EUR million)	31 Mar 2018	31 Dec 2017	Δ	Share, %
Households	4,704	4,714	-10	79.8 %
Corporates	630	592	39	10.7 %
Housing companies	514	491	23	8.7 %
Non-profit organisations	38	38	0	0.6 %
Public sector entities	6	4	2	0.1 %
Total	**5,893**	**5,839**	**54**	**100.0 %**

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group and other interest-bearing investments amounting to EUR 1,762 (1,816) million, the life insurance company's investment portfolio amounting to EUR 568 (574) million and the real estate and equity holdings of the Bank Group amounting to EUR 10 (9) million.

Technical provisions

The life insurance company's technical provisions were EUR 1,205 (1,217) million, of which EUR 792 (802) million were unit-linked. Interest-related technical provisions decreased to EUR 413 (415) million.

Equity

Aktia Group's equity amounted to EUR 592 (598). The fund at fair value decreased to EUR 25 (52) million. EUR 24 million of the total decrease of EUR 27 million is attributable to the reclassifications in conjunction with the implementation of IFRS 9.

Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees amounted to EUR 552 (553) million.

Managed assets

The Group's total managed assets amounted to EUR 12,544 (12,281) million.

Assets under management (AuM) comprise managed and brokered mutual funds and managed capital in the subsidiaries in the Wealth Management segment. The assets presented in the table below reflect net volumes, so that AuM in multiple companies have been eliminated.

Group financial assets comprise the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

MANAGED ASSETS

(EUR million)	31 Mar 2018	31 Dec 2017	Δ %
Assets under management (AuM)	10,131	9,679	5 %
Group financial assets	2,413	2,602	-7 %
Total	**12,544**	**12,281**	**2 %**

Capital adequacy and solvency

At the end of the period, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance Ltd) was 16.4 (18.0) %. After deductions, Common Equity Tier 1 capital decreased by EUR 3.9 million during the period which affected the CET1 capital ratio by -0.2 percentage points. At a total, risk-weighted assets increased by EUR 191.4 million which reduced the CET1 capital ratio by 1.5 percentage points. The change in risk-weighted assets was mainly due to the 15 percent risk weight floor on mortgages which increased risk-weighted assets by EU 136.9 million. During the period the corporate exposures have also increased.

Aktia Bank Group applies internal risk classification (IRB) to the calculation of capital requirement for retail and equity exposures. For other exposures the standardised approach is used. A total of 56 (54) % of the Bank Group's exposures are calculated according to the IRB approach. The work on migrating internal models for exposure to corporates and credit institutions continues.

Capital adequacy, %	31 Mar 2018	31 Dec 2017
Bank Group		
CET1 capital ratio	16.4	18.0
T1 capital ratio	16.4	18.0
Total capital ratio	20.8	23.4
Aktia Bank		
CET1 capital ratio	15.8	17.9
T1 capital ratio	15.8	17.9
Total capital ratio	20.1	23.2

The total capital requirement for banking consists of a minimum requirement (so called Pillar 1), buffer requirement based on assessment (so called Pillar 2) and other buffer requirements. The minimum requirement for CET1 capital ratio under Pillar 1 is 4.5 % and 8 % for the total capital ratio. Pillar 2 is specific to bank and is based on the Supervisory Review and Evaluation Process, SREP. The buffer requirements increase the capital requirements and limit the distribution of profit if the CET1 capital ratio does not meet the requirements.

The Finnish Financial Supervisory Authority has set a consolidated Pillar 2 requirement for Aktia. The requirement amounts to a total of 1.75 % and covers the concentration risk within credit risk and structural interest rate risk. For these there are no specific capital requirements (Pillar 1) in the EU's Capital Requirements Regulation (CRR). According to the decision, the requirements shall be met with CET1 capital. The requirement entered into force on 30/06/2017.

The requirement for capital conservation buffer will increase the minimum requirement by 2.5 percentage points. The countercyclical buffer will vary between 0.0 and 2.5 percentage points and is calculated by taking the geographic distribution of exposures into account. The board of the Financial Supervisory Authority will quarterly decide the magnitude of the requirement for the countercyclical capital buffer for Finnish exposures based on analysis of macroeconomic stability. The latest decisions on the requirement (28/03/2018) placed no countercyclical capital buffer requirement on the banks for Finnish exposures. Some authorities in other countries have set higher requirements for countercyclical buffers. This requirement also applies to certain exposures in the Bank Group's liquidity portfolio. Aktia Bank Group's requirement for a countercyclical buffer amounted to 0.05 % as per 31/03/2018, taking the geographic distribution of exposures into account.

Financial Supervisory Authority has defined Other Systemically Important Institutions (O-SIIs) in Finland, and set buffer requirements for them. No O-SII buffer requirement was set for Aktia. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 12.30 %, and 10.30 % for Tier 1 ratio at the end of the period.

COMBINED CAPITAL REQUIREMENT

			Buffer requirements				
31 Mar 2018	**Pillar 1 minimum requirement**	**Pillar 2 requirement**	**Capital Conservation**	**Counter-cyclical**	**O-SII**	**Systemic risk**	**Total capital requirement**
CET1 capital	4.50	1.75	2.50	0.05	0.00	0.00	8.80
AT1 capital	1.50	0.00					1.50
Tier 2 capital	2.00	0.00					2.00
Total	**8.00**						**12.30**

The Finnish Financial Supervisory Authority's decision to introduce a minimum level of 15 % for the average risk weight on residential mortgage loans for credit institutions that have adopted the IRB approach entered into force on 01/01/2018. According to the decision the limit only applies to housing loans as defined in the Consumer Protection Act. At the end of the period, the average risk weight for such housing loans according to the IRB approach was 11.6 %, i.e. the minimum level of risk weight decreased CET1 ratio by 1.0 percentage points.

According to the latest macro-prudential decision, the Financial Supervisory Authority will be stricter about regulating the maximum loan-to-value ratio for other housing loans than for first-time homes with 5 percentage points to 85 %. The decision will enter into force on 01 July 2018. The legislation regarding systemic risk buffer requirements in Finland entered into forced in the beginning of 2018 but the level of possible systemic risk buffer requirements has not yet been decided upon.

The Aktia Group has implemented IFRS 9 as of 01 January 2018. The transition to IFRS 9 had a marginal impact on the Bank Group's capital adequacy.

Aktia Bank Group's leverage ratio was 4.6 (4.5) % based on end of quarter figures.

Leverage Ratio [1]	**31 Mar 2018**	**31 Dec 2017**
Tier 1 capital	372	375
Total exposures	8,143	8,259
Leverage Ratio, %	**4.6**	**4.5**

1) The leverage ratio is calculated based on end of quarter figures

The Financial Stability Board has set the minimum requirement for Aktia Bank on eligible liabilities that can be written down (MREL requirement). The requirement set is twice the minimum capital requirement, including the total buffer requirement according to the Finnish Credit Institutions Act, however, at least 8 % of the balance sheet total. The requirement will enter into force on 31 December 2018. Non-preferred senior instruments have not yet been implemented into Finnish legislation.

MREL-requirement (EUR million)	**31 Mar 2018**	**31 Dec 2017**
RWA based	558.8	512.1
Balance sheet based	647.6	659.4
Own funds and eligible liabilities		
CET1	371.6	375.5
AT1 instruments	0.0	0.0
Tier2 instruments	186.8	211.3
Other liabilities	566.0	566.1
Total	**1,124.4**	**1 152.8**

The life insurance company follows the Solvency II directive, in which the technical provisions are measured at market value. According to Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within Solvency II. Aktia Life Insurance applies the standard formula for SCR, with consideration of the transitional measure for technical provisions in accordance with the permission granted by the Financial Supervisory Authority.

At the end of the period, SCR amounted to EUR 86.2 (85.1) million, MCR to EUR 23.8 (23.9) million and the available capital to EUR 167.0 (169.5) million. Thus, the solvency ratio was 193.8 (199.2) %. Without transitional measures SCR amounted to EUR 98.8 (98.6) million, MCR to EUR 25.8 (26.1) million and the available capital to EUR 117.4 (116.3) million. The solvency ratio without transitional measures was 118.8 (117.9) %. The transition to IFRS 9 had no impact on the solvency of Aktia Life Insurance.

The financial conglomerate's capital adequacy ratio was 151.7 (164.5) %. The financial conglomerate's capital adequacy decreased during the period, mainly as a result of the risk-weight floor for the residential mortgage loans. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100 %. The transition to IFRS 9 had no significant impact on the conglomerate's capital adequacy.

Segment overview

Aktia Bank's operations are divided into three business segments: Personal & Corporate Banking, Wealth Management and Group Functions. Operations not a part of the business segments are reported in the Other segment.

Personal & Corporate Banking

Personal Banking provides Aktia's private customers a wide range of financing, insurance, savings and investment products and services thorough various channels. The segment also comprises the concept Aktia Premium. Corporate Banking serves companies and organisations, from micro sized companies and associations to listed companies.

THE SEGMENT'S OPERATING PROFIT

(EUR million)	**Jan-Mar 2018**	**Jan-Mar 2017**	**Δ %**
Operating income	29.6	28.2	5 %
Operating expenses	-21.7	-23.3	-7 %
Operating profit	7.4	4.8	53 %
Comparable operating profit	7.5	4.8	56 %

The demand for housing loans is still high but hard competition for good housing loan borrowers is putting pressure on customer margins for new housing loans.

Net interest income from borrowing and lending has stayed on a good level due to low interest rates on deposits and stable increase in lending. Taking the income of EUR 0.9 million from phasing out of Aktia Real Estate Mortgage Bank last year into account, the net interest income from borrowing and lending has increased by EUR 0.6 million. Impairments on credits and other commitments remained low.

The renewed customer concepts in line with the new strategy resulted in higher commission income from payment services and borrowing. At the end of the first quarter the product selection was also developed and the sales of the interest rate corridor product was launched. At the same time the deposit function in the Otto ATM's were introduced.

The operating expenses decreased due to implementation of a new model of operations and restructuring of the branch network at the end of 2017.

Lending to private customers was EUR 4,610 (4,611) million. The loan book for corporate business increased to EUR 1,159 (1,111) million. The increase is attributable mainly to larger individual credit arrangements.

Private customers' savings in deposits decreased to EUR 2,520 (2,554) million while savings in funds increased to EUR 1,427 (1,416) million.

Wealth Management

The segment comprises asset management, private banking and life insurance businesses. The segment offers wealth management and financing services to wealthy private customers and institutional investors. The segment also offers a wide selection of investment and life insurance products for distribution in Aktia's all customer segments.

THE SEGMENT'S OPERATING PROFIT

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %
Operating income	15.8	15.5	2 %
Operating expenses	-9.8	-10.0	-2 %
Operating profit	6.0	5.5	8 %
Comparable operating profit	6.0	6.2	-3 %

The segment's net commission income developed strongly. Net commission income increased by 15% for Private Banking and by 19% for Asset Management.

Aktia Fund Management Company's fund stock stayed on a high level, over EUR 5.0 billion. The increase in the fund stock during the first quarter is completely attributable to sales (the market change for the period is slightly negative).

Institutional sales have continued well despite the turbulence on the market during the first quarter. Sales of mutual funds during the period amounted to EUR 397 (300) million. The main part of the sales was to foreign institutions that subscribed for funds through Universal-Investment in Luxembourg which has offered EMD fund products as of 2018.

The latest fund UI-Aktia EM Local Currency Bond+ was launched 5 March 2018. Furthermore, Aktia Fund Management expanded its product range of alternative investments with Aktia Opportunistic Credit in March 2018.

Aktia was again chosen Best Finnish Fixed Income Manager in Morningstar's competition "Finland Awards 2018". Aktia has been among the three best for the last six years and it has won the competition four times. Additionally, the fund Aktia Corporate Bond+ finished among the three best funds in the Fixed Income Funds category.

The transition to IFRS 9 causes increased volatility in the net income for life-insurance. As of 1 January 2018, value changes are reported in the income statement which affected the period's operating profit by EUR -1.3 million.

The life insurance company's technical provisions were EUR 1,205 (1,217) million, of which EUR 792 (802) million were unit-linked. Interest-related technical provisions decreased to EUR 413 (415) million. The average discount rate for the interest-linked technical provisions was 3.4%. Technical provisions include and interest reserve of EUR 16.0 (16.0) million, which can be used to cover future interest requirements.

Taking the restructuring costs of EUR 0.1 (0.7) million into account, the comparable operating expenses increased by EUR 0.4 million. The expense ratio for the life insurance business was at a good level, 77.8 (77.7) %.

Assets under management totalled EUR 10,131 (9,679) million.

(EUR million)	31 Mar 2018	31 Dec 2017	Δ %
Assets under management	10,131	9,679	5 %
of which Institutional assets	5,157	4,590	12 %

Group functions

The Group Functions comprises the Group's treasury business and the Group's other support and staff functions. The entities oversee the Group's financing and liquidity management and assists the other business segments with sales, IT and product support and development. The Group Functions also include monitoring and controlling risk and financial follow-up. The largest source of income is income from the Group's treasury business.

THE SEGMENT'S OPERATING PROFIT

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %
Operating income	6.5	9.8	-34 %
Operating expenses	-2.7	-4.3	-37 %
Operating profit	3.8	5.5	-31 %
Comparable operating profit	4.0	4.4	-9 %

The book value of the liquidity portfolio amounted to EUR 1,749 (1,799) million, equivalent to approximately 29 (30) % of the lending portfolio. The net interest income for the period decreased due to lower yield of the liquidity portfolio and lower interest income from the unwound interest rate hedges.

The yield of the liquidity portfolio decreased to EUR 2.4 (4.6) million as a result of the current level of interest rates. Despite the challenging interest rate situation, positive yield has been retained by reinvesting.

Income from the interest derivatives unwound in 2012 decreased to EUR 3.2 (3.9) million. The income will decrease until the end of 2019. In 2017, the positive impact of the unwound interest rate hedges was EUR 14.4 million. In 2018, the positive impact on net interest income will amount to approximately EUR 10.3 million and the remaining approximately EUR 2.5 million will be recognised in 2019.

Lower financing expenses mainly from senior financing is compensating for decreasing income from the liquidity portfolio and unwound interest rate hedges.

The staff costs increased due to restructuring costs and the implementation of a new model of operations at the end of 2017.

The running IT expenses decreased and the depreciations increased due to the implementation of the new core banking system. Furthermore the costs for marketing and bought services decreased.

During the period, the implementation of GDPR (General Data Protection Regulation) continued. The regulation will take effect on 25 May 2018.

Other

The Group's other activities consist of for instance Aktia Real Estate Agency Ltd. Other activities do not constitute a reporting business segment.

Commission income from Aktia Real Estate Agency decreased to EUR 1.5 (1.7) million. The start of the year reflects the main development on the market. During March sales of older houses decreased by 13 % compared to the corresponding period last year, at the same time as the total volume of sales of older houses decreased by 6 % in January–March 2018.

The Group's risk exposures

Definitions and general principles for asset and risk management can be found in Aktia Bank plc's Annual Report for 2017 (www.aktia.com), in note G2 on pages 71-84, or in Aktia Bank plc's Capital and Risk Management Report on the Group's website www.aktia.com.

Lending-related risks within banking business

Non-performing loans more than 90 days overdue, including claims on bankrupt companies and loans for collection, increased to EUR 43 (36) million, corresponding to 0.73 (0.61) % of the loan book. The loan book also includes off-balance sheet guarantee commitments.

Loans to households past due more than 90 days corresponded to 0.60 (0.51) % of the entire loan book and 0.76 (0.64) % of the household loan book.

Loans with payments 3–30 days overdue decreased to EUR 43 (74) million, equivalent to 0.73 (1.26) % of the loan book. Loans with payments 31-89 days overdue increased to EUR 34 (29) million, equivalent to 0.57 (0.50) % of the loan book.

LOANS PAST DUE BY TIME OVERDUE

(EUR million) Days	31 Mar 2018	% of loan book	31 Dec 2017	% of loan book
3 - 30	43	0.73	74	1.26
of which households	40	0.67	56	0.96
31 - 89	34	0.57	29	0.50
of which households	27	0.45	26	0.44
90-	43	0.73	36	0.61
of which households	36	0.60	30	0.51

Impairment of credit and other commitments

The change in the reserve for expected credit losses (ECS) in accordance with IFRS 9 resulted in impairment of credits and other commitments amounting to EUR -0.6 (-0.1) million.

Total impairment of credits amounted to 0.01 (0.00) % of total lending. The share of write-downs on corporate loans in relation to corporate lending overall amounted to 0.03 (-0.18) %.

BANK GROUP'S GEOPOLITICAL AND INSTRUMENT TYPE DISTRIBUTION

	Government and Govt. guaranteed		Covered Bonds		Financial institutions excl. CB		Corporate bonds		Equity instruments		Total	
(EUR million)	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**
Finland	239	225	63	49	82	82	96	10	-	-	479	366
Norway	-	-	243	257	12	-	-	-	-	-	255	257
Sweden	-	-	152	133	82	108	-	-	-	-	234	241
France	66	66	68	79	-	32	-	-	-	-	134	176
Canada	-	-	79	89	-	-	-	-	-	-	79	89
Denmark	-	-	76	77	-	-	-	-	-	-	76	77
Netherlands	-	-	45	67	20	49	-	-	-	-	65	116
United Kingdom	-	-	55	76	-	-	-	-	-	-	55	76
Germany	48	48	-	-	-	-	-	-	-	-	48	48
Austria	15	15	12	12	-	-	-	-	-	-	27	27
Supranationals	144	181	-	-	-	-	-	-	-	-	144	181
Other	57	54	108	109	-	-	-	-	-	-	165	162
Total	**569**	**589**	**901**	**948**	**196**	**269**	**96**	**10**	**-**	**-**	**1,763**	**1,816**

LIFE INSURANCE COMPANY'S GEOPOLITICAL AND INSTRUMENT TYPE DISTRIBUTION

	Government and Govt. guaranteed		Covered Bonds		Financial institutions excl. CB		Corporate bonds		Real estate		Alternative investments		Equity instruments		Totalt	
(EUR million)	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**	**3/2018**	**2017**
Finland	22	28	-	-	39	35	82	80	78	78	2	2	-	-	223	222
France	39	38	79	80	-	-	7	7	-	-	-	-	-	-	125	126
Netherlands	11	11	29	29	9	13	2	2	-	-	-	-	-	-	52	55
United Kingdom	-	-	34	34	0	-	1	1	-	-	-	-	-	-	35	36
Austria	22	23	6	6	-	-	0	0	-	-	-	-	-	-	28	29
Denmark	-	-	18	18	1	1	-	-	-	-	-	-	-	-	20	20
Sweden	-	-	6	6	5	7	2	2	-	-	0	0	-	-	13	15
Germany	-	3	-	-	-	-	0	-	-	-	-	-	-	-	0	3
Norway	-	-	-	-	2	-	-	-	-	-	-	-	-	-	2	-
Supranationals	8	9	-	-	-	-	-	-	-	-	-	-	-	-	8	9
Other	52	51	-	-	1	1	9	9	-	-	-	-	-	-	62	61
Total	**154**	**162**	**172**	**174**	**58**	**57**	**104**	**101**	**78**	**78**	**2**	**2**	**-**	**-**	**568**	**574**

Distribution of risk across financial assets

The Bank Group maintains a liquidity portfolio as a buffer for situations where, for some reason, borrowing from the capital markets is not possible under common conditions. Fixed-rate investments within the liquidity portfolio are also used to reduce the structural interest rate risk.

In the life insurance business, the investment portfolio covering total technical provisions is measured on an ongoing basis at market value.

Interest-rate investments expose the Group to counterparty risks. Direct interest-rate investments are rated by international credit rating agencies such as Standard & Poor's, Fitch or Moody's. This rating is primarily affected by the counterparty's country and financial position, but also by the type of instrument and its right of priority.

The Bank Group's liquidity portfolio and other interest-bearing investments

Investments within the liquidity portfolio and other interest-bearing investments decreased during the period by EUR 54 million, and amounted to EUR 1,762 (1,816) million.

RATING DISTRIBUTION FOR BANK GROUP'S LIQUIDITY PORTFOLIO AND OTHER INTEREST-BEARING INVESTMENTS

	31 Mar 2018	31 Dec 2017
(EUR million)	**1,762**	**1,816**
Aaa	51.7 %	53.1 %
Aa1 - Aa3	24.5 %	27.4 %
A1 - A3	3.2 %	5.0 %
Baa1 - Baa3	3.0 %	2.3 %
Ba1 - Ba3	1.2 %	0.0 %
B1 - B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Finnish municipalities (no rating)	12.8 %	11.6 %
No rating	3.6 %	0.6 %
Total	**100.0 %**	**100.0 %**

At the end of the period, there were covered bonds with a total value of EUR 43 million that did not meet the eligibility requirements for refinancing at the central bank. Two of the covered bonds from Finnish credit institutions did not meet the eligibility requirements for refinancing at the central bank since the issues have no rating. The rest of the covered bonds did not meet the eligibility requirements for refinancing at the central bank because their home countries were not countries within the EEA area or G7 countries, this being a criterion for refinancing of covered bonds at the central bank.

Other market risks within the banking business

The banking business conducts no equity trading or investments in real estate property for yield purposes.

At the end of the period, real estate holdings amounted to EUR 0.1 (0.1) million and investments in shares necessary for the business amounted to EUR 9.4 (9.3) million.

Investment portfolio of the life insurance company

The market value of the life insurance company's total investment portfolio amounted to EUR 568 (574) million. The life insurance company's direct real estate investments amounted to EUR 55 (55) million. The properties are located in the Helsinki region and in other growth areas in Southern Finland, and they mostly have long tenancies.

Rating distribution for the life insurance business' direct interest-rate investments (excl. investments in interest-rate funds, real estates, equity instruments and alternative investments)

	31 Mar 2018	31 Dec 2017
(EUR million)	**357**	**373**
Aaa	50.7 %	50.0 %
Aa1 - Aa3	32.2 %	32.4 %
A1 - A3	4.0 %	3.3 %
Baa1 - Baa3	4.0 %	3.8 %
Ba1 - Ba3	0.6 %	0.5 %
B1 - B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Finnish municipalities (no rating)	0.0 %	1.6 %
No rating	8.7 %	8.3 %
Total	**100.0 %**	**100.0 %**

Value changes reported through the fund at fair value

A value impairment that is not recognised in the income statement, or an increase in value that has not been realised, is reported via the fund at fair value. Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 24.5 (51.5) million after deferred tax. EUR -23.9 million of the total decrease of EUR -27.0 million is attributable to the reclassifications in conjunction with the implementation of IFRS 9.

Cash flow hedging, which comprises unwound interest-rate derivative contracts that have been acquired for the purposes of hedging the banking business' net interest income, amounted to EUR -0.1 (-0.1) million.

THE FUND AT FAIR VALUE

(EUR million)	31 Mar 2018	31 Dec 2017	Reclassification (IFRS 9)	Δ
Shares and participations				
Banking Business	-	1.3	-1.3	-
Life Insurance Business	-	3.7	-3.7	-
Direct interest-bearing securities				
Banking Business	6.1	7.6	0.0	-1.5
Life Insurance Business	18.5	39.0	-18.9	-1.6
Cash flow hedging	-0.1	-0.1	-	0.0
Fund at fair value	**24.5**	**51.5**	**-23.9**	**-3.1**

Operational risks

No operational risk causing significant financial damage occurred during the period.

Events concerning related parties

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. The Aktia Group's key persons are the members of the Board of Directors, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

Further information on events concerning related parties is given in notes G44 and P45 to the Financial statements 2017.

Other events during the reporting period

In its meeting on 12 January 2018, the Board of Directors of Aktia Bank Plc decided to launch a new long-term share savings plan for Aktia's employees to support the implementation of Aktia's new strategy. The aim is to encourage Aktia's employees to invest in and hold the company's shares and with that rectify the interests and engagement of the staff and management towards value development and increased shareholder value.

In addition to the AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, can within the scope of the plan be offered a possibility to participate in a performance-based share savings plan. The potential incentive based on the performance-based share savings plan is based on the number of shares the key person has acquired within the share savings plan AktiaUna. This part of the programme would replace the Executive Committee´s share based incentive scheme.

Aktia Bank Plc has on 15 January 2018 divested 39,831 series A treasury shares held by the company for payment of deferred instalments for the earning periods 2013-2014. 2014-2015 and 2015-2016 and the share ownership programme to 24 key persons included in the share-based incentive scheme.

Events after the end of the period

The Annual General Meeting approved the Board of Directos' proposal of combining the company's two share classes A and R without increasing the share capital, so that the company after the combination only has one share class, which is subject to public trading. The share entitles the holder to one (1) vote per share and equal rights. The Annual General Meeting also approved the amended Paragarph 3 of Articles of Association pertaining to the combination and the directed payment-free issue of a maximum of 2,384,650 new shares to the holders of R shares deviating from shareholders' pre-emptive subscription right so that the owners of R shares payment-free receive 3 (three) new shares against every batch of 25 R class shares held in the same book-entry account.

Due to the combination of A and R share classes, the Trade Register has on 12 April 2018 registered a total amount of 2,383,851 new shares issued through a directed payment-free issue to the holders of R shares. At the same time the combination of the share classes and the amended Articles of Association pertaining to the combination has been registered in the Trade Register.

Staff

At the end of March 2018, the total number of full-time employees in Aktia Group stood at 796 (31 December 2017: 804). The average number of full-time employees in the period was 793 (1 January - 31 December 2017; 903).

Incentive scheme

As of 2018, Aktia Bank Plc has launched a new long-term share savings plan for Aktia's employees in order to support the implementation of Aktia's new strategy.

The share savings plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save 2–4 % of their salaries (the members of the Group's Executive Committee up to 7 %) and regularly acquire the company's shares at a 10 % reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years.

The total savings amount and thus the value of the matching shares to be paid based the savings period 2018–2019 to the participants amounts up to a maximum total of 1,800,000 euros upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. This programme replaces Aktia's Personnel Fund.

Within the scope of the above mentioned AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, has been offered a possibility to participate in a performance-based share savings plan. This part of the programme replaces the previous Executive Committee´s share based incentive scheme.

The performance criteria of the performance period 2018–2019 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of 2,600,000 euros upon the launch of the plan, corresponding to the value of 280,000 Aktia shares.

For more information on the incentive scheme see www.aktia.com > Corporate Governance > Remuneration.

Board of Directors and Executive Committee

Aktia Bank Plc's Board of Directors for the term running until the end of the next Annual General Meeting:

- Chair Lasse Svens, M.Sc. (Econ.)
- Vice chair Arja Talma, M.Sc. (Econ.), eMBA
- Christina Dahlblom, M.Sc. (Econ.)
- Stefan Damlin, M.Sc. (Econ.)
- Maria Jerhamre Engström, eMBA
- Johannes Schulman, M.Sc (Econ.)
- Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)

Aktia Bank Plc's Board of Directors on 31 March 2018 was:

- Juha Hammarén, vice District Court Judge, acting CEO, Executive Vice President and COO
- Merja Sergelius, eMBA, Executive Vice President with responsibility for private customers and SMEs
- Anssi Rantala, Dr. Soc.Sc., Executive Vice President with responsibility for Aktia Asset Management, Aktia Fund Management Company and Aktia Life Insurance
- Carola Nilsson, M.Sc. (Econ.), Executive Vice President with responsibility for private banking
- Irma Gillberg-Hjelt , LL.M., Vice President; with responsibility for corporate customers
- Sam Olin, B.Sc. (Econ.), Vice President with responsibility for premium customers
- Outi Henriksson, M.Sc. (Econ.), Chief Financial Officer with responsibility for finance, treasury and investor relations
- Minna Miettinen, BBA, Chief Digital and Marketing Officer
- Juha Volotinen, M.Sc. (Econ.), Chief IT and Data Architecture officer
- Anu Tuomolin, M.Sc. (Econ.), Chief HR officer

There is also a staff representative in the Executive Committee.

Aktia Bank Plc's Board of Directors and CEO Martin Backman agreed together that Martin Backman steped down from his position on 7 March 2018. Juha Hammarén, COO and Deputy to CEO, is acting as interim CEO.

Decisions of Aktia Bank Plc's Annual General Meeting 2018

The Annual General Meeting of Aktia Bank Plc on 10 April 2018 adopted the consolidated financial statements of the parent company and the group, and discharged the members of the Board of Supervisors, the members of the Board of Directors, the Managing Director and his alternate from liability.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to distribute a dividend of EUR 0.57 per share totalling EUR 37.8 million for the financial period 1 January–31 December 2017.

The Annual General Meeting determined that the number of auditors shall be one, and re-elected KPMG Oy Ab as auditor with APA Marcus Tötterman as auditor-in-charge.

The Annual General Meeting approved the Board of Directos' proposal of combining the company's two share classes A and R without increasing the share capital, so that the company after the combination only has one share class, which is subject to public trading. The share entitles the holder to one (1) vote per share and equal rights. The Annual General Meeting also approved the amended Paragraph 3 of Articles of Association pertaining to the combination and the directed payment-free issue of a maximum of 2,384,650 new shares to the holders of R shares deviating from shareholders' pre-emptive subscription right so that the owners of R shares payment-free receive 3 (three) new shares against every batch of 25 R shares held in the same book-entry account.

Due to the combination of A and R share classes, the Trade Register has on 12 April 2018 registered a total amount of 2,383,851 new shares issued through a directed payment-free issue to the holders of R shares. At the same time the combination of the share classes and the amended Articles of Association pertaining to the combination has been registered in the Trade Register.

The Annual General Meeting adopted the proposals by the Board of Directors concerning the authorisation to issue shares, the authorisation to acquire treasury shares to be used in the company's share based incentive scheme and/or as remuneration to members of executive bodies in the company as well as the authorisation to divest treasury shares.

All proposals mentioned above are included in the Summons to the AGM published on the website www.aktia.com under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2018.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 163 million. In the end of March 2018, the share capital was comprising a total of 46 706 723 A shares and 19,872,088 R shares, 66,578,811 shares in total. The total amount of register holders amount to 39,569 (31 March 2017: 42,778). 4.9 (2.7) % of the shares were in foreign ownership. The number of unregistered shares was 765,829 (767,411) or 1.2 (1.2) %.

On 31 March 2018, the Group held 197,609 (31 December 2017; 237,440) A shares and 6,658 (31 December 2017; 6,658) R shares.

The Board of Directors of Aktia Bank Plc, following an initiative taken by the five largest shareholders of the company, decided on 12 January 2018 to start preparations for combination of the company's two share series A and R. The proposal was prepared according to a proposal of a premium to be paid to the owners of R shares, corresponding to 12 % of the value of A shares.

Aktia Bank Plc's Annual General Meeting approved on 10 April 2018 the Board of Directors' proposal to combine the company's two share series without increasing the share capital. The Annual General Meeting also decided on a directed payment-free issue of a maximum of 2,384,650 shares to the holders of R shares deviating from shareholders' pre-emptive subscription right so that the owners of R shares payment-free receive 3 (three) new shares against every batch of 25 R shares held in the same book-entry account on the record date 12 April 2018.

The company's treasury R shares did not entitle to shares through the directed payment-free issue.

The combination of shares, the associated amendment in Articles of Association and the new shares issued through the directed payment-free issue were registered in the Trade Register on 12 April 2018. Trading with the company's only share class and the new shares commenced on 13 April 2018.

After the combination the share capital is divided on a total of 68,962,662 shares.

Shares

Aktia Bank Plc's market value at the end 29 March 2018, the last trading day of the period, was EUR 633 (731) million. The closing price for the 'A' share on 29 March 2018 was EUR 9.18 (9.78) and EUR 10.30 (13.80) for the R share. The highest price for A shares was EUR 9.65 (10.95) and the lowest EUR 9.13 (9.59). The highest price for the R share was EUR 11.00 (15.60) and the lowest EUR 10.10 (13.61).

The average daily turnover for A shares during January–March 2018 was EUR 388,148 (442,022) or 41,329 (44,394) shares. An average of 229 (218) transactions per day were carried out with A shares. Average daily turnover for R shares amounted to EUR 14,818 (14,145) or 1,388 (1,084) shares. An average of slightly more than 7 (2.5) transactions per day were carried out.

At the end of March 2018 Aktia Bank Plc's trading codes were AKTAV for A shares and AKTRV for R shares. The A share had one (1) vote while the R share had 20 votes. For the remaining part the shares had equal rights.

After the combination of R and A shares Aktia Bank Plc only has one share series which is subject to public trading and for which each share entitles to one (1) vote per share and equal rights. The combination was registered on 12 April 2018. Trading with the company's only share class and the new shares commenced on 13 April 2018 (ISIN code FI4000058870, trading symbol AKTIA).

Outlook and risks

Outlook for 2018

The continued low interest rate environment and decreased income from previously unwound interets-rate hedges (2012) will have a negative impact on the total net interest income for 2018.

Commission income is expected to increase in 2018. Furthermore, the cost savings measures taken in 2017 are expected to affect profitability in a more favourable way than previously estimated.

Write-downs on credits are expected to remain low in 2018.

The comparable operating profit for 2018 is expected to be somewhat higher than (previously: approximately to be on the same level) the comparable operating profit for 2017.

Risks

Aktia's result is affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates, as well as the competitive situation. The demand for banking, insurance, wealth management and real estate agency services can be changed by these factors.

Changes in interest rates, yield curves and credit margins are hard to predict and can affect Aktia's interest margins and thus profitability. Aktia is pursuing a proactive management of interest rate risks.

Any future write-downs on credits in Aktia's loan book could be due to many factors, of which the most important are the general economic situation, the interest rate level, the level of unemployment and changes in house prices.

The availability of liquidity on the financial market is important for Aktia's refinancing activities. Like other banks, Aktia relies on deposits from households to service some of its liquidity needs.

The market value of Aktia's financial and other assets can change, among other things, as a result of requirements among investors for higher returns.

Increased regulation of banking and insurance operations has led to more stringent capital and liquidity requirements for the bank. The new regulations have also resulted in increased competition for deposits, higher demands on long-term financing and higher fixed costs.

Financial objectives up until 2022

The financial objectives stipulated by the Board of Directors in October 2017 are:

- Improve the comparable operating profit to approximately EUR 80 million (2017; EUR 59.9 million)
- Improve the comparable cost-to-income ratio to 0.61 (2017; 0.71)
- Improve Return on Equity (ROE) to 9.7 % (comparable ROE 2017; 7.9 %)
- Common Equity Tier 1 capital ratio (CET1) 1.5-3 percentage points over regulatory requirements (2017; 7.7 percentage points over minimum capital adequacy level 10.3 %)

Key figures

(EUR million)	1Q2018	1Q2017	Δ %	2017	4Q2017	3Q2017	2Q2017
Earnings per share (EPS), EUR [3]	0.22	0.20	12 %	0.57	0.12	0.09	0.16
Total earnings per share, EUR [3]	0.17	0.11	56 %	0.37	0.09	0.08	0.10
Equity per share (NAV), EUR, euro *[1,3]	8.61	9.01	-4 %	8.70	8.70	8.61	8.53
Average number of shares (excl. treasury shares), million[2,3]	68.8	68.8	0 %	68.9	68.9	68.9	68.9
Number of shares at the end of the period (excl. treasury shares), million[1,3]	68.8	68.9	0 %	68.7	68.7	68.9	68.9
Return on equity (ROE), % *	10.2	8.7	16 %	6.5	5.5	4.4	7.4
Return on assets (ROA), % *	0.64	0.56	14 %	0.41	0.34	0.27	0.46
Cost-to-income ratio *	0.65	0.70	-7 %	0.76	0.80	0.83	0.73
Common Equity Tier 1 capital ratio (Bank Group), %[1]	16.4	18.2	-10 %	18.0	18.0	17.3	18.0
Tier 1 capital ratio (Bank Group), %[1]	16.4	18.2	-10 %	18.0	18.0	17.3	18.0
Capital adequacy ratio (Bank Group), %[1]	20.8	24.8	-16 %	23.4	23.4	22.9	24.3
Risk-weighted commitments (Bank Group)[1]	2,271.6	2,099.7	8 %	2,080.2	2,080.2	2,205.6	2,122.9
Capital adequacy ratio (finance and insurance conglomerate), %[1]	151.7	180.5	-16 %	164.5	164.5	158.1	160.4
Equity ratio, % *[1]	6.3	6.4	-3 %	6.3	6.3	6.2	6.2
Group financial assets *[1]	2,413.5	2,985.8	-19 %	2,601.9	2,601.9	2,590.6	2,679.1
Assets under Management *[1]	10,130.6	8,710.1	16 %	9,679.3	9,679.3	9,446.0	8,926.1
Borrowing from the public[1]	3,932.7	4,113.1	-4 %	4,118.5	4,118.5	4,133.8	4,185.9
Lending to the public[1]	5,893.1	5,703.2	3 %	5,838.8	5,838.8	5,826.0	5,746.1
Premiums written before reinsurers' share *	32.3	33.3	-3 %	125.9	33.3	26.1	33.3
Expense ratio, % (life insurance company) *[2]	77.8	77.7	0 %	78.9	78.9	81.0	78.9
Solvency ratio (life insurance company), %	193.8	185.7	4 %	199.2	199.2	202.1	193.5
Own funds (life insurance company)	167.0	149.7	12 %	169.5	169.5	160.7	155.0
Investments at fair value (life insurance company) *[1]	1,304.1	1 310.4	0 %	1,342.8	1,342.8	1,327.8	1,315.6
Technical provisions for risk insurances and interest-related insurances[1]	413.1	434.5	-5 %	415.0	415.0	421.7	428.3
Technical provisions for unit-linked insurances[1]	792.3	749.6	6 %	802.3	802.3	783.7	764.7
Group's personnel (FTEs), average number of emplyees	793	916	-13 %	903	859	925	924
Group's personnel (FTEs), at the end of the period[1]	796	919	-13 %	804	804	894	948
Alternative performance measures excluding items affecting comparability:							
Comparable cost-to-income ratio *	0.65	0.70	-7 %	0.71	0.79	0.69	0.69
Comparable earnings per share (EPS), EUR * [3]	0.22	0.19	17 %	0.70	0.12	0.18	0.19
Comparable return on equity (ROE), % * [3]	10.3	8.5	20 %	7.9	5.5	8.5	8.7

* Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information. As from the second quarter of 2017, Aktia presents a number of new APMs, from which items affecting comparability are excluded. Items affecting comparability are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business. The items affecting comparability are shown in a table under the Group's income statement and comprehensive income on pages 19 and 20.

1) At the end of the period
2) Cumulative from the beginning of the year
3) Recalculated according to the number of shares after combining series A and R

Basis of calculation for the key figures are presented in Aktia Bank plc's Annual Report 2017 on page 59.

Consolidated income statement

(EUR million)	Note	Jan-Mar 2018	Jan-Mar 2017	Δ %	2017
Net interest income	4	20.7	23.4	-11 %	89.6
Dividends		0.0	0.0	-	0.3
Commission income		27.1	23.5	15 %	102.5
Commission expenses		-3.2	-2.4	-38 %	-11.1
Net commission income		23.8	21.1	13 %	91.4
Net income from life-insurance	5	5.8	7.0	-17 %	26.6
Net income from financial transactions	6	0.6	1.3	-49 %	0.8
Other operating income		0.2	0.3	-35 %	1.5
Total operating income		**51.2**	**53.1**	**-4 %**	**210.3**
Staff costs		-16.5	-17.9	-8 %	-79.1
IT expenses		-5.6	-7.8	-28 %	-30.5
Depreciations of tangible and intangible assets		-3.1	-1.7	85 %	-9.5
Other operating expenses		-8.2	-9.9	-17 %	-41.7
Total operating expenses		**-33.5**	**-37.3**	**-10 %**	**-160.7**
Impairment of tangible and intangible assets		-	-	-	-0.5
Impairment of credits and other commitments	8	-0.6	-0.1	-	-0.6
Share of profit from associated companies		0.5	0.6	-12 %	0.6
Operating profit		**17.7**	**16.4**	**8 %**	**49.1**
Taxes		-2.6	-2.9	-12 %	-9.8
Profit for the period		**15.1**	**13.5**	**12 %**	**39.3**
Attributable to:					
Shareholders in Aktia Bank plc		15.1	13.5	12 %	39.3
Total		**15.1**	**13.5**	**12 %**	**39.3**
Earnings per share (EPS), EUR[1]		0.22	0.20	12 %	0.59
Earnings per share (EPS), EUR, after dilution[1]		0.22	0.20	12 %	0.59
Operating profit excluding items affecting comparability:					
Operating profit		17.7	16.4	8 %	49.1
Operating income:					
The sale of Visa Europe and dividend from Suomen Luottokunta		-	-1.1	-	-1.3
Write-down of shareholdings in Folksam Non-Life Insurance		-	-	-	1.0
Operating expenses:					
Costs for restructuring		0.4	0.7	-49 %	11.1
Comparable operating profit		**18.0**	**15.9**	**13 %**	**59.9**

1) Recalculated according to the number of shares after combining series A and R

Consolidated comprehensive income

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %	2017
Profit for the period	15.1	13.5	12 %	39.3
Other comprehensive income after taxes:				
Change in fair value for financial assets	-3.1	-4.9	37 %	-12.8
Change in fair value for cash flow hedging	0.0	0.0	100 %	0.1
Transferred to the income statement for financial assets	0.0	-0.5	97 %	-3.0
Comprehensive income from items which can be transferred to the income statement	-3.1	-5.5	43 %	-15.8
Defined benefit plan pensions	-	-0.3	-	2.1
Comprehensive income from items which can not be transferred to the income statement	-	-0.3	-	2.1
Total comprehensive income for the period	**12.0**	**7.7**	**56 %**	**25.7**
Total comprehensive income attributable to:				
Shareholders in Aktia Bank plc	12.0	7.7	56 %	25.7
Total	**12.0**	**7.7**	**56 %**	**25.7**
Total earnings per share, EUR[1]	0.17	0.12	56 %	0.39
Total earnings per share, EUR, after dilution[1]	0.17	0.12	56 %	0.39
Total comprehensive income excluding items affecting comparability:				
Total comprehensive income	12.0	7.7	56 %	25.7
Operating income:				
The sale of Visa Europe and dividend from Suomen Luottokunta	-	-0.9	-	-1.0
Write-down of shareholdings in Folksam Non-Life Insurance	-	-	-	1.3
Operating expenses:				
Costs for restructuring	0.3	0.6	-49 %	8.9
Comparable comprehensive income	**12.3**	**7.3**	**67 %**	**34.8**

1) Recalculated according to the number of shares after combining series A and R

Consolidated balance sheet

(EUR million)	Note	31 Mar 2018	31 Dec 2017	Δ %	31 Mar 2017
Assets					
Interest-bearing securities		7.5	-	-	-
Shares and participations[1]		135.4	-	-	-
Investments for unit-linked investments		793.0	802.6	-1 %	751.0
Financial assets measured at fair value through income statement	9	935.9	802.6	17 %	751.0
Interest-bearing securities[2]	7	1,731.7	1,797.2	-4 %	1,885.9
Shares and participations[1]		-	128.2	-	117.2
Financial assets measured at fair value through other comprehensive income	9	1,731.7	1,925.4	-10 %	2,003.2
Interest-bearing securities measured at amortised cost[3]	8,9	338.1	367.8	-8 %	450.8
Lending to Bank of Finland and other credit institutions	8,9	31.8	49.9	-36 %	46.0
Lending to the public and public sector entities	8,9	5,893.1	5,838.8	1 %	5,703.2
Cash and balances with central banks	9	154.5	282.5	-45 %	499.7
Financial assets measured at amortised cost		6,417.6	6,538.9	-2 %	6,699.7
Derivative instruments	7,9	78.1	84.0	-7 %	117.1
Investments in associated companies		0.0	0.0	-	0.0
Intangible assets		71.0	71.1	0 %	67.3
Investment properties		55.7	55.2	1 %	58.4
Tangible assets excl. investment properties		4.3	4.8	-12 %	7.3
Tangible and intangible assets		130.9	131.1	0 %	133.1
Other assets		65.4	63.3	3 %	73.6
Income tax receivables		0.5	0.5	1 %	0.3
Deferred tax receivables		4.4	4.2	5 %	7.0
Tax receivables		4.8	4.6	4 %	7.3
Total assets		**9,364.4**	**9,550.0**	**-2 %**	**9,785.0**
Liabilities					
Liabilities to central banks		400.0	400.0	0 %	400.0
Liabilities to credit institutions		326.6	294.4	11 %	400.9
Liabilities to the public and public sector entities		3,932.7	4,118.5	-5 %	4,113.1
Total assets	9	4,659.3	4,813.0	-3 %	4,913.9
Derivative instruments	7,9	31.7	33.6	-6 %	44.5
Debt securities issued		2,442.3	2,450.7	0 %	2,465.3
Subordinated liabilities		228.8	235.2	-3 %	245.6
Other liabilities to credit institutions		58.7	60.0	-2 %	73.1
Other financial liabilities	9	2,729.8	2,746.0	-1 %	2,784.0
Technical provisions for risk insurances and interest-related insurances		413.1	415.0	0 %	434.5
Technical provisions for unit-linked insurances		792.3	802.3	-1 %	749.6
Technical provisions		1,205.4	1,217.3	-1 %	1,184.1
Other liabilities		92.6	83.3	11 %	176.3
Provisions		-	-	-	0.7
Income tax liabilities		1.0	1.8	-47 %	1.5
Deferred tax liabilities		52.4	57.1	-8 %	59.0
Tax liabilities		53.3	58.9	-9 %	60.4
Total liabilities		**8,772.1**	**8,952.0**	**-2 %**	**9,164.0**
Equity					
Restricted equity		187.5	214.5	-13 %	224.8
Unrestricted equity		404.7	383.5	6 %	396.2
Total equity		**592.3**	**598.0**	**-1 %**	**621.0**
Total liabilities and equity		**9,364.4**	**9,550.0**	**-2 %**	**9,785.0**

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.
2) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.
3) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

Consolidated statement of changes in equity

(EUR million)	Share capital	Fund at fair value	Fund for share-based payments	Unrestric-ted equity reserve	Retained earnings	Total equity
Equity as at 1 Jan 2017	**163.0**	**67.3**	**2.0**	**108.3**	**272.6**	**613.1**
Acquisation of treasury shares					-1.7	-1.7
Divestment of treasury shares				0.1	1.2	1.3
Dividend to shareholders					-39.9	-39.9
Profit for the year					39.3	39.3
Financial assets		-15.8				-15.8
Cash flow hedging		0.1				0.1
Defined benefit plan pensions					2.1	2.1
Total comprehensive income for the year		-15.8			41.4	25.7
Other change in equity			-0.5			-0.5
Equity as at 31 Dec 2017	**163.0**	**51.5**	**1.5**	**108.4**	**273.6**	**598.0**
Equity as at 1 Jan 2018	**163.0**	**51.5**	**1.5**	**108.4**	**273.6**	**598.0**
IFRS 9 transition effects		-23.9			5.9	-18.0
Divestment of treasury shares				0.0	0.4	0.4
Profit for the period					15.1	15.1
Financial assets		-3.1				-3.1
Cash flow hedging		0.0				0.0
Total comprehensive income for the period		-3.1			15.1	12.0
Other change in equity			-0.2			-0.2
Equity as at 31 Mar 2018	**163.0**	**24.5**	**1.3**	**108.4**	**295.0**	**592.3**
Equity as at 1 Jan 2017	**163.0**	**67.3**	**2.0**	**108.3**	**272.6**	**613.1**
Divestment of treasury shares				0.1	1.2	1.2
Profit for the period					13.5	13.5
Financial assets		-5.5				-5.5
Cash flow hedging		0.0				0.0
Defined benefit plan pensions					-0.3	-0.3
Total comprehensive income for the period		-5.5			13.2	7.7
Other change in equity			-1.0			-1.0
Equity as at 31 Mar 2017	**163.0**	**61.8**	**1.0**	**108.4**	**286.9**	**621.0**

Consolidated cash flow statement

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %	2017
Cash flow from operating activities				
Operating profit	17.7	16.4	8 %	49.1
Adjustment items not included in cash flow	0.6	-3.4	-	0.9
Paid income taxes	-2.9	-1.1	-154 %	-4.9
Cash flow from operating activities before change in receivables and liabilities	**15.4**	**11.9**	**29 %**	**45.1**
Increase (-) or decrease (+) in receivables from operating activities	11.0	-200.8	-	-226.2
Increase (+) or decrease (-) in liabilities from operating activities	-157.0	320.6	-	164.8
Total cash flow from operating activities	**-130.6**	**131.7**	**-**	**-16.3**
Cash flow from investing activities				
Investments in group companies and business operations	-	-	-	-3.6
Proceeds from sale of group companies and associated companies	-	-	-	10.4
Investment in investment properties	-0.5	-0.5	1 %	-2.8
Investment in tangible and intangible assets	-2.4	-5.0	52 %	-14.6
Proceeds from sale of tangible and intangible assets	-	0.0	-	0.0
Total cash flow from investing activities	**-2.9**	**-5.5**	**47 %**	**-10.6**
Cash flow from financing activities				
Subordinated liabilities	-6.4	2.0	-	-8.4
Dividend/share issue to the non-controlling interest	-1.7	-1.1	-59 %	-1.1
Acquisation of treasury shares	-	-	-	-1.7
Divestment of treasury shares	0.4	1.2	-69 %	1.3
Paid dividends	-	-	-	-39.9
Total cash flow from financing activities	**-7.7**	**2.1**	**-**	**-49.8**
Change in cash and cash equivalents	**-141.3**	**128.3**	**-**	**-76.7**
Cash and cash equivalents at the beginning of the year	320.1	396.8	-19 %	396.8
Cash and cash equivalents at the end of the period	178.9	525.1	-66 %	320.1
Cash and cash equivalents in the cash flow statement consist of the following items:				
Cash in hand	4.0	5.6	-28 %	4.8
Bank of Finland current account	150.5	494.1	-70 %	277.7
Repayable on demand claims on credit insitutions	24.3	25.4	-4 %	37.6
Total	**178.9**	**525.1**	**-66 %**	**320.1**
Adjustment items not included in cash flow consist of:				
Impairment of interest-bearing securities	0.0	0.1	-44 %	2.5
Impairment of credits and other commitments	0.6	0.1	-	0.6
Change in fair value	-0.2	1.2	-	4.9
Depreciation and impairment of tangible and intangible assets	3.1	1.7	85 %	10.0
Sales gains and losses from tangible and intabgible assets	-	-	-	-0.8
Unwound fair value hedging	-3.2	-3.9	19 %	-14.4
Change in provisions	-	-0.7	-	-1.4
Change in fair values of investment properties	0.1	0.2	-65 %	-0.6
Change in share-based remuneration	-0.4	-2.3	83 %	-1.3
Other adjustments	0.5	0.3	32 %	1.4
Total	**0.6**	**-3.4**	**-**	**0.9**

Quarterly trends in the Group

(EUR million)

Income statement	**1Q20187**	**4Q2017**	**3Q2017**	**2Q2017**	**1Q2017**	**2017**
Net interest income	20.7	21.8	21.5	22.9	23.4	89.6
Dividends	0.0	-	0.0	0.3	0.0	0.3
Net commission income	23.8	23.7	22.0	24.6	21.1	91.4
Net income from life-insurance	5.8	7.4	6.4	5.8	7.0	26.6
Net income from financial transactions	0.6	-0.6	0.1	0.1	1.3	0.8
Other operating income	0.2	0.4	0.2	0.6	0.3	1.5
Total operating income	**51.2**	**52.7**	**50.3**	**54.2**	**53.1**	**210.3**
Staff costs	-16.5	-17.9	-22.1	-21.1	-17.9	-79.1
IT-expenses	-5.6	-8.0	-6.7	-8.0	-7.8	-30.5
Depreciation of tangible and intangible assets	-3.1	-3.0	-3.1	-1.7	-1.7	-9.5
Other operating expenses	-8.2	-13.0	-9.8	-9.0	-9.9	-41.7
Total operating expenses	**-33.5**	**-42.0**	**-41.7**	**-39.7**	**-37.3**	**-160.7**
Impairment of tangible and intangible assets	-	0.0	-0.5	-	-	-0.5
Impairment of credits and other commitments	-0.6	-0.4	0.0	-0.1	-0.1	-0.6
Share of profit from associated companies	0.5	-	-	-	0.6	0.6
Operating profit	**17.7**	**10.3**	**8.0**	**14.4**	**16.4**	**49.1**
Taxes	-2.6	-2.1	-1.5	-3.3	-2.9	-9.8
Profit for the period	**15.1**	**8.2**	**6.5**	**11.2**	**13.5**	**39.3**
Attributable to:						
Shareholders in Aktia Bank plc	15.1	8.2	6.5	11.2	13.5	39.3
Total	**15.1**	**8.2**	**6.5**	**11.2**	**13.5**	**39.3**
Earnings per share (EPS), EUR[1]	0.22	0.12	0.09	0.16	0.20	0.57
Earnings per share (EPS), EUR, after dilution[1]	0.22	0.12	0.09	0.16	0.20	0.57

Operating profit excluding items affecting omparability:	**1Q2018**	**4Q2017**	**3Q2017**	**2Q2017**	**1Q2017**	**2017**
Operating profit	17.7	10.3	8.0	14.4	16.4	49.1
Operating income:						
The sale of Visa Europe and dividend from Suomen Luottokunta	-	-	-0.2	-	-1.1	-1.3
Write-down of shareholdings in Folksam Non-Life Insurance	-	1.0	-	-	-	1.0
Operating expenses:						
Costs for restructuring	0.4	0.2	7.8	2.4	0.7	11.1
Comparable operating profit	**18.0**	**11.4**	**15.7**	**16.9**	**15.9**	**59.9**

1) Recalculated according to the number of shares after combining series A and R

(EUR million)

Comprehensive income	**1Q2018**	**4Q2017**	**3Q2017**	**2Q2017**	**1Q2017**	**2017**
Profit for the period	15.1	8.2	6.5	11.2	13.5	39.3
Other comprehensive income after taxes:						
Change in fair value for financial assets	-3.1	-2.6	-0.9	-4.3	-4.9	-12.8
Change in fair value for cash flow hedging	0.0	0.0	0.1	0.0	0.0	0.1
Transferred to the income statement for financial assets	0.0	-2.1	-0.2	-0.2	-0.5	-3.0
Comprehensive income from items which can be transferred to the income statement	-3.1	-4.7	-1.1	-4.5	-5.5	-15.8
Defined benefit plan pensions	-	2.4	-	-	-0.3	2.1
Comprehensive income from items which can not be transferred to the income statement	-	2.4	-	-	-0.3	2.1
Total comprehensive income for the period	**12.0**	**5.9**	**5.4**	**6.7**	**7.7**	**25.7**
Total comprehensive income attributable to:						
Shareholders in Aktia Bank plc	12.0	5.9	5.4	6.7	7.7	25.7
Total	**12.0**	**5.9**	**5.4**	**6.7**	**7.7**	**25.7**
Total earnings per share, EUR[1]	0.17	0.09	0.08	0.10	0.11	0.37
Total earnings per share, EUR, after dilution[1]	0.17	0.09	0.08	0.10	0.11	0.37

Total comprehensive income excluding items affecting comparability:	**1Q2018**	**4Q2017**	**3Q2017**	**2Q2017**	**1Q2017**	**2017**
Total comprehensive income	12.0	5.9	5.4	6.7	7.7	25.7
Operating income:						
The sale of Visa Europe and dividend from Suomen Luottokunta	-	-	-0.1	-	-0.9	-1.0
Write-down of shareholdings in Folksam Non-Life Insurance	-	1.3	-	-	-	1.3
Operating expenses:						
Costs for restructuring	0.3	0.2	6.3	1.9	0.6	8.9
Comparable total comprehensive income	**12.3**	**7.3**	**11.5**	**8.6**	**7.3**	**34.8**

1) Recalculated according to the number of shares after combining series A and R

Notes to the Interim Report

Note 1. Basis for preparing the Interim Report and important accounting principles

Basis for preparing the Interim Report

Aktia Bank plc's consolidated financial statement is prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Interim Report for the period 1 January – 31 March 2018 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The Interim Report does not contain all the information and notes required for an annual report and should therefore be read together with the Aktia Group's annual report of 31 December 2017. Figures in the tables are presented in millions of euros rounded to one decimal. Therefore the total of individual amounts may differ from the presented total.

The Interim Report for the period 1 January – 31 March 2018 was approved by the Board of Directors on 8 May 2018.

Aktia Bank plc's financial statements and interim reports are available on Aktia's website www.aktia.com.

Key accounting principles

In preparing the Interim Report the Group has followed the accounting principles applicable to the annual report of 31 December 2017.

As of 1 January 2018, as a part of the previously published new strategy, Aktia has renewed the business segments. Aktia is reporting according to three business segments as of 1 January 2018, which are Personal & Corporate Banking, Wealth Management and Group Functions. Other business is reported separately but does not make a reporting business segment. The Private Banking and Institutional customers, which previously were included in the Banking Business segment, are included in the new segment Wealth Management. The Group's treasury operations and well as other support and staff functions, which previously were included in the segments Banking Business and Miscellaneous, are included in the new segment Group functions. Other business comprise mainly Aktia Real Estate Agency Ltd. The new segment Personal & Corporate Banking consists of the previous segment Banking Business, taking the above mentioned changes into account.

The following new and amended IFRSs has taken effect as of 1 January 2018:

The standard **IFRS 9** Financial Instruments was approved by the EU in November 2016, and it replaces IAS 39 Financial Instruments: Recognition and measurement. The Aktia Group implemented IFRS 9 when the standard became mandatory on 1January 2018. IFRS 9 introduces new requirements for classification and measurement of financial assets and liabilities. The model for risk management and the characteristics of financial instruments in respect of future cash flows have an impact on categories applied by the Group. The Group's financial assets are from 1.1.2018 classified in the categories amortised cost, fair value through other comprehensive income, and fair value through the income statement. The reporting of financial assets according to a mixed business model, where changes in fair value according to IFRS 9 are reported through other comprehensive income, corresponds to the reporting of financial assets available for sale according to the previous IAS 39 standard.

The new rules for recognition and measurement with the transition to IFRS 9 led to less reclassification from the previous category Financial assets available for sale to the categories Financial assets measured at amortised cost and Financial assets measured at fair value through the income statement. The reclassifications had no significant impact on the Group's result or financial position with the transition to IFRS 9.

Differing from the previous model concerning provisions for credit losses based on occurred events, the requirements concerning impairment in IFRS 9 are based on a model for expected credit losses. Calculation of provisions for expected credit losses comprises financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as well as guarantees and credit commitments. The implementation of ECL (Expected Credit Loss) models in accordance with IFRS 9 marginally decreased the provisions for write-downs. The decrease had no significant impact on the Group's result or financial position with the transition to IFRS 9.

The effects of reclassification and revaluation of financial assets and new model for write-downs slightly reduced the Group's equity. The effects in the Bank Group and on capital adequacy were marginal.

The requirements for hedge accounting in accordance with IFRS 9 made the method for assessing the efficiency of hedge accounting less based on rules and more adjusted according to the Group's risk management. The Group will implement the exclusion from the rules, according to which IAS 39 may be applied to so-called portfolio hedging. Changes in hedge accounting rules have no significant impact on the Group's result or financial position.

The effect of reclassification and revaluation of financial assets and the impact on equity with the transition to IFRS 9 is presented in Changes in equity. The changes in provisions for credit losses with the implementation of ECL (Expected Credit Loss) models according to IFRS 9 is presented in note 8.

Accounting principles in accordance with IFRS 9 as of 1 January 2018:

From 1 January 2018, Aktia is applying IFRS 9 where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

The Group classifies financial assets in the following categories:

- Reported at amortised cost (AC)
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through the income statement (FVTPL)

The category **Financial assets reported at amortised cost** includes:

- interest-bearing securities
- loans and other receivables
- cash and balances with central banks

Financial assets are reported at amortised cost if the asset is managed according to a business model where the instrument is expected to be held until maturity in order to obtain contractual cash flows. The contractual cash flows consist only of the payment of capital and interest on the outstanding capital (SPPI). The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at amortised cost. Impairments for debt instuments are based on a three-stage model for expected credit losses (ECL) and are described under the heading Impairment of financial assets. Impairments (ECL) are recognised in the income statement.

The category **Financial assets measured at fair value through other comprehensive income** includes:

- shares and participations
- interest-bearing securities

Financial assets are measured at fair value through other comprehensive income if:

- the asset is an interest-bearing security (debt instrument) managed according to a business model where the securities are held both in order to obtain contractual cash flows (only concerns the payment of capital and interest on the outstanding capital) and which may be sold if necessary
- the asset is shares and participations (equity instrument) which is not held for trading and is chosen to be classified in this category at the first recognition

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income. Write-down of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Write-down of financial assets. The ECL is not calculated for shares and participations. Changes in value are reported on a ongoing basis in other comprehensive income with a deduction for deferred tax. Interest income, dividends and write-downs are reported in the income statement and the return of capital is reported in other comprehensive income. The counteritem to write-downs relating to the three-stage model for expected credit losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement.

The decision to classify shares and participations in this category on the occasion of first accounting is irrevocable, which means that future sales gains and losses on such instruments are reported in other comprehensive income.

The category F**inancial assets measured at fair value through the income statement** includes:

- derivative instruments
- life insurance investments providing cover for unit-linked agreements
- shares and participations
- interest-bearing securities
- loans and other receivables

Financial assets are measured at fair value through the income statement if the asset is a derivative, the asset is held for trading or is a debt instrument that does not meet the requirement for contractual cash flows. Shares and participations are included in this category if the possibility to be classified in the category Financial assets measured at fair value through other comprehensive income at first recognition is not used. To meet the requirement for contractual cash flows, the cash flows may only comprise the payment of capital and interest on the outstanding capital (SPPI). Financial assets held for trading are assets acquired for a short time with the intent to earn revenue and where the intention is to actively trade in these instruments. If a financial asset relates to liabilities measured at fair value through the income statement, the company may, on the occasion of first accounting, irrevocably choose also to measure the asset at fair value through the income statement if this reduces or eliminates accounting imbalance. On entering into agreements, the instruments in this category are reported at fair value and then at fair value through the income statement. Transaction costs are recorded in the income statement when they occur. Interest income, dividends, changes in fair value and sales gainss and losses are reported on an ongoing basis in the income statement.

Reclassification: In connection to acquiring a financial asset, the asset is classified according to one of the three categories of recognition. Latter reclassification of a financial asset can only be done if the business model, according to which the assets are managed, is changed. Latter reclassification can also be done if an instrument no longer meets the criteria needed for entering a certain business model. Financial liabilities are not reclassified. Reclassification of a financial asset according to the above-mentioned requirements is to be applied going forward from the reclassification day. Previously reported profits and losses (including profits and losses from write-downs) are not recalculated retroactively.

Reclassification between different valuation categories are reported as follows:

- From amortised cost to fair value through the income statement: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in the income statement.
- From fair value through the income statement to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. An expected credit loss is reported on the reclassification day according to the rules of the new valuation category and an effective interest rate for the instrument is stipulated.
- From amortised cost to fair value through other comprehensive income: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in other comprehensive income. The expected credit loss does not change due to reclassification.
- From fair value through other comprehensive income to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. The cumulative profits and losses which previously were recognised in other comprehensive income is moved from equity and adjusts the book value of the asset. This means that the asset is reported as if it always had been reported at amortised cost. The expected credit loss does not change due to reclassification.
- From fair value through the income statement to fair value through other comprehensive income: The asset is still measured at fair value. From the reclassification day the changes in fair value are recognised through other comprehensive income and an expected credit loss is on the reclassification day to be reported according to the rules of the new valuation category.
- From fair value through other comprehensive income to fair value through the income statement: The asset is still measured at fair value. As of the reclassification day cumulative profits and losses are re-entered, as previously reported in other comprehensive income, from equity to income statement.

Hedge accounting: In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered into. When a high negative correlation exists between the hedging instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies the exception which means that the rules set out in IAS 39 are also continuously applied to so-called portfolio hedging.

Write-down of financial assets: The Group applies a three-stage model to calculate the expected credit losses (ECL) for the following financial assets that are not measured at fair value through the income statement:

- debt instruments (interest-bearing securities and loans and other receivables) measured at amortised cost
- debt instruments (interest-bearing securities) measured at fair value through other comprehensive income
- loan promises
- financial guarantee contracts

Expected credit loss (ECL) is not calculated for shares and participations.

Financial assets are transferred between the following three stages based on the change in the credit risk from the occasion of first accounting:

- Stage 1 12 months' ECL:
  - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the occasion of first accounting. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
  - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the occasion of first accounting. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures
  - Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are booked on an ongoing basis, whereas the effective interest rate is calculated on the basis of the impaired book value.

At each reporting date, an evaluation is made as to whether a **substantial increase in the credit risk** has occurred, by comparing the risk of failure at the reporting date with the situation on the occasion of first accounting. The evaluation considers all relevant and available information which can be accessed without excessive cost or effort. This includes qualitative and quantitative and financial information that describes the future. An exposure migrates through the various ECL stages when the credit quality decreases. In a similar way, the exposure migrates back from the ECL for the entire duration to ECL 12 months if the credit quality in future periods is improved and a previous assessment of a substantial increase in credit risk is revised. Exposures whose credit quality has not substantially deteriorated since the occasion of first accounting are considered a low credit risk. For such exposures, a 12 months ECL is calculated. When an asset is no longer recoverable, a confirmed credit loss is booked against the impairment allowance in the balance sheet. A confirmed credit loss is booked when all recovery actions have been completed and the final loss has been established. Any future payments are booked in the income statement as a reversal of the credit loss.

The **expected credit losses (ECL) are calculated** as an objective probability-weighted estimate of future losses. The calculation includes:

- Non-impaired or defaulted financial assets at the time of reporting. ECL is calculated as the current value of all estimated defaults over the financial asset's calculated term of maturity or during the following 12 months. The estimated defaults are the difference between the asset's contractual cash flows and the cash flows the Group expects to receive.
- impaired or defaulted financial assets at the time of reporting. ECL is calculated as the difference between the amortised cost and the current value of the financial asset's estimated future cash flows.
- loan promises granted but not used. ECL is calculated as the difference between the contractual cash flows in the event a credit is used and the cash the Group expects to receive.
- financial guarantee contracts. ECL is calculated as the difference between the expected payments and the amount the group expects to recover.

Management discretion is required when estimating the amount and timing of future cash flows when evaluating impairment of financial assets. When estimating these cash flows, an assessment is made of the debtor's ability to pay and the net realisable value of any securities. The estimates are based on assumptions regarding various factors that can affect the ECL calculation. The actual result may vary in relation to these assumptions, which affects future changes in provisions for impairments.

Calculation of the expected credit losses (ECL): The group has internally developed models for the evaluation of the creditworthiness derived from different sources with historical data. The models are used in the assessment of the risk of failure when providing loans and other financial exposures to counterparties and customers. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD, LGD and EAD. These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

Substantial increase of credit risk: When determining whether a substantial increase in credit risk has occurred since the occasion of first accounting, the Group uses both quantitative and qualitative information and analysis. The information and analysis are based on the Group's historical data and expert assessment of the credit risk and also include financial information that describes the future.

For **credits and other receivables** an increase in credit risk is considered to have occured:

- based on an absolute change in PD for the remaining maturity
- at the latest when a payment is over 30 days delayed, which defines an absolute deadline for when an increase in credit risk has occurred
- when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

For **interest-bearing securities**, the increase in credit risk is evaluated according to two different criteria. The first criterion for an increase in credit risk is a significant drop in external credit rating. The second criterion is that the value development for the interest-bearing security keeps within its volatility range. Volatility is calculated according to the price development throughout the instrument's lifetime. In addition to the above-mentioned criteria, expert evaluation is used if necessary. The expert evaluation is carried out taking the Groups internal rating into consideration.

Assessment of need of write-downs (definition of default): In the model for calculating expected credit losses (ECL) the Group has defined default as described in the Group's credit regulations and processes when assessing the need for write-downs. Default means the counterparty's inability, regarding credits and other receivables, to according to agreed terms handle all its loan obligations towards the bank in the form of payment of capital, interest, charges and expenses.

A counterparty is considered defaulted if at least one of the following criteria is met:

- A significant loan repayment is delayed 90 days or more
- A significant loan repayment is delayed less than 90 days but at least one of the following criteria are met:
  - the bank has applied for or the counterparty has been declared bankrupt
  - the counterparty is in debt reconstruction
  - according to the bank's assessment it is unlikely that the customer fully can pay its loan obligations to the bank without the bank having to take action, e.g. liquidising possible collateral

Interest-bearing securities are considered defaulted if the financial position of the company, where the investment is made, meets one of the following criteria:

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection against its creditors or is undergoing significant restructuring which affects creditors
- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

In addition to default, interest-bearing securities are checked individually for assessing the need for write-downs if the security's rate has dropped under 50 %.

Information describing the future: The Group has established a panel of experts which takes account of various relevant future macro-economic factors to define an objective assumption supporting the ECL calculations. The expert panel consists of the management of the risk and economy function as well as the Group's Chief Economist, amongst others. Relevant regional and sector-specific adjustments are made to capture deviations from general macro-economic scenarios. The adjustments reflect the best assumption on future macro-economic conditions which are not incorporated in the ECL calculations. Macro-economic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios for future macro-economic conditions are revised regularly.

For **credits and other receivables** (credit portfolio) the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the repayment speed does not exceed the decrease in the market value of the securities.

The ECL calculation for **interest-bearing securities** (liquidity and investment portfolio) uses directly observable market prices and therefore needs no stochastic or constructed estimates. When the models use market information in as high a degree as possible, the market's expectation of the future development is implicitly represented in the model.

IFRS 15 Revenue from contracts with customers replaced all earlier standards and interpretations of revenue recognition. The standard was approved by the EU in October 2016, and it is mandatory as of 1 January 2018. The Aktia Group implemented IFRS 15 when the standard became mandatory. IFRS 15 includes a comprehensive five-step model for revenue recognition. In the Aktia Group, revenue recognition is reported using the accruals convention when recognising expenses and revenue. Interests are recognised according to the effective interest rate and commissions are recognised on a pro rata basis as from the time of the contract. Income from real estate agency is recognised at the time when ownership of the object sold is transferred from the seller to the buyer. Commission income is recognised when the work to carry out a transaction is done and the transaction is completed. Changes in accounting principles for revenue recognition are not expected to have any significant impact on the Group's result or financial position.

The following new and amended IFRSs may affect the reporting of future transactions and business

On 13 January 2016, IASB published a new standard, **IFRS 16** Leases, to supersede IAS 17 Leases. IFRS 16 eliminates the distinction between operating and finance leases for lessees, introducing a new model instead, where assets and liabilities for all leases with lease terms exceeding 12 months shall be reported in the balance sheet. For leases where the lease term is 12 months or less, or where the value of the underlying asset is low, exemptions may be applied. For the leased asset, depreciation and interest expenses relating to the lease liability are reported separately. The requirements concerning lessor accounting remain largely unchanged from IAS 17, and the distinction between operating and finance leases is retained. In our view, the new standard will change accounting concerning leased property, which will mainly impact the balance sheet. The standard was approved by the EU in October 2017. The Aktia Group implements IFRS 16 when the standard becomes mandatory as of 1 January 2019.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) to have an impact on the Group's future result, financial position or explanatory notes.

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES UNDER IFRS 9 AS OF 1 JANUARY 2018

Classification of financial instruments 1 January 2018	Classification under IAS39	Classification under IFRS9	Carrying amount IAS39	Reclassification	Remeasurement *	Carrying amount IFRS 9	Equity impact as at 1 Jan 2018
Cash and balances with central banks	Loans and other receivables	Amortised cost	282,477	-	-	282,477	-
Interest-bearing securities		Amortised cost		92,852	-23,627	69,225	-18,902
Interest-bearing securities	Held for sale	Fair value through other comprehensive income	1,797,199	-98,416	-	1,698,782	-
Interest-bearing securities		Fair value through the income statement		5,565	-	5,565	-
Interest-bearing securities [1]	Held to maturity	Amortised cost	367,800	-	-	367,800	122
Shares and participations	Held for sale	Fair value through the income statement	128,159	-	-	128,159	-
Derivative instruments	Fair value through the income statement	Fair value through the income statement	84,046	-	-	84,046	-
Lending to Bank of Finland and other credit institutions	Loans and other receivables	Amortised cost	49,910	-	-	49,910	-
Lending to the public and public sector entities	Loans and other receivables	Amortised cost	5,838,764	-	1,016	5,839,780	813
Investments for unit-linked insurances	Fair value through the income statement	Fair value through the income statement	802,575	-	-	802,575	-
Total			**9,350,929**	**-**	**-22,611**	**9,328,318**	**-17,967**

* Includes value change and change in provisions for credit loss in in connection with the transition to IFRS 9. The change in provisions for credit loss is presented in detail in note 8.

1) In connection with the transition to IFRS 9, the periodised overvalue of reclassified interest-bearing securities held until maturity under IAS 39 is transferred from the fund at fair value to retained earnings. Simultaneously, the deferred tax liabilities of the overvaluation disappear and its effect is reported under Equity impacts as of 1 Jan 2018 in the table above.

Note 2. Group's segment reporting

(EUR million)	Personal & Corporate Banking		Wealth Management		Group functions		Other		Eliminations		Total Group	
Income statement	**Jan-Mar 2018**	**Jan-Mar 2017**	**Jan-Mar 2018**	**Jan-Mar 2017**	**Jan-Mar 2018**	**Jan-Mar 2017**	**Jan-Mar 2018**	**Jan-Mar 2017**	**Jan-Mar 2018**	**Jan-Mar 2017**	**Jan-Mar 2018**	**Jan-Mar 2017**
Net interest income	15.3	15.6	0.5	0.6	4.9	7.2	0.0	0.0	-	0.0	20.7	23.4
Net commission income	14.3	12.7	10.3	8.6	0.8	1.0	1.3	1.6	-2.9	-2.7	23.8	21.1
Net income from life-insurance	-	-	4.9	6.3	-	-	-	-	0.9	0.7	5.8	7.0
Other operating income	0.1	-0.1	0.0	0.1	0.8	1.6	-	-	-0.1	-0.1	0.8	1.6
Total operating income	**29.6**	**28.2**	**15.8**	**15.5**	**6.5**	**9.8**	**1.3**	**1.6**	**-2.1**	**-2.0**	**51.2**	**53.1**
Staff costs	-4.3	-6.1	-3.8	-4.2	-7.6	-6.5	-0.8	-1.0	-	-	-16.5	-17.9
Other expenses	-17.4	-17.2	-6.0	-5.8	4.9	2.2	-0.6	-0.7	2.1	2.1	-17.0	-19.4
Total operating expenses	**-21.7**	**-23.3**	**-9.8**	**-10.0**	**-2.7**	**-4.3**	**-1.4**	**-1.7**	**2.1**	**2.1**	**-33.5**	**-37.3**
Impairment of credits and other commitments	-0.6	0.0	-	-	-	0.0	-	-	-	-	-0.6	-0.1
Share of profit from associated companies	-	-	-	-	-	-	-	-	0.5	0.6	0.5	0.6
Operating profit	**7.4**	**4.8**	**6.0**	**5.5**	**3.8**	**5.5**	**0.0**	**-0.1**	**0.6**	**0.6**	**17.7**	**16.4**
Comparable pperating profit	**7.5**	**4.8**	**6.0**	**6.2**	**4.0**	**4.4**	**0.0**	**-0.1**	**0.6**	**0.6**	**18.0**	**15.9**

	Personal & Corporate Banking		Wealth Management		Group functions		Other		Eliminations		Total Group	
Balance sheet	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**
Financial assets measured at fair value through income statement	0.1	-	926.4	802.6	9.4	-	0.0	-	-	-	935.9	802.6
Financial assets measured at fair value through other comprehensive income	-	0.1	251.9	485.2	1,479.8	1 440.1	-	0.0	-	-	1,731.7	1,925.4
Cash and balances with central banks	4.0	4.6	0.1	0.2	150.5	277.7	0.0	-	-	-	154.5	282.5
Interest-bearing securities measured at amortised cost	-	-	69.2	-	268.9	367.8	-	-	-	-	338.1	367.8
Loans and other receivables	5,769.1	5,721.7	166.3	171.5	31.3	45.0	3.9	3.7	-45.7	-53.2	5,924.9	5,888.7
Other assets	13.1	16.7	38.0	81.5	299.0	261.9	0.7	0.5	-71.6	-77.5	279.2	283.1
Total assets	**5,786.3**	**5,743.1**	**1,452.0**	**1,541.0**	**2,238.8**	**2 392.4**	**4.6**	**4.2**	**-117.3**	**-130.6**	**9,364.4**	**9,550.0**
Deposits	3,363.0	3,443.1	652.6	781.0	689.1	641.7	-	-	-45.4	-52.8	4,659.3	4,813.0
Debt securities issued	1.0	1.2	-	-	2,441.3	2 449.6	-	-	-	-	2,442.3	2,450.7
Technical provisions	-	-	1,205.4	1,217.3	-	-	-	-	-	-	1,205.4	1,217.3
Other liabilities	2.7	5.5	28.0	41.0	436.9	433.2	2.1	1.6	-4.6	-10.5	465.1	470.9
Total liabilities	**3,366.7**	**3,449.8**	**1,886.1**	**2,039.3**	**3,567.2**	**3,524.5**	**2.1**	**1.6**	**-50.0**	**-63.3**	**8,772.1**	**8,952.0**

* The net expenses for support and staff functions are allocated from the Group Functions to the business segments Personal & Corporate Banking and Wealth Management. This cost allocation is included in the segments' other expenses.

Note 3. Group's risk exposures

THE BANK GROUP'S CAPITAL ADEQUACY

Banking Group includes Aktia Bank plc and all its subsidiaries except for Aktia Life Insurance Ltd, and forms a consolidated group in accordance with regulations pertaining to capital adequacy.

(EUR million)	31 Mar 2018		31 Dec 2017		31 Mar 2017	
Calculation of the Bank Group's capital base	**The Group**	**The bank Group**	**The Group**	**The Bank Group**	**The Group**	**The Bank Group**
Total assets	**9,364.4**	**8,095.3**	**9,550.0**	**8,242.1**	**9 ,85.0**	**8,506.9**
of which intangible assets	71.0	70.5	71.1	70.6	67.3	66.6
Total liabilities	**8,772.1**	**7,582.3**	**8,952.0**	**7,741.5**	**9,164.0**	**7,980.0**
of which subordinated liabilities	228.8	228.8	235.2	235.2	245.6	245.6
Share capital	163.0	163.0	163.0	163.0	163.0	163.0
Fund at fair value	24.5	6.0	51.5	8.9	61.8	14.2
Total restricted equity	187.5	169.0	214.5	171.9	224.8	177.2
Unrestricted equity reserve and other funds	109.8	109.8	109.9	109.9	109.4	109.4
Retained earnings	279.9	221.5	234.3	190.8	273.4	229.9
Profit for the reporting period	15.1	12.8	39.3	28.1	13.5	10.3
Unrestricted equity	404.7	344.1	383.5	328.8	396.2	349.6
Shareholders' share of equity	592.3	513.1	598.0	500.6	621.0	526.8
Equity	**592.3**	**513.1**	**598.0**	**500.6**	**621.0**	**526.8**
Total liabilities and equity	**9,364.4**	**8,095.3**	**9,550.0**	**8,242.1**	**9,785.0**	**8,506.9**
Off-balance sheet commitments	**552.0**	**543.7**	**553.0**	**544.2**	**489.4**	**489.0**

Equity in the Bank Group	**513.1**	**500.6**	**526.8**
Provision for dividends to shareholders	-	-37.8	-
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-	-	-10.3
Intangible assets	-70.5	-70.6	-66.6
Debentures	100.0	111.0	138.1
Additional expected losses according to IRB	-12.9	-9.8	-21.4
Deduction for significant holdings in financial sector entities	-8.2	-7.9	-7.2
Other incl. unpaid dividend	-37.1	0.8	-38.9
Total capital base (CET1 + AT1 + T2)	**484.5**	**486.5**	**520.5**

(EUR million)

The Bank Group's capital adequacy	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Common Equity Tier 1 Capital before regulatory adjustments	464.3	465.1	472.8	474.2	477.2
Common Equity Tier 1 Capital regulatory adjustments	-92.7	-89.6	-90.5	-91.9	-94.8
Total Common Equity Tier 1 Capital (CET1)	**371.6**	**375.5**	**382.3**	**382.3**	**382.4**
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	**-**	**-**	**-**	**-**	**-**
Total Tier 1 capital (T1 = CET1 + AT1)	**371.6**	**375.5**	**382.3**	**382.3**	**382.4**
Tier 2 capital before regulatory adjustments	100.0	111.0	122.3	133.6	138.1
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	**100.0**	**111.0**	**122.3**	**133.6**	**138.1**
Total Own funds (TC = T1 + T2)	**471.6**	**486.5**	**504.6**	**515.8**	**520.5**
Total Risk weighted exposures	**2,271.6**	**2 080.2**	**2,205.6**	**2,122.9**	**2,099.7**
of which credit risk, the standardised approach	924.4	855.8	952.3	905.5	863.8
of which credit risk, the IRBA approach	860.3	874.5	904.5	868.6	887.1
of which 15 % risk-weight floor for residential mortgages	136.9	-	-	-	-
of which market risk	-	-	-	-	-
of which operational risk	349.9	349.9	348.7	348.7	348.7
Own funds requirement (8 %)	181.7	166.4	176.4	169.8	168.0
Own funds buffer	289.9	320.1	328.1	346.0	352.5
CET1 capital ratio	16.4 %	18.0 %	17.3 %	18.0 %	18.2 %
T1 capital ratio	16.4 %	18.0 %	17.3 %	18.0 %	18.2 %
Total capital ratio	20.8 %	23.4 %	22.9 %	24.3 %	24.8 %
Own funds floor (CRR article 500)					
Own funds	471.6	486.5	504.6	515.8	520.5
Own funds floor[1]	199.2	193.0	200.5	190.8	189.7
Own funds buffer	272.4	293.5	304.0	325.1	330.8

1) 80% of the capital requirement based on standardised approach (8 %).

Calculation of capital adequacy is made using ratings from Moody's Investors Services to define risk weight of exposures.

THE BANK GROUP'S RISK-WEIGHTED AMOUNT FOR OPERATIONAL RISKS

(EUR million)

Risk-weighted amount for operational risks	2015*	2016	2017	Mar 2018	Dec 2017	Sep 2017	Jun 2017	Mar 2017
Gross income	187.7	183.3	188.9					
- average 3 years			186.6					
Capital requirement for operational risk				**28.0**	**28.0**	**27.9**	**27.9**	**27.9**
Risk-weighted amount				**349.9**	**349.9**	**348.7**	**348.7**	**348.7**

* Recalculated after acquisation of Aktia Finance ltd.

The capital requirement for operational risk is 15 % of average gross income for the last three years.
The risk-weighted amount for operational risks is calculated by dividing the capital requirement by 8 %.

(EUR million)	31 Mar 2018				
The Bank Group's total exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital require-ment 8 %**
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,508.8	4,504.5	12 %	561.5	44.9
Retail - Secured by immovable property SME	190.3	189.5	49 %	93.7	7.5
Retail - Other non-SME	134.8	126.6	41 %	52.1	4.2
Retail - Other SME	29.6	27.1	86 %	23.3	1.9
Risk-weight floor for residential mortgages, 15 %	-	-	15 %	136.9	10.9
Equity exposures	47.4	47.4	274 %	129.8	10.4
Total exposures, IRB approach	**4,911.0**	**4,895.2**	**20 %**	**997.2**	**79.8**
Credit risk, standardised approach					
States and central banks	277.3	363.0	0 %	0.8	0.1
Regional goverments and local authorities	254.3	275.5	0 %	0.8	0.1
Multilateral development banks	45.9	45.9	0 %	-	-
International organisations	97.1	97.1	0 %	-	-
Credit institutions	665.1	345.1	25 %	86.4	6.9
Corporates	513.5	308.3	99 %	305.9	24.5
Retail exposures	295.2	136.7	69 %	94.5	7.6
Secured by immovable property	869.9	814.1	36 %	291.9	23.4
Past due items	32.6	8.6	106 %	9.1	0.7
Covered bonds	800.3	800.3	10 %	80.0	6.4
Other items	71.5	65.9	59 %	38.7	3.1
Total exposures, standardised approach	**3,922.7**	**3,260.5**	**28 %**	**908.1**	**72.6**
Total risk exposures	**8,833.7**	**8,155.7**	**23 %**	**1,905.3**	**152.4**

(EUR million)	31 Dec 2017				
The Bank Group's total exposures	**Contractual exposure**	**Exposure at default**	**Risk weight, %**	**Risk-weighted amount**	**Capital require-ment 8 %**
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,493.6	4,489.6	13 %	585.0	46.8
Retail - Secured by immovable property SME	141.6	141.3	50 %	70.4	5.6
Retail - Other non-SME	140.5	131.4	45 %	58.9	4.7
Retail - Other SME	33.9	32.2	93 %	30.0	2.4
Equity exposures	47.6	47.6	273 %	130.2	10.4
Total exposures, IRB approach	**4,857.2**	**4,842.1**	**18 %**	**874.5**	**70.0**
Credit risk, standardised approach					
States and central banks	401.0	488.6	0 %	-	-
Regional goverments and local authorities	240.7	264.3	1 %	1.3	0.1
Multilateral development banks	51.0	51.0	0 %	-	-
International organisations	128.0	128.0	0 %	-	-
Credit institutions	702.8	433.9	25 %	109.8	8.8
Corporates	412.5	229.1	99 %	226.8	18.1
Retail exposures	276.1	127.2	68 %	86.6	6.9
Secured by immovable property	903.0	839.3	36 %	299.8	24.0
Past due items	36.0	9.0	104 %	9.3	0.7
Covered bonds	836.4	836.4	10 %	83.6	6.7
Other items	70.5	64.6	40 %	26.0	2.1
Total exposures, standardised approach	**4,058.0**	**3,471.3**	**24 %**	**843.4**	**67.5**
Total risk exposures	**8,915.2**	**8,313.3**	**21 %**	**1,717.9**	**137.4**

THE FINANCIAL CONGLOMERATE'S CAPITAL ADEQUACY

(EUR million)	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 20167
Summary					
The Group's equity	592.3	598.0	593.6	588.0	621.0
Sector-specific assets	106.5	117.8	129.3	140.8	145.8
Intangible assets and other reduction items	-162.0	-174.8	-187.7	-200.9	-247.6
Conglomerate´s total capital base	**536.8**	**540.9**	**535.1**	**527.9**	**519.2**
Capital requirement for banking business	267.6	243.9	259.0	248.9	207.1
Capital requirement for insurance business[1]	86.2	85.1	79.5	80.1	80.6
Minimum amount for capital base	**353.8**	**328.9**	**338.5**	**329.0**	**287.7**
Conglomerate´s capital adequacy	**183.0**	**212.0**	**196.6**	**198.9**	**231.5**
Capital adequacy ratio, %	151.7 %	164.5 %	158.1 %	160.4 %	180.5 %

1) From 1 January 2016 Solvency II requirement (SCR)

The conglomerate´s capital adequacy is based on consolidation method and is calculated according to the rules of the Finnish Act on the Supervision of Financial and Insurance Conglomerates and the standards of the Finnish Financial Supervision Authority.

Note 4. Net interest income

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %	2017
Deposits and lending	16.9	17.1	-1 %	69.1
Liquidity portfolio	2.4	4.6	-48 %	14.9
Hedging measures through interest rate derivatives	3.3	3.9	-16 %	14.4
Other, incl. funfing from wholesale market	-1.9	-2.2	16 %	-8.8
Total	**20.7**	**23.4**	**-11 %**	**89.6**

Borrowing and lending include the covered bonds issued by mortgage bank operations and the interest rate hedging that was made in connection with the issues. Other consists mainly of senior financing, its interest rate hedging and risk debentures.

Note 5. Net income from life-insurance

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %	2017
Premiums written	32.1	33.1	-3 %	125.2
Net income from investments	4.4	6.0	-26 %	20.4
Insurance claims paid	-32.6	-32.7	0 %	-106.7
Net change in technical provisions	1.9	0.7	187 %	-12.2
Total	**5.8**	**7.0**	**-17 %**	**26.6**

Note 6. Net income from financial transactions

(EUR million)	Jan-Mar 2018	Jan-Mar 2017	Δ %	2017
Net income from financial assets measured at fair value through income statement	-0.2	0.1	-	-0.9
Net income from securities and currency trading	0.6	0.4	82 %	1.5
Net income from financial assets measured at fair value through other comprehensive income	0.0	1.1	-	0.5
Net income from interets-bearing securities measured at amortised cost	0.0	0.0	-	0.0
Net income from hedge accounting	0.2	-0.3	-	-0.3
Total	**0.6**	**1.3**	**-49 %**	**0.8**

Note 7. Derivative instruments

Hedging derivative instruments (EUR million)	31 Mar 2018 Total nominal amount	Assets. fair value	Liabilities. fair value
Fair value hedging			
Interest rate-related	2,067.0	55.8	1.9
Total	**2,067.0**	**55.8**	**1.9**
Cash flow hedging			
Interest rate-related	85.1	-	7.4
Total	**85.1**	**-**	**7.4**
Derivative instruments measured through the income statement			
Interest rate-related[1]	536.0	22.3	22.3
Currency-related	3.1	0.0	0.0
Total	**539.1**	**22.3**	**22.3**
Total derivative instruments			
Interest rate-related	2,688.1	78.1	31.7
Currency-related	3.1	0.0	0.0
Total	**2,691.1**	**78.1**	**31.7**

Hedging derivative instruments (EUR million)	31 Dec 2017 Total nominal amount	Assets. fair value	Liabilities. fair value
Fair value hedging			
Interest rate-related	1.927.0	56.9	2.4
Total	**1.927.0**	**56.9**	**2.4**
Cash flow hedging			
Interest rate-related	85.1	-	3.9
Total	**85.1**	**-**	**3.9**
Derivative instruments measured through the income statement			
Interest rate-related[1]	696.5	27.1	27.2
Equity-related[2]	8.8	0.0	0.0
Total	**705.3**	**27.2**	**27.2**
Total derivative instruments			
Interest rate-related	2.708.6	84.0	33.5
Equity-related	8.8	0.0	0.0
Total	**2.717.4**	**84.0**	**33.6**

1) Interest-linked derivatives include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 535.0 (695.0) million.

2) All equity-related and other derivative instruments relate to the hedging of structured debt products.

Note 8. Impairment of financial assets

(EUR million)	Stage 1	Stage 2	Stage 3	Total
Distribution of financial assets 31 Mar 2018				
Interest-bearing securities	2,069.8	-	-	2,069.8
Lending	5,724.9	152.1	47.9	5,924.9
Off-balance sheet commitments	543.1	8.0	0.8	552.0
Total	**8,337.9**	**160.1**	**48.7**	**8,546.7**
Distrubution of financial assets 31 Dec 2017				
Interest-bearing securities	2,165.0	-	-	2,165.0
Lending	5,718.8	124.0	45.8	5,888.7
Off-balance sheet commitments	547.1	5.4	0.5	553.0
Total	**8,430.9**	**129.4**	**46.3**	**8,606.7**

CREDITS AND OTHER COMMITMENTS

(EUR million)	Stage 1	Stage 2	Stage 3	Impairment (IAS 39)	Total
Impairment of credits and other commitments 31 Dec 2017 according to IAS 39	-	-	-	47.7	47.7
Restated in conjunction with adoption of IFRS 9	2.0	4.7	40.0	-47.7	-1.0
Impairment of credits and the other commitments 1 January 2018 according to IFRS 9	2.0	4.7	40.0	-	46.6
Transferred from stage 1 to stage 2	-0.8	0.8	0.0	-	-
Transferred from stage 1 to stage 3	-0.1	0.0	0.1	-	-
Transferred from stage 2 to stage 1	0.0	0.0	0.0	-	-
Transferred from stage 2 to stage 3	0.0	-0.1	0.1	-	-
Transferred from stage 3 to stage 1	0.0	0.0	0.0	-	-
Transferred from stage 3 to stage 2	0.0	0.0	0.0	-	-
Reversal of write-downs	-	-	0.0	-	0.0
Other changes	1.0	-1.3	0.9	-	0.6
Impairments January-March 2018 in the income statement	0.2	-0.7	1.1	-	0.6
Realised losses for which impairmenst were recognised in previous years	-	-	-3.0	-	-3.0
Reversal of write-downs	-	-	0.0	-	0.0
Impairment of credits and the other commitments 31 March 2018 according to IFRS 9	**2.2**	**4.0**	**38.0**	**-**	**44.2**

INTEREST-BEARING SECURITIES

(EUR million)	Stage 1	Stage 2	Stage 3	Impairment (IAS 39)	Totalt
Impairment of interest-bearing securities 31 Dec 2017 according to IAS 39	-	-	-	-	-
Restated in conjunction with adoption of IFRS 9	0.9	-	-	-	0.9
Impairment of interest-bearing securities 1 January 2018 according to IFRS 9	0.9	-	-	-	0.9
Other changes	0.0	-	-	-	0.0
Impairments January-March 2018 in the income statement	0.0	-	-	-	0.0
Impairment of interest-bearing securities 31 March 2018 according to IFRS 9	**0.9**	**-**	**-**	**-**	**0.9**

Note 9. Financial assets and liabilities

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(EUR million)	31 Mar 2018		31 Dec 2017	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets measured at fair value through income statement	935.9	935.9	802.6	802.6
Financial assets measured at fair value through other comprehensive income	1,731.7	1,731.7	1,925.4	1,925.4
Interest-bearing securities measured at amortised cost	338.1	368.4	367.8	376.5
Loans and other receivables	5,924.9	5,851.8	5,888.7	5,811.2
Cash and balances with central banks	154.5	154.5	282.5	282.5
Derivative instruments	78.1	78.1	84.0	84.0
Total	**9,163.2**	**9,120.5**	**9,350.9**	**9,282.1**
Financial liabilities				
Deposits	4,659.3	4,652.3	4,813.0	4,803.5
Derivative instruments	31.7	31.7	33.6	33.6
Debt securities issued	2,442.3	2,454.9	2,450.7	2,465.7
Subordinated liabilities	228.8	231.6	235.2	238.2
Other liabilities to credit institutions	58.7	58.9	60.0	60.4
Total	**7,420.8**	**7,429.4**	**7,592.5**	**7,601.3**

In the table, the fair value and the book value of the financial assets and liabilities. are presented per balance sheet item. The fair values are determined both for agreements with fixed and variable interest rates. The fair values are calculated without accrued interest and without the effect of possible hedging derivatives attributable to the balance sheet item.

Fair values on investment assets are primarily determined by market prices quoted on active markets. If quoted market prices are not available. the value of the balance sheet items is mainly determined by discounting future cash flows using market interest rates on the day the accounts were closed. In addition to the credit risk profile of current stock, costs for re-financing are considered in the discount rate when determing fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flows at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a marginal corresponding the seniority of the instrument is applied.

Derivatives are measured at fair value corresponding to quotes on the market.

MEASUREMENT OF FINANCIAL ASSETS AT FAIR VALUE

Level 1 consists of financial instruments that are valued using prices listed on an active market. In an active market transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes listed bonds and other securities, listed equity instruments and derivatives, for which tradable price quotes exist.

Level 2 consists of financial instruments that do not have directly accessible listed prices from an effective market. The fair value has been determined by using valuation techniques, which are based on assumptions supported by observable market prices. Such market information may include listed interest rates, for example, or prices for closely related instruments. This category includes the majority of OTC derivative instruments, as well as many other instruments that are not traded on an active market. In addition, the Bank makes an independent valuation adjustment to the market value of the outstanding OTC derivatives for the counterparty credit risk as well as for the own credit risk.

Level 3 consists of financial instruments for which the fair value cannot be obtained directly from quoted market prices or indirectly by using valuation techniques or models supported by observable market prices. This category mainly includes unlisted equity instruments and funds, and other unlisted funds and securities where there currently are no fixed prices.

	31 Mar 2018				31 Dec 2017			
(EUR million)	**Fair value classified into**				**Fair value classified into**			
Financial instruments measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through the income statement								
Investments for unit-linked investments	793.0	-	-	793.0	802.6	-	-	802.6
Interest-bearing securities	7.2	-	0.3	7.5	-	-	-	-
Shares and participations	101.2	-	34.2	135.4	-	-	-	-
Total	**901.4**	**-**	**34.5**	**935.9**	**802.6**	**-**	**-**	**802.6**
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,351.9	141.7	238.1	1,731.7	1,457.6	93.2	246.4	1 797.2
Shares and participations	-	-	-	-	94.3	-	33.9	128.2
Total	**1,351.9**	**141.7**	**238.1**	**1,731.7**	**1,551.9**	**93.2**	**280.3**	**1 925.4**
Derivative instrument, net	0,0	46,4	-	46,4	0.0	50.5	-	50.5
Total	**0,0**	**46,4**	**-**	**46,4**	**0.0**	**50.5**	**-**	**50.5**
Total	**2,253.3**	**188.1**	**272.6**	**2,714.0**	**2,354.5**	**143.7**	**280.3**	**2,778.4**

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period there has been no transfers between level 1 and level 2. The increase in level 2 is due to an increase in business volumes, mainly relating to domestic municipal bonds and commercial papers.

Aktia Group`s Risk control has the responsibility for classifying financial instrument into levels 1, 2 and 3. The valuation process, which is made on an ongoing basis, is the same for financial instruments in all levels. The process determines to which level a financial instrument will be classified. In cases where internal assumptions have a material impact on fair value, the financial instrument is reported in level 3. The process also includes an evaluation based on the quality of the valuation data, if a type of financial instrument is to be transferred between levels.

Changes within level 3

The following table present the change from year-end regarding level 3 Financial assets rmeasured at fair value.

Reconciliation of the changes for financial instruments belonging to level 3	Financial assets measured at fair value through income statement			Financial assets measured at fair value through other comprehensive income			Total		
(EUR million)	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total	Interest-bearing securities	Shares and partici-pations	Total
Carrying amount 1 Jan 2018	-	-	-	246.4	33.9	280.3	246.4	33.9	280.3
Reclassified according to IFRS 9	0.3	33.9	34.1	-0.3	-33.9	-34.1	-	-	-
New purchases	-	0.1	0.1	-	-	-	-	0.1	0.1
Sales	-	-0.1	-0.1	-6.0	-	-6.0	-6.0	-0.1	-6.1
Matured during the period	-	-	-	-	-	-	-	-	-
Realised fair value change in the income statement	-	-	-	-	-	-	-	-	-
Unrealised fair value change in the income statement	-	-	-	-	-	-	-	-	-
Fair value change recognised in other comprehensive income	-	0.4	0.4	0.0	-	0.0	0.0	0.4	0.3
Transfer from level 1 and 2	-	-	-	-	-	-	-	-	-
Transfer to level 1 and 2	-	-	-	-2.0	-	-2.0	-2.0	-	-2.0
Carrying amount 31 Mar 2018	**0.3**	**34.2**	**34.5**	**238.1**	**-**	**238.1**	**238.4**	**34.2**	**272.6**

Sensitivity analysis for level 3 Financial instruments

The value of financial instruments reported at fair value in level 3 includes instruments, that have been valued partly or in total, using techniques based on assumptions not supported by observable market prices.

This information shows the effect that relative uncertainty can have on the fair value of financial instruments whose valuation is dependent on non-observable parameters. The information should not be seen as predictions or as indication of future changes in fair value.

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percantage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20 %. These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.6 (2.6) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 Mar 2018 Effect at an assumed movement			31 Dec 2017 Effect at an assumed movement		
(EUR million)	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets measured at fair value through income statement						
Investments for unit-linked investments	-	-	-	-	-	-
Interest-bearing securities	0.3	0.0	0.0	-	-	-
Shares and participations	34.2	6.8	-6.8	-	-	-
Total	**34.5**	**6.9**	**-6.9**	**-**	**-**	**-**
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	238.1	7.1	-7.1	246.4	7.4	-7.4
Shares and participations	-	-	-	33.9	6.8	-6.8
Total	**238.1**	**7.1**	**-7.1**	**280.3**	**14.2**	**-14.2**
Totalt	**272.6**	**14.0**	**-14.0**	**280.3**	**14.2**	**-14.2**

SET OFF OF FINANCIAL ASSETS AND LIABILITIES

(EUR million)	31 Mar 2018		31 Dec 2017	
Assets	**Derivatives**	**Reverse repurchase agreements**	**Derivatives**	**Reverse repurchase agreements**
Financial assets included in general agreements on set off or similar agreements	78.1	-	84.0	-
Set off amount	-	-	-	-
Carrying amount recognised in the balance sheet	**78.1**	**-**	**84.0**	**-**
Amount not set off but included in general agreements on set off or similar	6.0	-	5.8	-
Collateral assets	67.0	-	76.6	-
Total amount of sums not set off in the balance sheet	**72.9**	**-**	**82.4**	**-**
Net amount	**5.2**	**-**	**1.7**	**-**

Liabilities	**Derivatives**	**Repurchase agreements**	**Derivatives**	**Repurchase agreements**
Financial liabilities included in general agreements on set off or similar agreements	31.7	210.0	33.6	146.2
Set off amount	-	-	-	-
Carrying amount recognised in the balance sheet	**31.7**	**210.0**	**33.6**	**146.2**
Amount not set off but included in general agreements on set off or similar	6.0	-	5.8	-
Collateral liabilities	7.5	210.5	12.3	145.9
Total amount of sums not set off in the balance sheet	**13.4**	**210.5**	**18.1**	**145.9**
Net amount	**18.2**	**-0.5**	**15.5**	**0.3**

The table shows financial assets and liabilities that are not set off in the balance sheet, but have potential rights associated with enforceable master set-off arrangements or similar arrangements, such as ISDA Master Agreements, together with related collateral. The net amount shows the exposure in normal business as well as in the event of default or insolvency.

Note 10. Specification of Aktia Group's funding structure

(EUR million)	31 Mar 2018	31 Dec 2017	31 Mar 2017
Deposits from the public and public sector entities	3,932.7	4,118.5	4,113.1
Short-term liabilities, unsecured debts			
Banks	49.7	71.7	60.9
Total	**49.7**	**71.7**	**60.9**
Short-term liabilities, secured debts (collateralised)			
Banks - received cash in accordance with collateral agreements	67.0	76.6	106.5
Repurchase agreements - banks	210.0	146.2	233.4
Total	**277.0**	**222.7**	**339.9**
Total short-term liabilities	**326.6**	**294.4**	**400.9**
Long-term liabilities, unsecured debts			
Issued debts, senior financing	777.1	782.2	786.7
Other credit institutions	35.7	37.0	45.1
Subordinated debts	228.8	235.2	245.6
Total	**1,041.6**	**1,054.4**	**1,077.4**
Long-term liabilities, secured debts (collateralised)			
Central bank and other credit institutions	423.0	423.0	428.0
Issued covered bonds	1,665.3	1,668.6	1,678.6
Total	**2,088.3**	**2,091.6**	**2,106.6**
Total long-term liabilities	**3,129.8**	**3,146.0**	**3,184.0**
Interest-bearing liabilities in the banking business	**7,389.1**	**7,559.0**	**7,697.9**
Technical provisions in the life insurance business	1,205.4	1,217.3	1,184.1
Total other non interest-bearing liabilities	177.6	175.7	281.9
Total liabilities	**8,772.1**	**8,952.0**	**9,164.0**

Short-term liabilities = liabilities which original maturity is under 1 year
Long-term liabilities = liabilities which original maturity is over 1 year

Note 11. Collateral assets and liabilities

Collateral assets (EUR million)	31 Mar 2018	31 Dec 2017	31 Mar 2017
Collateral for own liabilities			
Securities	640.7	575.2	667.7
Outstanding loans constituting security for covered bonds	2,329.6	2,110.4	2,267.5
Total	**2,970.4**	**2,685.5**	**2,935.2**
Other collateral assets			
Pledged securities[1]	135.3	146.7	187.0
Cash included in pledging agreements and repurchase agreements	7.5	12.3	20.6
Total	**142.8**	**158.9**	**207.6**
Total collateral assets	**3,113.2**	**2,844.5**	**3,142.8**
Collateral above refers to the following liabilities			
Liabilities to credit institutions[2]	633.0	569.2	661.4
Issued covered bonds[3]	1,665.3	1,668.6	1,678.6
Derivatives	7.5	12.3	20.6
Total	**2,305.7**	**2,250.0**	**2,360.6**

1) Refers to securities pledged for the intra day limit. As at 31 March 2018, a surplus of pledged securities amounted to EUR 10 (21) million.
2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.
3) Own repurchases deducted.

Collateral liabilities (EUR million)	31 Mar 2018	31 Dec 2017	31 Mar 2017
Cash included in pledging agreements[1]	67.0	76.6	106.5
Total	**67.0**	**76.6**	**106.5**

1) Refers to derivative transactions where collaterals were received from the counterparty in accordance with ISDA/CSA agreements.

Note 12. Off-balance sheet commitments

(EUR million)	31 Mar 2018	31 Dec 2017	31 Mar 2017
Commitments provided to a third party on behalf of the customers			
Guarantees	31.4	31.7	30.4
Other commitments provided to a third party	7.4	7.3	0.5
Irrevocable commitments provided on behalf of customers			
Unused credit arrangements	504.8	505.2	458.1
Other commitments provided to a third party	8.3	8.8	-
Off-balance sheet commitments	**552.0**	**553.0**	**489.0**

Helsinki 8 May 2018

AKTIA BANK PLC
THE BOARD OF DIRECTORS

TRANSLATION This document is an English translation of the Swedish report on review of the interim report. Only the Swedish version of the report is legal.

Report on review of the interim report of Aktia Bank plc as of and for the three months period ending March 31, 2018

To the Board of Directors of Aktia Bank plc

Introduction

We have reviewed the balance sheet as of March 31, 2018 and the related income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement of Aktia Bank plc Group for the three-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing interim financial reporting preparation in Finland.

Helsinki 8 May, 2018

KPMG OY AB
Marcus Tötterman
Authorised Public Accountant, KHT

Aktia Bank plc
PO Box 207
Mannerheimintie 14, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Website: www.aktia.com
Contact: aktia@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH

Aktia